4th ICAN International Academic Conference Proceedings

2018

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ICAN

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No. 15 of 1965)

in collaboration with

COVENANT UNIVERSITY, OTA, OGUN STATE

Presents

4th

ANNUAL INTERNATIONAL ACADEMIC CONFERENCE ON ACCOUNTING AND FINANCE

Theme:

CONTEMPORARY ISSUES IN ACCOUNTING , FINANCE AND CORPORATE GOVERNANCE

Proceedings of 4th ICAN Annual International Academic Conference

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PROGRAMME OF EVENTS

Tuesday, April 17, 2018- arrival Day

Wednesday, April 18, 2018: Registration and Opening Ceremony

8:00 am- 4.00pm	Registration
10:15 :00 am -- 11:00 am	Courtesy visit by ICAN President to Vice- Chancellor, Covenant University, Ota
11:00am -1:15 pm	**OPENING CEREMONY** – African Leadership Development Centre, CU. ✓ Introduction of Dignitaries ✓ Opening Remarks by Academic Conference Committee Chairman, Prof.Isa Kabiru Dandago,FCA ✓ Address by Mazi Nnamdi Okwuadigbo,FCA, Chariman, TRPPC Committee& 1st Deputy Vice – President, ICAN ✓ Introduction of the president and Member of the ICAN Council by Dr. Ben Ukaegbu, Deputy Registrar, Technical Services ✓ Welcome address by Mallam Isma'ila Muhammadu Zakari,mni,FBR,FCA, the 53rd Preseident of ICAN ✓ Keynote Address by Prof. A.A.A Atayero, PhD, Vice-Chancellor, Covenant University,Ota ✓ Vote of Thanks by the MC-Dr.(Mrs) Solabomi Ajibolade,FCA
1.15 pm- 1:45pm	Tea Break
1.45pm – 2.45pm	Lead PaperPresentation: Internal Control, Corporate Governance and Forensic Accounting in Nigeria: Regulations or Voluntary Codes of Corporate Governance by Dr. Bernard A. Verr, FCA, Baze University, FCT, Abuja Chairman of Session: Prof. Isa Kabiru Dandago, FCA
2.45pm – 3.15pm	Lunch Break
3.15pm – 5:15pm	!st PhD Colloquium (ALDC)

	Moderator: Prof. Isa Kabiru Dandago, FCA
5:15pm – 5.30pm	Break
5:30pm – 7:30pm	2nd PhD Colloquium (ALDC) Moderator: **Prof. Chiwuba Okafor, FCA**

Thursday, April 19, 2018

8.00am – 3.00 pm	Registration
10.00am – 12noon	Workshop 1- African Leadership Development Centre, CU. **Paper Presenter: Professor Chinwuba Okafor, FCA** Pre-conference
12.05pm – 2.00pm	Workshop 2- African Leadership Development Centre, CU.
	Paper Presenter: Dr. (Mrs) Solabomi Ajibolade, FCA
2.00pm – 3.00pm	Lunch
3:15pm – 5:15 pm	Concurrent Session 1
5:15pm- 5:30pm	Break (Networking)
5.30pm – 7:30pm	Concurrent Session 11

Friday, April 20, 2018

9.00am – 11.05am	Concurrent Sessions III
9.50am – 11:05am	Concurrent Sessions IV
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1.05pm – 2.05pm Certificates	Closing Ceremony, Award to the Best Papers & Distribution of (African Leadership Development Centre, CU)
2.05pm – 3.05pm	Lunch/Departure

4TH ANNUAL INTERNATIONAL ACADEMIC CONFERENCE PLANNING WORKGROUP

ICAN/CUO ACADEMIC CONFERENCE WORKGROUP

S/N	NAMES	DESIGNATION
1.	Mazi Nnamdi A. Okwuadigbo	Chairman, TRPPC & 1st DVP
2.	Dr. Innocent Okwuosa	Deputy Chairman (Council Member)
3.	Prof Kabiru Dandago	Chairman, Workgroup
4.	Prof. Chinwuba. Okafor	Member
5.	Prof. Emmanuel.A Kighir	Member
6.	Prof. R.Oyesola Salawu	Member
7.	Prof. Kehinde James	Member
8.	Dr. (Mrs) Solabomi Ajibolade	Member
9.	Dr. Kenny Shoyemi	Member
10.	Dr. Rabiu Sadiq	Member
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20.	Folorunsho M. Ajide	Senior Manager, Research & Technical
21.	Odunayo Adebayo	Senior Manager, Research & Technical
22.	Mary-Fidelis, Abiahu C.	Senior Manager, Research & Technical

COVENANT UNIVERSITY, OTA TEAM

1. Prof. Uwaloma Uwuigbe
2. Prof. (Mrs.) Olubukola Uwuigbe
3. Dr. Dorcas Adetula
4. Dr. Samuel Fakile
5. Dr. Ben-Caleb Egbide
6. Dr. Obigbemi Imoleayo
7. Dr. Kingsley Adeyemo
8. Dr. Samuel Faboyede

CONFERENCE CHAIRMAN WELCOME ADDRESS

This proceedings is published to showcase the numerous papers accepted and presented at the 4th Annual International Academic Conference on Accounting and Finance with the above captioned theme. The Annual Conference is one of the initiatives of the prestigious Institute of Chartered Accountants of Nigeria (ICAN) designed to give adequate opportunities to its members, and non-members, to excel in their chosen endeavours.

Members of the Institute working with universities, polytechnics and other tertiary educational institutions have been finding it difficult to attend the Annual Accountants' Conference of the Institute, thereby missing the opportunity to interact and network with professional colleagues and to earn credit points needed for advancement as professionals and for retaining membership certificate. This Academic Conference perfectly serves as a cost- effective alternative to ICAN members in the academic world as they use it to perfect their research and publication skills, enjoy academic mentoring, earn credit points, and ensure their rapid progress on the academic ladder.

The Annual International Academic Conference is conducted with the following specific objectives in mind:

1. To bring together members of the Institute: academics, practitioners, policy makers and students for exchange ofideas;
2. To acquaint delegates with new areas of knowledge in the accountancy profession and related fields;
3. To provide participants with open and scholarly feedback on their work from a truly global audience;
4. To provide participants with networking opportunities to share ideas in various areas of accounting and related subjects; especially academics that participate in the Conference;
5. To create avenue for mentor –mentee relationship through Ph.D. colloquium, capacity building workshops and other activities of the Conference; and
6. To offer a publication outlet for well-researched papers presented at the Conference.

To achieve the objectives above, the Conference is usually packaged with activities like Opening Session, Workshops, Ph.D Colloquiums, Keynote Presentation, Lead Papers Presentation, Concurrent Papers Sessions and Closing Ceremonies. In 2017, the Institute commenced a programme of collaboration with Nigerian Universities to bring the Conference nearer to its target audience. The first collaboration was with the University of Lagos (UNILAG), while we are currently holding the second one in collaboration with Covenant University, Ota, Ogun State, Nigeria on their Campus.

The proceeding is restricted to those papers that have been reviewed and accepted for presentation at the 4th Annual International Academic Conference. The papers reviewers, consisting of experienced professors and other senior academics, ensured that each abstract conforms with the requirements of highlighting the purpose/main objectives of the paper, methodology, the major findings, recommendations and policy implications proposed in the papers.

Twenty (20) Accounting and Finance sub-themes were suggested at this year's Conference for prospective paper writers and Conference attendees to take advantage of and make their contributions. All the sub-themes have been patronized, even though some are more “loved” and, therefore, more patronized by the paper writers than others. The Conference received not less than 200 papers written by members and non-members within Nigeria and from other parts of the world, including United Kingdom, Pakistan, Malaysia, Kenya, South Africa, among others.

Finally, I welcome you all to this event and wish you a blissful and highly educative Conference.

Professor Kabiru Dandago Isa PhD, FCA, FCTI, FNIM, FTMN, MNES, AAIF

Chairman, Academic Conference Workgroup

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CONTEMPORARY ISSUES IN ACCOUNTING, FINANCE AND CORPORATE GOVERNANCE

Lead paper presented by:
Dr. Bernard B. A. Verr, *FCA*
BAZE University, Abuja

Introduction

It is a rare privilege to be before you scholars, captains of industry and established professionals in accounting and finance to present a Lead Paper. It is quite intimidating to be before you and attempt to provide a lead on issues you clearly are in leadership position, but to chicken out will not help the cause of the organizers to 'bring together members in academics, practitioners, policy makers and students for exchange of ideas'. The repeat of the 2017 international academic conference of Contemporary Issues in Accounting, Finance and Corporate Governance is germane because a single conference could hardly exhaust the contemporary issues. The accounting professional is still coping with the treatment of transactions and preparation of financial statement moving towards a universal convergence under the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPAS). In the area of finance, we have the crypto-currency – a digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independent of a Central Bank. There are also various issues surrounding risks – with the kinds of risks companies are concerned with, how those risks are managed, pension scheme deficit, crowd funding, single currency and behavioral finance combining finance and psychology.

I have taken the liberty to delve deeper into contemporary issues in corporate governance in Nigeria because this is an area I had to deal with in my public enterprise reform roles in Nigeria as well as service on the boards of both private and public companies.

Corporate Governance

It is generally agreed that weak corporate governance has been responsible for some recent corporate failures in Nigeria (SEC, 2014). Corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and in some cases, alleged criminal activity by corporate officers. Following the conclusion of the consolidation programme in 2005, a code of corporate governance was issued to the banking industry (CBN, 2014). Internal corporate governance control became an important issue in the wake of major accounting scandals both in the US and Europe (Turnball, 1999). For all intent and purposes, corporate governance is the internalization of internal control processes which aim at ensuring the integrity and reliability of the financial reports, ensuring compliance with applicable laws, regulations, professional rules and contractual obligation and promoting strategic, tactical and operational efficiency and effectiveness. Corporate governance is implemented between regulations and voluntary codes and what option do we believe will be best for Nigeria? We will discuss internal control and corporate governance codes and the various approaches to its implementation in other climes.

Internal Control:

The 'Committee of Sponsoring Organizations of the Treadway Commission' (COSO) describes Internal Control as follows (ICAN, 2014) '*Internal Control is a process effected by an entity's BOARD of Directors, Management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:*

(a) *Effectiveness and efficiency of operations;*

(b) Reliability of Reporting

(c) Compliance with applicable laws and regulations'

The Importance of Internal Control

A company's system of internal control has to serve a number of functions. (http://treasurytoday.com).

It is one of the main tools used to identify and manage a company's risks, protect the investments made by shareholders and safeguard the company's assets. Internal control aims to enhance business operations and ensure the effectiveness of external and internal reporting. In addition, an internal control system should be designed to detect fraud and support management in complying with laws and regulations.In order to achieve this, an internal control system will focus to a large extent on financial controls and the detection and management of financial risks. The system has to be able to adapt to a continuously changing risk profile, which also means that the efficiency of internal control methods and processes themselves need to be evaluated on a periodic basis.Internal control systems are not designed to avoid risks altogether, but to detect and assess the material risks to which a company is exposed and to enable the management of these exposures in the most appropriate way.

Regulations and Voluntary Codes of Conduct on Internal Control

The way in which a company has to organize its system of internal controls and the responsibilities that the management board has with regard to internal control depends on the country of operation. It will be governed by law, by voluntary codes of conduct or, in some rate cases, not be governed at all externally.

European Union

Publicly quoted companies in the European Union are subject to the Directive on Statutory Audit (2006/43/EEC) which had to be adopted by all member states by the end of June, 2009. This directive states that effective internal control systems contribute to minimizing financial, operational and compliance risks and enhance the quality of financial reporting. The Directive requires therefore that a company's audit committee or an alternative body monitors the effectiveness of a company's internal control, audit and risk management systems.In addition, the EU Company Reporting Directive demands that companies from EU member states listed on the stock market have to publish a corporate governance statement together with their annual reports or on an individual basis. This corporate governance statement should feature a description of any existing risk management systems and internal controls that are relevant to financial reporting. The statement also has to refer to the corporate governance code applied by the company and explain to what extent the company complies with that code.These corporate governance codes of conduct exist in nearly all European countries on a largely voluntary basis according to the 'comply or explain' principle. The principle dictates that companies either follow the recommendations of the national code or explain why they do not do so. However, the majority of corporate governance codes do not actually define 'internal controls' and some, like the Turnbull guidance which is part of the Combined Code in the UK, are more detailed than others in their prescriptions of how an internal control system should be structured and how the effectiveness of internal controls can be ensured.In Europe, EU Directives, national laws and corporate governance codes have not yet led to common principles and market practice with regard to internal control. Companies are generally free to decide what kind of internal controls framework they would like to adopt.

Sarbanes-Oxley

Companies listed on a US stock exchange are subject to Section 404 of the Sarbanes-Oxley Act of 2002 which, in response to accounting and financial scandals, requires that companies publish a statement on the effectiveness of internal controls over financial reporting and disclose any material weaknesses they may have identified. Directors of public companies are personally responsible for the evaluationof internal controls and the publication of their findings together with their company's Securities and exchange Commission (SEC) filings.

Internal control frameworks

There are a wide range of control frameworks that a company can adopt when implementing an internal control system. The most widely used, particularly in the US, is the COSO (Committee of Sponsoring Organization at the Treadway Commission) framework, but other frameworks such as COCO, the guidance issued by the Canadian Institute of Chartered Accountants, or the Turnbull guidance in the UK can also be employed by companies in order to comply with internal control regulations such as Sarbanes-Oxley. The differences between the individual frameworks are not fundamental but they may focus on different aspects, such as high impact and higher likelihood risks in the case of the Turnbull guidance.

The COSO framework

COSO (Committee of Sponsoring Organisations of the Treadway Commission) is a non-profit organisation that was founded in 1985 with the objective of identifying factors that contributed to fraudulent financial reporting. COSO is sponsored and funded by five major professional accounting associations and institutes: the American Institute of Certified Public Accountants (AICPA), the American Accounting Association (AAA), Financial Executives International (FEI), the Institute of Internal Auditors (IIA) and the Institute of Management Accountants (IMA).In 1992, COSO issued the report 'Internal Control – Integrated Framework' in order to help businesses and other organisations assess and improve their internal control systems. The framework defined internal control and established standards and criteria which companies can use to evaluate their own internal control systems.The framework is based on a number of key concepts, according to which internal control has to be understood as a process which is affected by people at every level of an organization and not simply a set of policies and procedures. Internal control can, in addition, only provide a reasonable level of assurance, rather than achieve complete assurance to a company's management and board that its internal control objectives are met. These objectives are namely to guarantee:

- The effectiveness and efficiency of operations.
- The reliability of financial reporting.
- Compliance with applicable laws and regulations.
- The safeguarding of assets.

The COSO framework structures internal control into the following interrelated components which are integrated into the management process.

(a) Control environment

The control environment forms the basis of internal control by ensuring that internal control is embedded into the structure and thinking of the company on both the management and staff level. The control environment consists of elements such as established values, management philosophy, assignment of responsibility and the leadership and guidance provided by senior management on internal control.

(b) Risk assessment

Any company faces a variety of risks to its business objectives. These risks have to be identified and evaluated to enable the efficient management of each risk. As business risks are constantly changing, internal control mechanisms need to be able to adapt and address the risks resulting from these changes.

(c) Control activities

The control activities are, according to the COSO framework, all policies and procedures which help to ensure that management Directives are carried out. They include various aspects such as the segregation of duties, authorisations, account reconciliations, verifications, reviews of operating performance and information processing controls that ensure the protection of assets and the timely preparation of reliable financial statements.

(d) Information and communication

Business decision making relies to a large extent on internal and external information. This means that information and communication systems are needed to identify, process and aggregate all pertinent information on business performance and operational, financial and compliance risks. Internal control processes must ensure that important information can be passed on efficiently between staff and management, as well as between the company and external partners including customers, suppliers, shareholders or regulators. The capabilities of a company's IT environment are therefore also evaluated regularly.

(e) Monitoring

To manage effectively the risks faced by the company, the quality and effectiveness of internal control needs to be assessed on a continuous basis and, if necessary, improved. Monitoring should be part of the operational business as well as a supervisory activity performed by management on behalf of the board. It is achieved through continuous monitoring and separate individual reports. The reliability of any existing continuous monitoring systems and the complexity of the risks that a business faces will determine the number of additional individual evaluations and reports that are required by the management board to assess the effectiveness of internal controls.For each component, the COSO framework prescribes a number of criteria against which companies can evaluate their internal control set-up. The different components are connected and may overlap to form a system that can react dynamically to a changing risk environment. As such, the internal control system should form part of the operating business and infrastructure. Internal control objectives and components are also related in the sense that all components have to be in place to address each individual objective.In the US the COSO framework is used not only by public companies to comply with Sarbanes-Oxley but also by smaller private companies to establish or evaluate existing internal control systems. While the general framework remains the same, the application of the principles is adapted depending on the size and nature of the company. The COSO framework has also strongly influenced other internal control frameworks internationally.

(f) Turnbull recommendations

The basic objectives of the COSO framework can also be found in the Turnbull recommendations published in the UK in 1999. The fundamental difference is that the Turnbull report focuses on high impact and higher likelihood risks. The Turnbull report on internal control places strong emphasis on objective setting, risk identification and risk assessments when evaluating internal controls. The report's recommendations encourage directors to regularly consider the following factors:

- The nature and extent of the risks facing the company.
- The likelihood that these risks may materialize.
- The types and levels of acceptable risk.
- The company's ability to reduce the likelihood and impact of identified risks.

- The cost-effectiveness of operating individual internal controls relative to the benefit gained by managing the risks.

The Turnbull approach considers the understanding of business objectives and the analysis of risks as a pre-requisite to the design of effective internal controls. The basic idea is to understand the risks, to design controls based on those risks and to perform tests to evaluate the controls.

The Nigerian Experience
Two codes of corporate governance operate now in Nigeria. We have the code of Corporate Governance for Banks and Discount Houses and Guidelines for Whistle Blowing in the Nigerian Banking Industry issued by the Central Bank of Nigeria (CBN) and Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission (SEC). The Central Bank of Nigeria has supervisory and regulatory powers in its enabling legislation and may be able to adequately ensure adherence to its code. Apart from the lack of regulatory powers of SEC on public companies, there is the question of resistance to compliance with law in our environment. In addition to the above short-comings, the whole of public enterprises like the Nigerian National Petroleum Corporation, the power sector, the ports sector and other very important public enterprises with immense impact on our economy are not covered. If internal control is so central to the success of organizations and Chartered Accountants are the focal point for its development, internalization and use, why can't we make the effort to ensure that it becomes part of our Companies and Allied Matters Act?

Observation
Corporate Governance as Internalization of Internal Control Concept, Processes and Procedures in the Systems of Organization

(A) OECD (Organization for Economic Cooperation and Development) Principles of Corporate Governance, and especially under the responsibilities of the Board provides as follows:-

(i) Board members should act on a fully informed basis, in good faith, with due diligence and care and in the best interest of the company and the shareholders.

(ii) The Board should fulfill certain key functions, including

(a) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

(b) Monitoring effectiveness of the company's governance practices and making changes as needed.

(c) Ensuring the integrity of the corporations accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the laws and relevant standards.

(B) The Securities and Exchange Commission Code of Corporate Governance for Public Companies set the duties of the Board of Directors as follows:-

(i) <u>Duties of the Board</u>

The duties of the Board shall include the following:

(a) Formulation of policies and overseeing the Management and conduct of the business;
(b) Formulation and management of risk management framework;
(c) Succession planning and the appointment, training, remuneration and replacement of board members and senior management;
(d) Overseeing the effectiveness and adequacy of internal control systems;
(e) Overseeing the maintenance of the company's communication and information dissemination policy;
(f) Performance appraisal and compensation of board members and senior executives;
(g) Ensuring effective communication with shareholders;
(h) Ensuring the integrity of financial reports;
(i) Ensuring that ethical standards are maintained;
(j) Ensuring compliance with the laws of Nigeria;
(k) Provide non-executive directors with a conducive environment for the effective discharge of their duties; and
(l) Provide non-executive directors in a timely manner adequate and comprehensive information on all Board matters.

(ii) The Chairman´s functions should include the following:

(a) Providing overall leadership and direction for the board and the company;
(b) Setting the annual board plan;
(c) Setting the agenda for board meetings in conjunction with the CEO and the Company Secretary;
(d) Playing a leading role in ensuring that Board and its committees are composed of the relevant skills, competencies and desired experience;
(e) Ensuring that Board meetings are properly conducted and the Board is effective and functions in a cohesive manner;
(f) Ensuring that board members receive accurate and clear information in a timely manner, about the affairs of the company to enable directors take sound decisions;
(g) Acting as the main link between the Board and the CEO as well as advising the CEO in the effective discharge of his duties;
(h) Ensuring that all directors focus on their key responsibilities and play constructive role in the affairs of the company;
(i) Ensuring that induction programmes are conducted for new directors and continuing education programmes is in place for all directors;
(j) Ensuring effective communication and relations with company's institutional shareholders and strategic stakeholders;
(k) Taking a lead role in the assessment, improvement and development of the Board; and
(l) Presiding over general meetings of shareholders.

(iii) <u>The Risk Management Committee:</u>

The functions of the Committee should be guided by written terms of reference or a charter and should include the following:-

(a) Review and approval of the companies risk management policy including risk appetite and risk strategy;
(b) Review the adequacy and effectiveness of risk management and controls;
(c) Oversight of management's process for the identification of significant risks across the company and the adequacy of prevention, detection and reporting mechanisms;
(d) Review of the company's compliance level with applicable laws and regulatory requirements that may impact the company's risk profile;
(e) Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile; and
(f) Review and recommend for approval of the Board risk management procedures and controls for new products and services.

(C) The provisions of the Corporate Governance for Banks from the Central Bank is not too different from what we have indicated above.

(D) If the specific objectives of internal control include the following:-

- Ensuring the integrity and reliability of the financial reports
- Ensuring compliance with applicable laws, regulations, professional rules and contractual obligations
- Promoting strategic, tactical and operational efficiency and effectiveness (Hopwood, W, Young G and Leiner J – 2013).

We must arrive at the inescapable conclusion that Corporate Governance is the internalization of internal control in the Systems of Organizations.

Voluntary Adoption of Corporate Governance Codes in Nigeria

The Nigerian society prides itself in resisting compliance to rules and regulations even when they are laws backing compliance, for example, payment of taxes. IF the conclusion from every learned angle is that corporate governance compliance is too important to be left to peoples' whims and caprices, and if we know that its strengthening will impact positively on our economy, we should try strong and stringent regulations. Corruption is fighting back tooth and nail in Nigeria and any avenue that provides us with better tools of trade should be grabbed.

The Current Coverage of Corporate Governance Codes in Nigeria

(a) For the moment, the current coverage of corporate governance codes is limited to public companies (SEC) and Banks and Financial Institutions (Central Bank of Nigeria). I am sure that most of you in this hall may have forgotten that the Nigerian Telecommunications Limited (NITEL), the leading communications company died exactly at the time when international telecommunication companies were scrambling for the Nigerian market. It died because of the abuse of internal control and governance abuses.

(b) We came on the Board of NITEL in 2004 and we were led by the best Engineer Nigeria could find, Engr. VincentMaduka, the former Director-General of Nigerian Television Authority (NTA). Yours truly was also on the Board and we met a Contract Manager, Messrs. Pentascope.

(I) Table I is the Profit Accounts for 2003 when the contract managers, Pentascope were in place and 2002 when they were yet to be employed.

NIGERIAN TELECOMMUNICATIONS LIMITED (NITEL) -
Table I
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 2003

	2003	2002
	N'000	N'000
Traffic Revenue	41,445,534	53,487,296
Deduct: Direct Costs		
Out-payments	(1,472,813)	(1,844,852)
Other Direct Costs	(15,316,635)	(13,342,231)
Interconnect Charges	(9,497,650)	(6,096,034)
Gross Profit	15,157,036	32,202,179
Other Income	1,575,487	2,847,487
Exchange Gain	462,278	286,222
	17,194,301	35,335,888
Administrative Expresses	(6,329,901)	(5,114,321)
Office and General Expenses	(3,205,298)	(1,763,107)
Interest on Loan	(128,528)	(244,047)
Depreciation	(8,737,822)	(7,690,164)
Amortization of Carrier & Gateway Services License	(12,600)	
Statutory Levy	(251,585)	(450,962)
Other Expenses	(11,440,577)	(4,571,624)
(Loss)/Profit on before exceptional item	(12,911,410)	15,026,056
Taxation	(423,425)	(6,468,926)
(Loss)/Profit on Ordinary Activities after Taxation	(19,561,744)	8,557,130
(Loss)/Earnings per share (kobo)	(18)	8

(II) The loss incurred for the year was N19,561,744,000 as opposed to a profit of N8,557,130,000 made in 2002. Up to their first year of performance, the loss level in NITEL had reached N27.12 billion. Whereas income went down about 22.5% of the 2002 performance, operating costs went up about 14%.

TABLE II
CASH POSITION HANDLED BY THE MANAGEMENT CONTRACTORS

	01/01-31/12/03 ₦'Billion		01/01-31/04/04 ₦'Billion	
Opening Balance	16.34		0.11	
Receipts	56.09		11.26	
Treasury Bills Discounted	5.7	78.13		11.37
Payments				
Treasury Bills Rediscounted				
Closing Balance				
Financing by Overdraft				
TOTAL				

(III) From the period under consideration, cash available to the management contractors was N78.13 billion. (Approximately U$566 million) out of which all was squandered, resulting with an overdraft position of ₦2.5 billion (Approximately U$18 million). The Bureau of Public Enterprises had estimated U$1 billion as the total investment requirement for NITEL over 3 – 4 years. In one year, the whole amount was available in cash.

TABLE III
PLANNED REPAIRS, REHABILITATION AND NETWORK EXPANSION REQUIREMENT BY THE MANAGEMENT CONTRACTORS

	₦'Billion
Lagos Expansion (250,000 lines	3.13
Fixed Wireless (CDMA)	1.00
Switch Upgrades/Data Read/Mediation	2.98
Mediation System	0.90
Prepaid Platform	0.60
Network Expansion	4.53
Corporate Headquarters	0.40
Financial Information System	0.12
Others	1.35
TOTAL	**14.00**

(IV) If N14 billion was required incremental in investments to optimize returns for NITEL, how come N78.13 billion was obtained in 2003 and an overdraft has to be resorted to at the end of the year?

(V) Contract Provisions offended Corporate Governance Framework Stipulated in Company and Allied Matters Act 1990

Strangely, they were allowed by a provision in the contract, to operate outside the corporate governance framework provided under the companies and Allied Matter Act (CAMA 1990).It was provided in S2.9.2 of the management contract "Contractor and each of NITEL and M-TEL shall establish an Executive Committee for NITEL and Executive Committee for M-TEL, each of which Executive Committee shall be comprised of five (5) members, three (3) of whom shall be appointed by the contractor and two (2) of whom shall be appointed by NITEL and M-TEL as the case maybe, for the purpose of implementing and managing the day-to-day operations and affairs of NITEL and M-TEL ….” ‘S2, 9, 6….The Executive Committee shall recommend to the subject Board its selection of provider in each case with supporting documentation and information from the tender process. The Subject Board shall have twenty (20) business days to approve or reject the Executive Committee recommendations. In the event the subject Board rejects the recommendation of the Executive Committee, it shall do so in writing, stating its reasons for same. The matter will then be referred by the Executive Committee to the National Council on Privatization which shall have ten (10) business days to review the tender process, the recommendation of the Executive Committee and the decision taken by the Board and rule on the matter by upholding the Executive Committee or the Board decision. Usually, the management of a company under CAMA, (1990) is the responsibility of the Board with day-to-day responsibility delegated to the Executive Management. The decision of the Board is always final in such corporate governance framework. In the management contract however, if the contractors did not get a favourable decision from the Board, they had an appellant body in the National Council on Privatization. The above provision whittled down the power of the Board in favour of the contractors and makes the Board almost redundant. NITEL will be around today, offering employment, services and contributing taxes to our coffers. Should we then wait for the death of NNPC?We should develop strategies to ensure a larger coverage of the code of corporate governance with appropriate legislative to protect our patrimony.

Issues to Consider

- Corporate Governance is the internalization of internal control concepts, processes and procedures.
- Voluntary adoption of corporate governance codes in Nigeria will not provide optimal solutions.
- The current coverage of corporate governance codes in Nigeria is limited to public companies and banking and financial institutions excluding public enterprises and therefore considered inadequate.
- Effective operations of corporate governance concepts, processes and procedures in Nigeria will reduce fraud levels.
- There is a dire need to develop a robust legal and regulatory framework to internalize the concept of corporate governance to ensure effective compliance,

Recommendations

- A robust legal and regulatory framework should be developed and implemented to internalize the concepts of internal control through corporate governance codes in Nigeria.
- Chartered Accountants, who are most impacted and impact on the operations of internal control should lead the change, develop a position paper and approach the National Assembly for an amendment of the Companies and Allied Matters Act, 1990, the legislation which as has been

shown, contains several Sections dealing with powers of the Board of Directors, Financial Statements and Audit.

- A communication and related strategies developed to progress the matter should be couched in terms of anti-corruption to tie in with the mantra of the current administration to encourage the successful coverage of public enterprises and buy-in by Government.
- Emphasis for the project should be placed on the general beneficial effect to the economy if organizations are managed efficiently and effectively and there is a legal and regulatory framework to ensure that they are so managed.

Conclusion

Dear colleagues, as you continue informed academic deliberations on the important formidable subject-matter of the contemporary issues in accounting, finance and corporate governance, the little matter of a robust legal and regulatory framework for the implementation of corporate governance codes in Nigeria should not be lost on your crowded tables. If it makes for efficiency and effectiveness of organizations and public enterprises and protects their assets, it must be good for the Nigerian economy.

God bless and wishing you fruitful deliberations.

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Conference theme 1:
Financial reporting regulations and standards

INTEGRATED REPORTING: MEETING NIGERIA STAKEHOLDERS' INFORMATION NEEDS BEYOND FINANCIAL PERFORMANCE

Ishola Rufus Akintoye[1], & Abel Aig. Asein[2]

Department of Accounting, Babcock University, Nigeria
[1]irakintoye@yahoo.com; [2]akintoyer@babcock.edu.ng

Abstract
The decision usefulness of financial statements depends on their ability to satisfy the fundamental and enhancing qualitative characteristics of relevance, faithful representation, neutrality, understandability, completeness, reliability and timeliness. To be relevant, financial statements should provide financial and non-financial information needed by providers of all variants of capital to make decisions. From various literature, the current financial statements satisfy only the information needs of financial capital providers hence a need for a review of the existing practices to find out how the stakeholders information needs can be met beyond financial performance which is the thrust of this paper. Using the ex-post facto research design of reviewing related secondary data in some published reports and validating revealed practices with a survey, this study found that few entities that voluntarily disclose non-financial information enhanced their legitimacy and acceptability by their host communities. Since the inclusion of non-financial information in financial statements is not mandatory in Nigeria, the attribute of relevance is impaired calling to question their completeness, neutrality, credibility and decision usefulness. This study supports the view that, in the interdependent environment of business, value is created by all capitals. Pursuant to this, the resultant financial reports should reflect all stakeholders' information needs both to enhance their legitimacy and to justify their resource dependence. The study therefore recommends the mandatory adoption of Integrated Report which will contain all financial and non-financial reports.

Keywords:Integrated Report, Non-financial Information, Relevance, Resource Dependence, Variants of Capital.

Introduction
The nature and purpose of financial reporting are conventionally defined by law and standards.In Nigeria, Sections 334 (1) and 335 of the Companies and Allied Matters Act (CAMA), LFN 2004(as amended) and Section 8(1) of the Financial Reporting Council of Nigeria (FRCN) Act no. 6, 2011 respectively require boards of directors of all listed entities to prepare audited financial statements in line with applicable standards, as part of their stewardship reports, which would be presented to shareholders at Annual General Meeting.

Also, as part of the listing conditions on the Nigerian Stock Exchange, Section 60 of the Investment and Securities Act (ISA), 2007 requires intending companies to file with the Securities and Exchange Commission, on periodic or annual basis, audited financial statements. The goal of the requirements is to sustain investors' confidence in such reports as well as the capital market which provides the framework for investible funds.

The 2011 joint Conceptual Framework by Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) states that such financial statements shouldsatisfy some fundamental and enhancing characteristics to be regarded as true and fair. These characteristics are relevance, presentational faithfulness, neutrality, comparability, verifiability, completeness, timeliness and understandability. Financial statements prepared in conformity with these benchmarks will elicit the confidence of a broad spectrum of users, reassure investors and other users and provide them with predictive and confirmatory financial information (IASB, 2011; McDaniel, Martin and Maines, 2002; and Van Beest, Braam and Boelens, 2009). Increased confidence in these high quality financial statements are expected to positively impact the cost of capital and stimulate more investment activities in the economy.

The thrust of the general purpose financial statements is to provide information on the financial position and financial performance of an entity (Brouwer, Faramarzi & Hoogendoorn, 2014; IASB, 2011). A review of any corporate entity's published financial statements will reflect its financial transactions and their impact on shareholders' funds during the period it covers. This is because, the ultimate goal of the board is maximization of shareholders' wealth reflected in the growth of the organisation's net worth. Such reports are skewed in favour of financial capital providers creating the false and misleading impression that organisations only operate with financial capital.

The world of business is changing very rapidly and so are the value creating activities of corporate entities. As a result, the resources that an entity uses are now much more than its internal resources. To fill the resource gap, the entity needs to obtain additional resources from the society. As the entity engages in value creation, the nature and quantum of variants of capital employed may be increased, decreased, transformed or completely used up {International Integrated Reporting Council (IIRC), 2013}. For instance, during the process of value creation, wasting natural capital may be used up and the ecosystem degraded at great cost to society. If the society shares in the entity'sfinancing costs in this manner, it is legitimate for it to desire to share in the resultant benefits (Bhasin, 2017). In view of this, the entity's business model should acknowledge the connectivity between the internal and external factors as it strives to create value (Busco, Frigo, Quattrone and Riccaboni, 2014). Given these dynamics and resource interdependence between the entity and its environment, corporate reporting should also change to meet the needs of a wider stakeholder audience by providing financial and non-financial information (Bhasin, 2017; Hertgers, 2016).

Globally, there is a dearth of resources as the population of the world, according to UNFPA (2017), is expected to hit the 8.5billion mark in 2030. It was 7.5 billion in 2017. This grim situation is compounded by high rate of deforestation, climate change and global warming caused in the main by the productive activities of organizations for which they take little or no responsibility. Preserving the earth and its capacity to sustain human lives has assumed the front burner in the United Nation's development programme hence the launch of the Sustainable Development Programmes.

Prior to this launch, there have been several initiatives by various governments, as a collective, to address this challenge- the Rio Declaration (1992), the Kyoto Protocol (1997), Millennium Summit (2000) and the Johannesburg World Summit (2002). In 2015, the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) were agreed at the New York Summit. The common strand in most of these summits is the need to create awareness on how the activities of organizations impact everyone and everything and the need to take urgent measures not only to get organisations to pay for and abate their externalities but also to save the earth.As aggressive efforts were on to create the desired awareness about the need for organisations to address the problem of environmental degradation, it became expedient that nations should go beyond the numbers in financial reports of corporate entities and push for a reporting framework that will provide relevant and all-inclusive information on how organizations are managed, how they do business, their governance and values.

In most jurisdictions, organisations create value through the interrelationships and interactions between various capitals. Natural or environmental capital, manufactured capital, intellectual capital, human capital and social and relationship capital collectively play crucial roles in value creation by business entities (ICAEW, 2012; IIRC, 2013). The non-reflection of the contributions of these other capitals in the financial statements creates a problem of information expectation gap between the corporate entities and their stakeholders.

In Nigeria, financial statements prepared by listed entities are general purpose financial reporting which contain only financial information (Section 334 of CAMA, 2004). Although this practice complies with standards and regulations, stakeholders now desire non-financial information beyond just financial performance. Stakeholders of an entity that operates in the Niger Delta, for instance, cannot rely only on financial information to determine its performance and sustainability. The non-financial information contained in environmental and sustainability reports prepared by such an entity, may be crucial to its legitimacy and acceptance by the community (Owolabi, 2009).

In response, the FRCN made the preparation and inclusion of corporate governance report in stewardship report of boards mandatory (FRCN Act, 2011). However, this requirement deals only with how the organisation is directed and controlled while no mention is made of the impact of the entity's activities on the environment. Non-financial information is as relevant to the process of decision making as financial information because such information often provide insight into business strategies, its governance, risk, opportunities as well as possible future sustainability of the company(IIRC, 2013).

In the context of financial reporting, relevance can be explained in terms of its impact on decision making. Information is relevant if its availability will alter the decision of a user of financial statements. Such material information should necessarily include financial and non-financial information to be complete. Citing IASB (2011), Mackenzie, Coetsee, Njikizana, Chamboko and Colvas (2011, p.13) observed that, "to be useful, information should be relevant to the decision-making needs of users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming or correcting their past evaluation".

Since accounting numbers in financial statements prepared in Nigeria do not reflect, and are not designed to capture, the level of degradation of the environment caused by productive activities, the non-financial information needs of stakeholders are not satisfied. The narrow shareholders' wealth maximisation objective,espoused by neoclassical economists over the years, diminishes the decision usefulness of financial statements to other stakeholders or providers of other capitals in Nigeria. Therefore, it is "becoming increasingly less fit for the purpose (Busco et al, 2013 p.34)." The problem, which this study wants to provide solution, is how to satisfy the desire of stakeholders in Nigeria for non-financial information as this can influence their (i.e., stakeholders) decision to invest or divest from an entity, patronise or boycott its products, grant or deny it trade and long term credits, supply or deny it access to crucial raw materials. The objective of this study therefore is to determine how to satisfy the desire by stakeholders in Nigeria for non-financial information by leveraging integrated reporting as a corporate reporting framework which encompasses financial and non-financial information.

The *apriori* expectation of the study is that respondents will have a negative perception of IFRS based financial statements and support the proposition thatan all-inclusive, concise and condense Integrated Report which contains both financial and non-financial information should be introduced. This will bring to the fore the urgent need for standard setters, regulators and policy makers to revisit the subsisting IFRS Conceptual Framework, the thrust, content and structure of its financial statements such that they are consolidated with other non-financial reports, existing in various silos, to form an integrated report. The envisaged integrated report will satisfy the relevance and faithful presentation qualitative characteristics of financial statements as well as improve their offerings and value relevance in line with stakeholders' theory.It will also demand mandatory disclosures of all relevant information that can influence the economic decisions of all capital providers.

The remaining part of this study is segmented into four sections. The first section reviews the literature while the second contains the methodology. The third section discusses the findings while the last section contains the summary, conclusions and recommendations.

Literature Review

This section provides a conceptual review of the various key concepts as well as a discussion of the theories underpinning this study.

Conceptual review

Stakeholder information needs

According to IIRC(2013, p. 33), stakeholders are "those groups or individuals that can reasonably be expected to be significantlyaffected by an organization's business activities, outputs or outcomes, or whose actions canreasonably be expected to significantly affect the ability of the organization to create value overtime". Stakeholders may include providers of financial capital, employees, customers,suppliers, trade creditors, business partners, local communities, NGOs, environmental groups, legislators,regulators, providers of other capitals and policy-makers. Thus, stakeholders are diverse and their information needs are as diverse as their composition.

The current reporting framework cannot provide all the information required by stakeholders which can be classified into two parts: financial and non-financial information. The general purpose financial statements, which are stewardship reports of persons in fiduciary capacity, provide financial information on the assets, liabilities and changes in the stock of wealth of the owners of the business, the shareholders.In line with morality, regulation, standard and law, members of the board of directors as agents, are required to submit these stewardship reports in the form of financial statements to their principals, at least once a year, at the annual general meeting. Thus, the stakeholders' need for credible and reliable financial information is satisfied.

However, there is little or no framework for the provision of non-financial information in financial statements. Beyond the mandatory inclusion of corporate governance report, such financial statements do not contain non-financial information on how the activities of the entities have impacted the environment or the contributions of other variants of capital to the value creating process of the entity. In addition, they are largely backward looking instead of offering forward-looking information about strategy, performance and risk (Busco et al 2013). Stakeholders, including those in Nigeria, require both financial and non-financial information to make optimum investment decisions. They desire to know how their entities are managed, their business model, risk management strategy and how values will be created in the short, medium and long term.

Financial Performance

The neoclassical economists view on the goal of business is profit maximisation and therefore, they reasoned that the prime duty of board members is to strive to maximize the wealth of shareholders who are the providers of financial capital.Pursuant to this, the board is empowered to borrow, acquire and use resources as they consider fit in the overall interest of the enterprise.Rationality requires that the resultant financial statements to be prepared by the board should reflect what it achieved within a given time period usually a year. Thus, Financial statements, according to International Accounting Standards Committee Foundation (2010, p. A293), are "a structured representation of the financial position and performance of an entity". As evidence of financial performance, financial statements are instruments of accountability with which stakeholders can hold directors to account.

The financial performance of an entity can be discerned from its level of profitability, liquidity, solvency, gearing, earnings per share and financial efficiency ratios of return on equity, asset turnover and return on assets. When these performance indicators are favourable, the entity's shareholders' funds, ability to pay dividends and its share prices will increase. These information, which can be computed from general purpose financial statements, enable the entity's diverse shareholders to make investment decisions.

Integrated Reporting

As conceptualized and driven by the International Integrated Reporting Committee (IIRC), Integrated Reporting, is to bring together material information, including non-financial information, about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates(IIRC, 2013). According to IFAC(2017) as cited by Bhasin (2017, p18), "integrated reporting is the way to achieve a more coherent reporting system, fulfilling the need for single report that provides a fuller picture of organisations' ability to create value over time."

The drive for integrated reports is to fill the gap in the subsisting financial reporting framework which places greater, and near absolute, premium on meeting the information needs of financial capital providers.Since accounting numbers in financial statements prepared in Nigeria do not reflect, and are not designed to capture, the level of degradation of the environment caused by productive activities, the non-financial information needs of stakeholders are not satisfied. While these financial information are key to investment decision, stakeholders also need non-financial information to make optimal investment decisions. For instance, what are the contributions of environmental and human capitals to the values created by the entity? Although their contributions are largely and often positive, they are not reflected in the numbers in the financial statements. Stakeholders who desire non-financial information are unwittingly denied access to material information which will enhance their decision making processes. In addition to providing non-financial information, integrated reporting will provide a clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value in the 21st century thereby meeting the growing information needs of its diverse stakeholders.

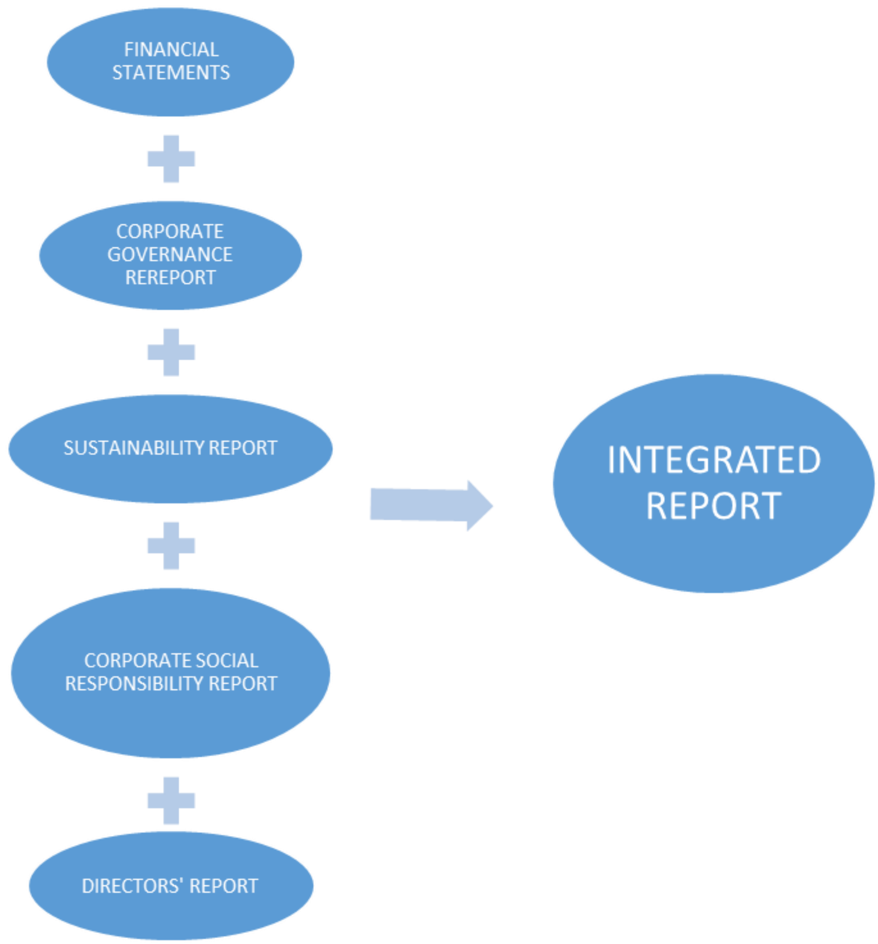

Figure 1: components of Integrated Report

Source: Researchers, 2018

In Nigeria, some entities (e.g., Zenith Bank PLC and Lafarge Africa PLC) voluntarily prepare environmental, social and sustainability reports in separate documents in an effort to address the unsatisfied non-financial information needs of stakeholders. How to make this individual corporate practice a national norm is the thrust of Integrated Reporting which is an initiative driven by critical thinking. It is about the short, medium and long term future of the entity. It involves an organization critically looking at the relationships between its six capitals, the introduction of a business model that will lead to value creation over time (Busco et al, 2013, p.36; IIRC, 2013, p.2).

Bringing integrated thinking into the way businesses are done is the strategy for driving business sustainability and integrated reporting and this will lead to more value creation and benefits. According to Shepherd (2017) as cited by Bhasin (2017, p.21), "while much of the focus on IR has been on the needs of external stakeholders, the needs for better internal decision making can be significantly improved through utilizing the six capitals approach." Thus, there are both internal external benefits to be derived if the six capital approach that supports the provision of non-financial information is adopted.

Theoretical Review

The theories which underlie this study can be classified into two. The first set of theories explain the problem of information asymmetry and conflicts of interests between the principals and Agents who they hired to manage the entities for them. These agents are required by law and standard to prepare and present stewardship reports in the form of financials statements,which meet the fundamental qualitative characteristics of relevance and faithful representation,to their principals. These theories are the Shareholders' Theory, Stakeholders' Theory, Principal/Agency Theory, Rationality Theory, Policeman's Theory and Inspired Confidence Theory. The second set of theories deal with the issue of resource utilisation by entities which create challenges for people and environment in the form of externalities and degradation. These include the Theory of the Tragedy of the Commons, Legitimacy theory, Sustainability theory and Resource Dependency theory.

For the purpose of this study, the resource dependence theory is adopted for several reasons. The resources that entities use are often beyond its internal resources. They depend on the external environment for additional resources. For instance, out of the six capitals with which an entity creates values (i.e., financial capital, manufactured capital, natural capital, intellectual capital, human capital, social and relationship capitals), only two (i.e., financial capital, manufactured capital) are somewhat internal to it. The other four capitals are externally sourced. Secondly, manystakeholders, who are not equity holders, are affected directly or indirectly by the activities of the entity: employees, trade unions, the government, regulatory bodies and members of the public. The interests of these people are crucial and should be part of the business model of the entity. Thirdly, the economic activities of the entity creates externalities which have negative impact on the society and the environment. Except these are incorporated into the entity's cost of doing business, the entity will prosper at the expense of society and people's welfare.

Developed by Pfeffer and Salancik, (1978), the Resource Dependence Theoryholds that there exists interdependencies between entities and their environments which create uncertainties for the continued existence of the entities. For instance, the resources utilised by businesses are external to them: the raw materials, the labour, financial credits, the market for finished products and the network of distributors are all from outside the entity. These could cease to flow into the entities. Above all, the right to corporate existence was conferred by a regulatory body outside the entity and can be withdrawn; and even their brand names are a product of public perception of their products. In essence, the environment, based on trust, permits the entity to utilize its resources for value creation. Since there exists a lot of uncertainties about the external environment, an entity should adopt proactive strategies to ensure the continuity of its business. One such strategy is stakeholder engagement.Managers of corporate entities should be accountable to such resource providers as a minimum condition for continued business relation (IIRC, 2010).

Given that business entities owe their continued existence to outside stakeholders, therefore, they should endeavour to build social and economic relations with them. Resource dependence theory simply requires that the source of existence be well managed and catered for to sustain the entity. The entity should actively engage and recompense the external stakeholders with physical infrastructure and other benefits that will impact their welfare and also preserve their natural environment.

To continue to enjoy societal acceptability and justify its legitimacy, the entity is required to voluntarily report how its activities affect the people and environment where it obtains its being and what it has done to mitigate the negative impact. Such feedback and acceptance by the people will confer more legitimacy on the entity (Owolabi, 2009). According to Suchman (1995, P 574), "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, belief and definitions". When the organization fails to act and report voluntarily, this might lead to a legitimacy gap. This is the gap indicating a discrepancy between an organisation's actions and what the society expects of it.

In essence, the pursuit of profit should not be at the expense of society. It should incorporate people's welfare and care for the environment. Every corporate entity should rightly bear the cost of its activities just as it enjoys the benefits of success. They should mandatorily contribute to the restoration of the environment in the interest of present and future generation. This is the focus of sustainability which is defined as "development which meets the needs of the present without compromising the ability of future generation to meet their own needs (Brundtland, 1987, p.43)".

In conclusion, the point should be made, from the above theoretical review, that the current financial reporting architecture in Nigeria does not make the preparation and presentation of some non-financial information (e.g., environmental and sustainability reports) to be mandatorily included in annual stewardship reports notwithstanding the fact that they depend on the environment for their resources. Stakeholders in the environment can react negatively as witnessed in Nigeria's Niger Delta. Accordingly, the non-mandatory inclusion of non-financial information in financial statements in Nigeria, may significantly impair the attribute of relevance as one of the fundamental qualitative characteristics of financial statements. As observed by Van Beest, Braam and Boelens (2009, p.4), financial reporting quality should be perceived as a "broader concept that not only refers to financial information, but also to disclosures, and other non-financial information useful for decision making included in the report". The non-disclosure of non-financial information, which he termed, non-proprietary information, may actually lead to sub-optimal allocation of resources and decline in the price of the company's shares(Dye, 1985).Provision of information should go beyond historical to include scientific projections for the future and their possible impact on everybody and everything. Entities should produce business report with all its offerings such that stakeholders are substantially satisfied.

Methodology

This study was carried out with primary data obtained through survey design that was tested for reliability and content validity. The population for the study was made up of professional accountants who are the experts trained to prepare financial statements as well as provide assurance and financial advisory services. A sample of professional accountants was selected using convenience and purposive sampling techniques. The study also used secondary information drawn from various publications including journal articles, periodicals, standard setters' technical pronouncements, textbooks and pieces of legislations.

The Institute of Chartered Accountants of Nigeria (ICAN) operates a committee system in its governance structure and each year, members are selected into the various committees, e.g., Strategy Committee, Technical, Research and Public Policy Committee and Professional Practice Monitoring Committee. Both the number and membership of such committees change each year based on the policy of the Institute's governing Council.During the 2017/2018 Presidential year, the Institute had35Standing Committees with an average membership strength of 40.

Thus, a sample of two committees was randomly selected from a population of 35 standing committees of the Institute. These are the 2018 Annual Conference Transition Committee, the Work Group on Conference Theme and Topics as well as selected ICAN staff (who are all professional accountants) who provide secretarial support to the two committees. This sample had a total membership strength of 100 professional accountants comprising fellows and associates members.Prior to its administration, copies of the questionnaire werepeer reviewed by the researcher's colleagues, who are professional accountants, to test for content and construct validity. A face to face construct and content validity was also done with an expert in this area.The results obtained from the administered questionnaire was analysed and further validated with ex-post facto information drawn from various publications including journal articles, periodicals, standard setters' technical pronouncements, textbooks, pieces of legislations and published annual reports of some listed entities.

The Survey Instrument

The survey design instrument, the questionnaire, had two parts. The first part contained five questions which were designed to obtain the respondents' socio-demographic data on gender, highest academic qualification, years of post-academic qualification, professional qualification and role in the financial reporting processes. The second part raised a set of four questions each on the five objectives of the study. There were no open-ended questions while the Likert Scale of 1-6 (with Strongly Agree being 6 and Strongly Disagree being 1) was adopted to facilitate responses.

During the meetings of the selected committees, copies of the designed 2-segment questionnaire which consists of 25 close-ended questions were administered. Out of the 100 copies of the questionnaires administered, seventy-eight copies were completed and returned by respondents. This is a response rate of 78%. There were no rejected responses as all were valid and fit for purpose. The various responses were inputted and analysed with the SPSS.

Socio-Demographics

Although all respondents were professional accountants, their roles in financial reporting vary: 44.9% were auditors/assurance providers, 15.4% were preparers of financial reports, 35.9% were users of financial reports, 1.3% were regulators,2.6% were others(see Table 1).The increasing involvement of females in professional accountancy and financial reporting was underscored by the fact that of the responses received, 28.2% were females while males were 71.8%. In the context of the sample used, some of the professional accountants had additional qualifications. This explains why 9% (i.e. others, 6.4% and CIBN/CII/CIPM, 2.6%) was cumulatively reflected in other qualifications whereas, the professional accountants who were either associates or fellows of various professional accountancy bodies were 90% (39.7% + 51.3%).

Table 1: Data Extracted from SPSS analysis of responses

	FREQUENCY	PERCENTAGE	VALID PERCENTAGE	CUMULATIVE PERCENTAGE
MALE	56	71.8	71.8	71.8
FEMALE	22	28.2	28.2	100.0
TOTAL	*78*	*100.0*	*100.0*	
ACA/ACCA/CPA	31	39.7	39.7	39.7
FCA/FCCA	40	51.3	51.3	91.0
CIBN/CII/CIPM	2	2.6	2.6	93.6
OTHERS	5	6.4	6.4	100
TOTAL	*78*	*100.0*	*100.0*	
PREPARERS	12	15.4	15.4	15.4
AUDITORS/ASSURANCE PROVIDERS	35	44.9	44.9	60.3
REGULATORS	1	1.3	1.3	61.5
USERS	28	35.9	35.9	97.4
OTHERS(e.g., teachers)	2	2.6	2.6	100.0
TOTAL	*78*	*100.0*	*100.0*	

Test of Reliability

The total responses to the 25 questionswere 78. These responseswere tested for reliability and set against the globally accepted Cronbach's Alpha. The result obtained, 0.749 when compared to the universal minimum benchmark of 0.70 for research studies, confirm the reliability of the results.

Reliability Statistics

Cronbach's Alpha	N of Items
.749	25

Data analysis and discussion of results

Objective 1: To determine users' perception of the information adequacy of IFRS-compliant financial statements.

Table 2: Users perception of IFRS financial Statements

OBJECTIVE 1	SA	A	PA	PD	D	SD	MEAN	Std. D
Proposition 1.1: Generally, IFRS-based Financial Statements assist investors to make investment decisions.	45 (57.7)	10 (12.8)	21 (26.9)	2 (2.6)			5.26	.946
Proposition 1.2: IFRS-based financial statements are designed, in line with the conceptual framework, to meet only the information needs of financial capital providers	8 (10.3)	17 (21.8)	13 (16.7)	27 (34.6)		13 (16.7)	3.58	1.525
Proposition 1.3: IFRS-based financial statements do not provide non-financial information required by some stakeholders.	6 (7.7)	3 (3.8)	32 (41.0)	28 (35.9)	4 (5.1)	5 (6.4)	3.46	1.136
Proposition 1.4: Non-Financial information are as relevant as financial information in stakeholders' decision making processes.	60 (76.9)	5 (6.4)	12 (15.4)	1 (1.3)			5.59	.797

Source: field study, 2018

The purpose of this objective was to determine the users' perception of the information adequacy of the IFRS-compliant financial statements which are currently in use in Nigeria. In Table 2, the mean values indicate, on the average, the perception of respondents on each of the propositions.With a mean score of 5.6 on proposition 1.1, the 57.7% of respondents strongly agreed that IFRS-based financial statements assist investors to make investment decisions. However, the respondents, on the average (3.58 mean score) agreed on proposition 1.2 that the current financial statements meet only the information needs of financial capital providers. On a mean score of 3.46 on proposition 1.3, the respondents agreed that IFRS-based financial reports which are prepared on the basis of IASB's conceptual framework adopted by FRCN, do not provide non-financial information required by some stakeholders. With a mean score of 5.59 on proposition 1.4, 77.0% of respondents strongly agreed that both financial and non-financial information are relevant to the decision making processes of stakeholders in Nigeria. In summary, the respondents strongly agreed that IFRS-based financial statements meet only the information needs of financial capital providers in spite of the fact that financial and non-financial information are relevant to stakeholders' decision making processes.

Objective 2: To determine if the Values created by Capitals, other than financial capital, are reflected in the IFRS-based Financial Statements.

This objective sought to determine if the values created by capitals, other than financial capital, are reflected in the IFRS-based financial statements. To achieve this objective four questions were asked.

Table 3: Reflection of Values created by all capitals in Financial Statement

OBJECTIVE 2	SA	A	PA	PD	D	SD	MEAN	Std. D
Proposition 2.1: All capitals (i.e., financial, intellectual, human, environmental, social and relationship and manufactured) contribute towards an entity's value creation process.	52 (66.7)	9 (11.5)	15 (19.2)	2 (2.6)			5.42	.890
Proposition 2.2: The values created by other capitals (e.g., intellectual capital, human capital, environmental capital) are not reflected in accounting numbers in financial statements.	22 (28.2)	11 (14.1)	28 (35.9)	4 (5.1)	9 (11.5)	4 (5.1)	4.27	1.483
Proposition 2.3: IFRS-based financial statements are designed to show the impact of the board's decisions on the financial capital entrusted to them for management.	24 (30.8)	14 (17.9)	24 (30.8)	10 (12.8)	6 (7.7)		4.51	1.266
Proposition 2.4: Without including non-financial information in financial statements, the information needs of Nigerian stakeholders will not be satisfied.	3 (3.8)	2 (2.6)	4 (5.1)	14 (17.9)	16 (20.5)	39 (50.0)	4.99	1.324

Source: field study, 2018

On proposition 2.1 and a mean score of 5.42 as indicated in Table 3, respondents strongly agreed that all the six capitals add to the value created by corporate entities over time. On proposition 2.2 and a mean score of 4.27, respondents agreed that such values were not reflected in the financial statements of such entities. On proposition 2.3 and a mean score of 4.51, most respondents strongly agreed the subsisting IFRS financial statements are designed to show the impact of the board's decisions on the financial capital entrusted to them for management by their principals, the shareholders. This is in tandem with the thrust of the shareholders' theory.On proposition 2.4, respondents strongly disagreedwith the view that the non-inclusion of non-financial information in financial statements implies that the information needs of stakeholders in Nigeria will not be satisfied. As noted above, some non-financial information (e.g., CSR and Corporate Governance reports) are produced in separate documents, independent of the financial statements, which the stakeholders can access. Given that 35.9% of the entire respondents are users of financial statements and 11.5%(i.e., 3.8+2.6+5.1) agreed that the information needs of stakeholders are not met, it is reasonable to surmise that there exists a material expectation gap in the provision of information by corporate entities to their stakeholders in Nigeria.

Objective 3: To determine if the preparation of corporate social responsibility report should be made compulsory for all listed companies in Nigeria

The objective was to determine if the preparation of corporate social responsibility report by corporate entities should be mandatory. Disclosure of CSR is currently voluntary.

Table 4: Mandatory Preparation of CSR Report by listed entities

OBJECTIVE 3	SA	A	PA	PD	D	SD	MEAN	Std. D

Proposition 3.1: The preparation and presentation of corporate social responsibility report should not be made compulsory for listed entities.	2 (2.6)	9 (11.5)	4 (5.1)	31 (39.7)		32 (41.0)	2.54	1.483
Proposition 3.2: IFRS-based financial statements do not provide information on the impact of a company's activities on the environment and other capitals.	7 (9.0)	7 (9.0)	12 (15.4)	14 (17.9)	22 (28.2)	16 (20.5)	4.09	1.564
Proposition 3.3: Only successful companies engage in and voluntarily disclose their corporate social responsibility activities.	13 (16.7)	19 (24.4)	19 (24.4)	10 (12.8)	11 (14.1)	6 (7.7)	3.94	1.523
Proposition 3.4: Entities that produce IFRS-compliant financial statements include only disclosures that are mandatory.	13 (16.7)	33 (42.3)	13 (16.7)	13 (16.7)	1 (1.3)	5 (6.4)	4.37	1.330

Source: field study, 2018

As indicated in Table 4, the mean score of 2.54 in proposition 3.1 reflects that respondents disagreed with the proposition that CSR should not be made compulsory. From the responses received a total of 63 (i.e., PD=31, SD=32) respondents share this view. In other words, they strongly agreed to the proposition that the preparation of CSR report should be compulsory for listed entities.To reinforce this reasoning and a mean score of 4.09, most respondents agreed to proposition 3.2 that IFRS-based financials do not provide information on the impact of a company's activities on the environment. On the average and a mean score of 3.94, the respondents agreed to proposition 3.3 that only successful companies voluntarily disclose their CSR activities in their financial statements. On proposition 3.4, respondents agreed, with a mean score 4.37, that entities which produce IFRS compliant financial statements only include mandatory disclosures. Based on these responses, it can be surmised that respondents strongly agreed that CSR disclosure should be made compulsory in annual reports of listed entities.

Objective 4: To determine if the preparation of sustainability report should be made mandatory for all listed companies in Nigeria.

This objective sought to find out from respondents if the preparation of sustainability reports should be made mandatory in Nigeria. In South Africa and Britain, this is a mandatory requirement.

Table 5: Mandatory Preparation of Sustainability Report by listed entities.

OBJECTIVE 4	SA	A	PA	PD	D	SD	MEAN	Std. D
Proposition 4.1: Sustainability issues are integral part of business planning, risk management and survival strategies for listed entities	51 (65.4)	6 (7.7)	19 (24.4)			2 (2.6)	5.31	1.108
Proposition 4.2: An entity involved in corporate social responsibility activities does not need to adopt Sustainability Approach to business.	25 (32.1)	7 (9.0)	32 (41.0)	9 (11.5)	3 (3.8)	2 (2.6)	2.54	1.296
Proposition 4.3: Sustainability reporting will make corporate entities to take full responsibilities for their externalities and also care for other capitals	39 (50.0)	9 (11.5)	26 (33.3)	2 (2.6)	2 (2.6)		5.01	1.168
Proposition 4.4: Sustainability reporting will encourage more stakeholders' engagement, enhance the entity's legitimacy and better financial performance	40 (51.3)	16 (20.5)	21 (26.9)	1 (1.3)			5.22	.892

Source: field study, 2018

On proposition 4.1 as indicated in Table 5, most respondents strongly agreed that sustainability issues are integral part of business planning, risk management and survival strategies. On proposition 4.2, respondents on the average and a mean score 2.54 partially agreed that once an entity is involved in CSR activities, it should no longer adopt a sustainability approach to business. However, on a mean score of 5.01 in proposition 4.3, 61.5% (50.0+ 11.5) of respondents strongly agreed that the adoption of a sustainability approach would make corporate entities to take full responsibilities for their externalities and also care for other capitals. On proposition 4.4, most respondents strongly agreedthat sustainability will promote greater stakeholders engagement and also enhance the legitimacy and financial performance of entities involved in it. This agrees with the literature (Bhasin, 2017; Fauzi, 2014 and Owolabi, 2009).

In summary, there is no contradiction in the responses. An entity that strategically caters to the environment through various CSR activities is unwittingly engaged in sustainability approach to business. After all, the focus of both initiatives is to build legitimacy and goodwill such that the entity continues in business in the short, medium and long terms. However, cosmetic CSR will not achieve sustainability of the entity.

Objective 5: To determine if the preparation of integrated reports should be made mandatory for all listed entities in Nigeria

This objective sought to establish whether integrated report should be made mandatory in Nigeria as it is in South Africa since it contains both financial and non-financial information desired by stakeholders in the country.

Table 6: Mandatory Preparation of Integrated Reports by listed entities

OBJECTIVE 5	SA	A	PA	PD	D	SD	MEAN	Std. D
Proposition 1: The Integrated Reporting Framework provides financial and non-financial information required by Nigerian stakeholders	42 (53.8)	13 (16.7)	22 (28.2)		1 (1.3)		5.22	.949
Proposition 2: There is need for boards of directors to continuously think of the big picture (integrated thinking) when selecting their organisations' business model.	47 (60.3)	15 (19.2)	15 (19.2)		1 (1.3)		5.37	.884
Proposition 3: Since it is all-inclusive, Integrated reports will promote greater confidence in accounting numbers, reassure stakeholders and reduce cost of capital	52 (66.7)	10 (12.8)	16 (20.5)				5.46	.817
Proposition 4: Integrated report will satisfy the fundamental qualitative characteristics of relevance and faithful representation.	47 (60.3)	9 (11.5)	21 (26.9)	1 (1.3)			5.31	.916

Source: field study, 2018

From Table 6, the mean values indicate the opinions of respondents on the 4 propositions on the average. Since the mean values to the 4 propositions are above 5, it shows that the respondents strongly agreed with the various propositions. In summary, we can conclude that integrated report will meet the financial and non-financial needs of Nigeria stakeholders. It will also encourage board members to continually think of the big picture if they are desirous of creating value in the short, medium and long term. Therefore, the mandatory adoption of an all-inclusive integrated report will enhance stakeholders' confidence in accounting numbers in financial statements as well as positively impact the cost of capital and financial performance. If this happens, the information needs of stakeholders in Nigeria beyond financial performance will be satisfied.

Limitation of Study

The administration of questionnaires is often a problem in our environment where people are reluctant to complete the survey instrument for research purpose due in part to lack of motivation (Adamu, Sabi and Bawa, 2014) and also because of the cognitive burden it puts on them(Bowling, 2005; Lee, 2009).To address this challenge, its questions were close-ended and simple for respondents to answer.

Conclusions

The main objective of this study was to determine how to meet the information needs of Nigeria stakeholders beyond financial performance by making it mandatory for listed entities to adopt integrated reporting as the reporting framework. Integrated Report was defined as an all-inclusive stewardship report which embodies both financial and non-financial information required by stakeholders in Nigeria. Based on a survey design the perception of stakeholders, particularly professional accountants who play different roles in the financial reporting processes, was sought. The responses from77% of the respondents (see proposition 1.4 of Table 2) affirm that financial and non-financial information are both important in the decision making process of stakeholders. They also agreed as indicated propositions 2.2-2.4 in Table 3, that the current IFRS-based financial statements provide only financial information required by providers of financial capital implying thatthey do not satisfy the fundamental qualitative characteristic of relevance. In their opinion, the values created by other factors, although invaluable, are not reflected in the current financial statements.

For instance, many corporate entities have priceless intangible assets through which they create value but these assets are not captured in their statement of financial position. Management skills, intellectual property, good reputation built over the years by generations of employees and customers, etc., are invaluable. They count and influence investment and other decisions but are not catered for by the current framework of financial reporting. In view of this, the subsisting business model needs to be re-engineered to meet the expectations of all stakeholders.

As indicated in Table 5 and proposition 4.4, 71.8% of the respondents (i.e., 51.3+ 20.5)strongly agreed, as established by literature, that organisations thatpractice sustainability reporting will encourage more stakeholders' engagement and voluntary disclosureof non-financial information. They will also leverage the associated benefits of improved public perception and goodwill, enhanced legitimacy, reduced cost of capital and improved financial performance. The study also observed that some organisations voluntarily prepare some form of non-financial information reports as part of the strategy to fill the information expectation gap between them and their stakeholders. Given this situation, the respondents agreed that these reports should be consolidated into one document both to address the dearth of non-financial information and also fulfil the attributes of relevance and faithful representation.

The study therefore recommends that the regulators and standard setters should commence a process that will lead to the adoption of Integrated Reporting as the new framework for corporate reporting in Nigeria as it is done in South Africa. The society will be the better for it as it encompasses new business model that focuses on value creation in the short, medium and long run. It will persuade and indeed, make it mandatory for corporate entities to take full responsibilities for the externalities they create during production processes. Except the environment is saved in this manner through total absorption of externalities and adoption of sustainability initiatives and reporting, future generations may be deprived of their fair share of natural endowments. This is the thrust of sustainable development which focuses on people, the society and the environment.

The recommended processes should include regulatory changes, investment in institutional and human capacity building in preparation for the impending change. The professional accountancy bodies need to also review their training curricula as well as organize continuing professional education training programme on Integrated Reporting for existing members. Lastly, a lot of sensitization needs to be done by regulators and the Stock Exchange for all stakeholders. It is no longer a question of whether IFRS will be absorbed by integrated reporting, but when.

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CONVERGENCE OF ACOUNTING STANDARDS AND FINANCIAL REPORTING QUALITY OF BREWERY INDUSTRY IN NIGERIA

Onodi, Benjamin Ezugwu[1]; Nwaorgu, Innocent Augustine[2]; Edibo, Sarah Joy[3]
&
Abiahu, Mary-Fidelis Chidoziem[4]
[1-3]Department of Accounting, Michael Okpara University of Agriculture, Umudike

[4]Research & Technical Department, Institute of Chartered Accountants of Nigeria

Abstract

This work examined the relationship between convergence of accounting standards and the financial reporting quality of brewery industry in Nigeria. The main objective of the study is to determine the effect of (pre and post) IFRS adoption on market value per share of Guinness Breweries Plc. Time series data were collected for period of ten (10) years (2006 to 2016)- five years before and five years after adoption of IFRS by quoted brewery companies in Nigeria. The proxies for IFRS adoption were earnings per share, market share, return on assets, while proxy for dependent variable was market value per share. The study made used of multiple linear regression and Analysis of Variance (ANOVA). Two hypotheses were formulated and tested and the result revealed that pre-IFRS adoption has no significant effect on market value per share, while post-IFRS adoption result shows that there is a significant effect on market value per share. Based on the above development, we conclude that there is need for convergence of accounting standards. Financial statements of a large number of companies are used outside their own domestic borders and investors in international markets, need to be sure that the information on which they base their assessments is compiled, using accounting principles recognized in their own country and comparable with others regardless of the country of origin.

Keywords: Convergence, accounting standards, financial reporting quality and brewery industry in Nigeria.

Introduction

There is evidence in the literature that the underlying reporting standards on which preparation and presentation of financial statements are based determines the quality of its information content. This follows that quality of accounting information is influenced by the quality of underlying reporting standards in use. The failure of some firms is of huge concern to the investors and other stakeholders that researchers are in search of solution to the growing concerns over corporate failures. There is need for practitioners to look inward to find out whether the problem is with the local accounting standards, that is, Generally Accepted Accounting Principles (GAAPs). Another concern of the users of financial information especially the investors is the divergence of accounting reports among countries when information and communication technology has reduced the world to a global village. Convergence of accounting standards is expected to close the gap of substantial differences that exist in financial accounting and reporting practices among countries. Those differences result from a variety of cause, including the legal, environmental, political forces, and cultural differences, as well as different economic models. These differences lead to significantly different amounts being reported for capital employed, debts, net assets and operating income. The growing number of multinational companies in operation and the globalization (worldwide interdependence) of financial markets, brought about by high level of electronic communications, has increased the demand for international accounting standards.

Thus, in the light of the above development, international comparability in financial statements is not possible unless business enterprises worldwide follow internationally a common set of generally accepted accounting principles. There are various local standards existing in both developing and developed economies, for instance, Nigerian Accounting Standards Board (NASB) now replaced by Financial Reporting Council of Nigeria (FRCN) responsible for producing standards called Statement of Accounting Standards (SAS) for Nigeria. In the United Kingdom, Accounting Standard Committee (ASC) is responsible for producing local accounting standards called Statement of Standard Accounting Practice (SSAP) for Great Britain, Northern Ireland, the Channel Islands and the Isle of Man. In USA, Financial Accounting Standards Boards (FASB) is responsible for setting accounting standard called Financial Accounting Standards (FAS).

As part of implementation strategy of Reports on the Observance of Standards and Codes (ROSC) reports' recommendations, Nigeria decided to adopt the IFRSs frameworks as recommended by the committee on road map of adaptation of IFRSs in Nigeria. Based on the recommendations, all listed and significant entities are to present their financial reports using IFRSs framework by 2012. It is on this premise that the researchers are set out to investigate the relationship between market value of manufacturing firms and accounting information quality under convergence accounting standards regime in Nigeria.

The World Bank reports on Nigeria rated the accounting practice and financial reporting below required standards, and recommended for the adoption of IFRS in 2011. Following the report, a committee on Report on the Observance of Standards and Codes committee (ROSC) was set up to review Statement of Accounting Standards (SAS) with a view of adopting IFRSs in Nigeria. The transition to IFRSs by many countries and accounting jurisdictions is motivated by a desire to implement high quality accounting standards expected to produce more reliable and relevant financial reporting. It was also expected that the implementation of IFRSs will increase the level of foreign direct investment, enhance transparency which will in turn drive down information asymmetry, improve the quality of investment decisions and foster international trade. Chukwu (2015), posits that available literature have shown that the confidence of users of financial statements have been increasingly destroyed by the poor quality of accounting numbers presented in the financial reports issued in Nigeria. Also, Osisioma, Okoye and Ile (2015) opined that literature averred that accounting is environment sensitive and hence the concern on globalizing accounting reporting standards. They further stressed that fraud typology, magnitude and mode of perfection reflect the stage of the environment in which it occurred. Based on the foregoing, it is not clear whether the size-fits-all philosophy of convergence accounting standards has achieved the desired goals. Hence the debate on the justification of the wholesale adoption of IFRSs is on the front burner of academic discussions. It is on this premise that the researcher intends to investigate the relationship between convergence accounting standards and quality of financial reports of manufacturing sector in Nigeria with particular reference to Brewery industry.

As such, the main objective of this study is to determine the effect of IFRS adoption on market value per share of quoted brewery companies in Nigeria. Specifically the study seeks to (1) Determine the effect of Pre-IFRS adoption (EPS, MTS & ROA) on market value per share of brewery companies in Nigeria and (2) Determine the effect of Post-IFRS adoption (EPS, MTS & ROA) on market value per share of brewery companies in Nigeria.

The remainder of this paper is then divided into four sections, thus, conceptual framework, research methodology, findings and discussion, and summary, conclusion, and recommendations.

Literature Review

Conceptual Framework

Accounting Standards

The International Accounting Standards Board (IASB), formerly International Accounting Standards Committee (IASC), is an independent private sector body founded in June, 1973 as a result of agreement by accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, Ireland and the United States of America, and these countries constituted the Board of IASC. Decisions on accounting principles are made by the Board of the IASC and issued in the form of IASs. Members of the Board are appointed by International Federation of Accountants Committee (IFAC), in consultation with IASC and normally serve for renewable term of $2^1/_2$ years. Each member is represented by two individuals who can be accompanied by a technical adviser. The individuals are widely representative of people in accounting practice, people in business, particularly multinational business, financial analysts, academic institutions and national standard setters. The board is supported by small staff from offices in London, England. The IASC has consultative Group which meets on the board's agenda and has an advisory Council to give advice to the board on policy issues and to help with funding. They include; the World Bank, Financial Accounting Standards Board (FASB) of the USA, European Commission, International Bar association and International chamber of Commerce.

According to Akpan (2003), the IASC in setting the international accounting standards, adopts the following steps: (a) For each standard, a Steering Committee has the responsibility for making recommendations to the IASC board; (b) The Committee publishes a draft statement of principles or other discussion document which sets out the various possible requirements for the standard and the arguments for and against each one; (c) The Board publishes an exposure draft for public comment. An exposure draft can be issued only when two-thirds of board members have voted in favour of doing so; (d) it examines the arguments put forward in the comment process before deciding on the final form of the standard.

A final standard requires three quarters of Board votes for approval. For every IAS, the following will be considered: i) All associated accounting issues; ii) IASC's framework document; iii) National and regional accounting requirements; iv) Steering Committee recommendations; v) Consultation with Consultative Group and others; vi) The exposure draft of the standard, and vii). Evaluation of comments received.

Convergence of accounting standards

In the opinion of Ghartey (2002), the essence of convergence of accounting standard is to provide a common set of principles of measurement and disclosure, or more precisely, a guide for accounting policies and accounting methods that should be followed in preparing financial reports in order to ensure reliability and comparability of the reports. According to him, International Financial Reporting Standards (IFRSs) are principle-based standards with interpretations and framework adopted and issued by the International Accounting Standards Board (IASB) designed to provide guidance on format and information contents of financial statements and to ensure that such statements are reliable, understandable, comparable and relevant. It is worthy of note that it is not only accounting matters that are covered in IFRSs, but also matters relating to the entire business with a view to enabling users to better understand how the business is managed, what risk(s) the business is exposed to and what impact these have on the entire financial result of the corporation (Osisioma et al; 2015).

However, Osisoma et al; (2015), also observed that IFRSs are reputed to be principle-based and do not recognize national peculiarities. According to them, it appears that convergence of accounting standards do not adequately reflect economic, social or legal realities peculiar to each country. Furthermore, the standards are one-size-fits-all; micro, small or medium enterprise; all must conform to the same standards. It should be noted that the needs of users of accounting information vary from country to country, hence the enormity of the challenges in unifying (harmonization) global accounting standards.

In the view of Ashafoke and Enofe (2016), the need for worldwide convergence of accounting standard for an international standard setter is to be familiar with the growing need for international accounting standards, make sure no individual standards setter has a dominion on the best solutions to accounting problems, ensure no national standard setter is in position to set accounting standards that can receive acceptance around the world, and clarify that there are lots of areas of financial reporting in which a national standard finds it complex to act alone. According to them, other factors that precipitated the development of an integrated set of accounting standards include; tax method, inflation, the legal system of a country amongst others.

There are two methods of IFRS adoption around the world namely; convergence and adoption approaches Adoption implies that national rules are set aside and replaced by IFRS requirement, in other words, when a country adopts IFRS, it means that the country shall be implementing IFRS in the same manner as issued by IASB and shall be 100% compliant with the guidelines. In the case of convergence, it means that the country's accounting standards board, (for example, in Nigeria, Financial Reporting Council of Nigeria) in applying IFRS would work together with IASB to develop high-quality compatible accounting standards overtime.

Empirical review

In their study on globalizing international financial reporting standards: A focus on developing economies Osisioma., Okoye and Ile (2015), surveyed 1,000 professionals from Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN) and Chartered Institute of Bankers of Nigeria (CIBN). Z-test and t-test statistics were employed to test the hypotheses using Microsoft excel 2010 tool-pack and they conclude that both IFRSs and GAAPs can be relied upon to produce fraud-free financial reports. However, they observed that the difference between them is statistically in favour of IFRSs implying that the later are preferred. The study also revealed that there are environmental peculiarities in developing economies which justifies the rejection of wholesale adoption of IFRSs.

Muharani and Sinegar (2014) explored the impact of IFRS convergence on value relevance of accounting information of listed companies in Indonesia, Malaysia and Singapore during 2007-2011. The results of the study indicate that overall accounting information reported during the periods towards full convergence of IFRS is value relevant for listed companies in the three countries but no incremental value is observed during that period.

Clarkson, Hanna, Richardson and Thompson (2011), investigated the value relevance of European and Australian firms from 15 countries post IFRS implementation. They conclude that IFRS adoption don't enhance quality of financial reporting. As such, they found no value relevance of book value of equity and earnings difference between local standards (GAAPs) and IFRSs. They associate the result with capital market orientation of countries involved and that most local standards were presumably close to IFRs.

In the study carried out on the listed banks in Nigeria using sample of 12 banks, Umoren and Enang (2015), empirically examined whether the mandatory IFRS adoption improved the value relevance of financial information using data in 2011 (pre-IFRS) and 2012 (post-IFRS). The results indicate that the equity value and earnings of banks are relatively value relevant to share prices under IFRS than under previous Nigerian GAAP. The results further imply that the accounting information is more informative to investors under IFRS regime.

Oshodin and Mgbame (2014), carried out comparative study on the value relevance of accounting information in the Nigeria banking and petroleum sectors. Data were collected on the market price per share (dependent variable) and earnings per share, book value of equity, and leverage (independent variables) for the period 2007-2011, from the annual financial reports of the selected companies. Multiple regression analysis was adopted for the analysis of the data and the Ordinary Least Square was the method of estimation. The regression results revealed the following: EPS information is the most considered by investors when deciding the share price and that the financial information in the oil and gas is more value relevant compare to the financial information disclosed by companies in the banking sector.

The study carried out by Enekwe et al (2016), on effect of International Financial Reporting Standards (IFRS) adoption on accounting quality of quoted cement companies in Nigeria used ex-post facto design and Analysis of Variance (ANOVA) employing SPSS version 20, multiple regression using both the logistic and panel Least square of E-view 9.0 software statistics. They conclude that IFRS adoption has no statistically significant effect on earnings smoothing, managing earnings to small positive income, timely loss recognition and book value of equity per share. But the general result shows that IFRS adoption has significant effect on value relevance of accounting information of quoted cement companies in Nigeria.

The above review explores the impact of IFRS on the improvement of quality of accounting information after IFRS adoption or relative to other reporting regimes. Most studies assess the usefulness of IFRS on quality reporting, nevertheless, the literatures surveyed indicate that accounting standard convergence studies provides mixed and inconclusive evidence on the increase of value relevance of accounting information post IFRS and relatively to local or national GAAP. Further, it is evident from literature that countries' institutional market setting can significantly shape its financial reporting. It is apparently provided that IFRS convergence is considered more useful in countries with more developed stock markets and better institutional framework than in countries without these attributes. It is then expected that IFRS would be less beneficiary to emerging countries with seemingly, weak and questionable enforcement mechanisms. Based on these results in extant literature, it is assumed in this study that:

Ho1: Pre-IFRS adoption (EPS, MTS & ROA) has no significant effect on market value per share of brewery companies in Nigeria.

Ho2: Post-IFRS adoption (EPS, MTS & ROA) has no significant effect on market value per share of brewery companies in Nigeria.

Theoretical Review

The theory of corporate governance versus agency theory

The main thrust of the theory of corporate governance as opined by Ahmadu, Aminu and Tukur (2005), is about the ways all parties interested in the well-being of a corporation (the stakeholders) attempt to ensure that managers and other insiders take measures or adopt mechanisms that safeguard the interest of the entire stakeholders. On the other hand, agency theory is about maintaining harmony between the principal (shareholders) and the agent (management) or put simply, corporate insiders. According to Egbunike and Abiahu (2017), to reduce the likelihood of the moral hazard, principals and agents engage in contracting to achieve optimality, including the establishment of monitoring processes such as auditing As reported in Osisioma et al., (2015), firm level corporate governance provisions matter more in countries with weak legal (or regulatory) environments, implying that "firms can partially compensate for ineffective laws and enforcement by establishing good corporate governance and providing credible investor protections". Abubakar (2011), observed that the depression experienced in the United States of America gave rise to accounting standardizations in America. Similarly, in England, a conglomeration of accounting professional bodies formed the Accounting Standard Committee that sets standards for the country. Abubakar further stressed that standardization in these two countries influenced other countries of the world including Nigeria.

Signaling theory

This theory was propounded by Ross (1977), and was competing with agency theory popularized by Jensen & Meckling (1976). Under signaling theory, managers use accounting numbers to signal their expectations to investors who use accounting information for decision making. Enekwe., Onyekwelu & Nwoha (2016), posit that managers who expect a high level of future growth would signal such expectations via published financial statements. They further stated that even managers of firms with poor financials would signal positive news to retain high rating among investors. The logical consequence of signaling theory, according to Godfrey Hodgson, Tarca, Hamilton and Holmes (2010) cited in Enekwe, Onyekwelu and Nwoha (2016), is that there are incentives for all managers to signal expectations of future profits because, if investors believe the signal, share prices will increase and the firm will benefit.

Methodology

The research design adopted for this study is ex-post facto design. The choice of the design was because the event under consideration has taken place and as such the researchers have no influence on the data collected. Secondary data sourced from annual reports and accounts of the selected brewery together with CBN statistical bulletin of various issues from 2007 – 2016 were used for this study. Guinness breweries were purposively selected and proxy for dependent variable (convergence of accounting standards) is market value per share, while proxies for independent variables (financial reporting quality) were earnings per share, market share, and return on net assets. The statistical tools for this study are multiple linear regression analysis and Analysis of Variance (ANOVA).

Model Specification

$MVPS = \beta_0 + \beta_1 EPS + \beta_2 MTS + \beta_3 ROA + et$

Where,

MVPS = Market Value per Share

β_0 = Constant

$\beta_{1,2\,\&\,3}$ = Co-efficient of regression

EPS = Earnings per Share

MTS = Market Share
ROA = Return on Assets
et = Error term

Data analysis and discussion of findings

Table 1: Presentation of data

GUINNESS YEAR		MKT VALUE PER SHARE	ROA	EPS	MKT SHARE
2007		122.6	0.15	7.84	1363396904
2008		124	0.16	8.04	1474925519
2009		129	0.18	9.18	1474925519
2010		158.51	0.18	9.31	1474925519
2011		**245**	**0.19**	**12.16**	**1474925519**
2012		226	0.14	9.95	1474925519
2013		251.07	0.098	7.93	1505888188
2014		200	0.072	6.36	1505888188
2015		162.81	0.064	5.18	1505888188
2016		165.01	0.065	5.81	1505888188

Source: Researchers' computation from annual reports and accounts of Guinness Brewery plc, for the years under review

Based on the empirical results on table 2 below, the study revealed that earnings per share (EPS), market share (MTS) & return on asset (ROA) are all insignificant. This result is strongly in line with the overall significant of the model. The f-statistics value of 11.827 (p=0.210) implied that the null hypothesis is accepted while the alternate rejected. This means that Pre-IFRS adoption (EPS, MTS & ROA) has no significant effect on market value per share of brewery companies in Nigeria. This result corroborated with the work of Enekwe et al (2016). They found out that IFRS adoption has no statistically significant effect on earnings smoothing, managing earnings to small positive income, timely loss recognition and book value of equity per share.

Pre – IFRS analysis result

Table 2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	10499.774	3	3499.925	11.827	.210[b]
1	Residual	295.927	1	295.927		
	Total	10795.702	4			

a. Dependent Variable: MVPS
b. Predictors: (Constant), MTS, EPS, ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-74.619	304.557		-.245	.847
	ROA	-1477.637	1594.795	-.467	-.927	.524
	EPS	40.211	11.443	1.336	3.514	.176
	MTS	7.599E-008	.000	.073	.252	.843

a. Dependent Variable: MVPS

Post- IFRS analysis result

Also based on the empirical results on table 3 below, the study revealed that Earnings per Share (EPS), Market Share (MTS) & Return on Assets (ROA) were all significant. This result has strongly confirmed the overall significant of the model. The f-statistics value of 450.722 (p=0.035) implied that the null hypothesis is rejected while the alternate accepted. This means that Post-IFRS adoption (EPS, MTS & ROA) has a significant effect on market value per share of brewery companies in Nigeria. This result is in line with the work of Clarkson, Hanna, Richardson & Thompson (2011); Umoren and Enang (2015).

Table 3: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12376.099	3	4125.366	450.722	.035[b]
	Residual	9.153	1	9.153		
	Total	12385.252	4			

a. Dependent Variable: MVPS
b. Predictors: (Constant), MTS, ROA, EPS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4946.462	347.613		-14.230	.045
	ROA	666.368	38.120	2.948	17.481	.036
	EPS	23.625	1.072	4.013	22.045	.029
	MTS	3.284E-006	.000	.817	14.572	.044

a. Dependent Variable: MVPS

Conclusion and Recommendations

Convergence accounting standards is one of the IFRS adoption approaches. Adoption implies that national rules are set aside and replaced by IFRS requirement, in other words, when a country adopts IFRS, it means that the country shall be implementing IFRS in the same manner as issued by IASB and shall be 100% compliant with the guidelines. In the case of convergence, it means that the country's accounting standards board, in applying IFRS would work together with IASB to develop high-quality compatible accounting standards overtime. Convergence accounting standards is expected to close the gap of substantial differences that exist in financial accounting and reporting practices among countries. Those differences result from a variety of cause, including the legal, environmental, political forces, and cultural differences, as well as different economic models. These differences lead to significantly different amounts being reported for capital employed, debts, net assets and operating income. There is no doubt that growing number of multinational companies in operation and the globalization of financial markets, brought about by high level of electronic communications, has increased the demand for international accounting standards.

Therefore, based on the findings above, we recommend that Financial Reporting Council of Nigeria should consider the extent they participated in developing high-quality compatible accounting standards together with IASB since adoption of IFRS in 2012. It is apparently provided that IFRS convergence is considered more useful in countries with more developed stock markets and better institutional framework than in countries without these attributes. It is then expected that IFRS would be less beneficiary to emerging countries with seemingly, weak and questionable enforcement mechanisms. There is need for all stakeholders especially from emerging countries to contribute their quota in standard setting.

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PROSPECTS AND CHALLENGES OF FINANCIAL REPORTING IN NIGERIA

OSENI, Michael[1]
&
OGUNLADE, Olabamiji[2]
Department of Accountancy, The Polytechnic, Ibadan, Nigeria
[1]osenimike@gmail.com
[2]labanjog@gmail.com

Abstract
The study examines the effectiveness of International Financial Reporting Standards (IFRS) on financial reporting in Nigeria. The study is based on secondary data and descriptive in nature. Thereafter, content analysis method was used to highlight legal, environmental, and cultural challenges peculiar to Nigeria. The findings show that standards used in developed nations are also being applied to corporate entities in Nigeria to give adequate information to all stakeholders in financial reporting. Nevertheless, the neglect of corporate governance practices had led to significant losses to nearly all the stakeholders. Therefore, the study recommends among other things that additional standards should be included in accounting reports like translating accounting reports into the three officially recognized indigenous languages in Nigeria and addressing information overload in the accounting report.

Keywords: accounting scandals, adoption, board of directors, comparability, harmonization, standards

Introduction
Recording of transactions and daily activities vary from one culture to the other. In some cultures, financial transaction activities were recorded by markings on the walls by chalk or wax or on the trees by spikes or hooks. Cam woods and chalks were also used by the traditionalist in recording counts or marks in respect of initiations carried out. Transactions were also recorded on wax and tablets. Later, cowries were introduced to financial transactions when the trade by barter was jettisoned for money. The real accounting in financial transaction between merchants and traders were not as easy as it is today because the entity transactions was singular without taking into consideration the dual entity or double entry transaction was propounded by Lucas Pacioli in his treatise on double entry in commercial transaction in 1494. His treatise, "*Suma Arithmetica Geomatria Proportioni et Proportionalita*" meaning "Everything about Arithmetic, Geometry and Proportion", dealt on double entry system of bookkeeping which were based on three records of memorandum, the journal and the ledger.

A section of the book entitled *De Computis et Scripturis* contained discussions on double entry book-keeping. Pacioli who was a professor of mathematics was learnt to have spent some time as an apprentice to a Florentine merchant. This exposure might probably had contributed to his background in writing Summa. This was useful for the merchants in based in Milan, Florence, Naples and Venice (citation) This made records involving business transactions with partners to be recorded in dual form. The basic principle was that for every transaction, there is a giver and a receiver, which resulted to the axiom that for every debit entry, there is a credit entry. This early rudiment of accounting through double entry system of bookkeeping allowed profits to be determined and distributed in ventures with business partners. The dual main soul of accounting then became debit and credit as demand and supply was that of economics.

The above accounting system did not adequately address the stewardship accounting function of reporting what had happened financially during the past period. This allowed dividend to be paid before the all the financial implications were considered. The periodicity concept was lacking. Standardized period of time when financial statements should be prepared was not in existence. A venture type of accounting was the order of the day and the creditworthiness of business partners was not available to one another. The overall profitability or otherwise of the business was impossible to be determined by this accounting convention.

In order to determine the profit or otherwise of the business, Simeon Stevin advocated the yearly preparation of profit and loss account in 1605 so as to allow businessmen know how profitably the business performed in the last one year. With this introduction of preparation of profit and loss account, the management and other stakeholders were able to know the performances of the business venture in the past twelve months. Later by 1655 the idea of drawing up a balance sheet at the end of a particular period was propounded by Jacques Savary. This would allow the owners to know the amount of assets and liabilities at a point in time. This was further made popular by the code of Commerce in France that recommended that a balance sheet should be prepared at least once in two years.

As a result of industrial revolution, business activities frog jumped from where it was to an unimaginable height. Business boomed everywhere, demand and supply of raw materials and finished goods increased. Joint stock companies emerged and the owners of businesses were eventually being separated from the management. This then necessitated demand for a more reliable accounting system to cope with the volume of business and reporting requirements of the period to satisfy the need of various accounting users. Thus, began the divorce of management from ownership as it was evident that accounting information were needed by various users of financial statements like shareholders, governments, revenue officers, would-be investors, creditors, suppliers etc.

The Society of Accountants in Scotland was granted a royal charter in 1854 and this was followed with the formation of the Institute of Chartered Accountants of England and Wales in 1880. Across the Atlantic in the United States of America, the Association of Public Accountants was launched in 1887. The code of ethics of and conduct of these professional accountancy bodies had their positive impact on the development of accounting most especially financial statements of business entities.

The accounts kept by many businesses merely consisted of cash and inventory movements without taking into considerations the accrual and prepayments conventions. This often resulted to depletion of capital as dividends were wrongly paid before profits were finally determined. Provisions for bad and doubtful debts were not provided for and fixed assets were bought and used up without providing for depreciation.
The industrial growth and the concept that the world is a global village coupled with the contributions by various professional accountancy bodies made it necessary that financial statements should be easily understandable to the users of accounting information. This now compelled each nation to individually conceptualize accounting information that are relevant to the local standards and also to be involved in international accounting standards that will cut across national borderlines.

In 1982, the Nigerian Accounting Standard Board (NASB) established to provide the standard required in preparation of financial statements through issuance of standards (Statement of Accounting Standards) for the local needs. In 1989, the International Accounting Standard Committee (IASC) was inaugurated and it was saddled with the responsibility of producing a conceptual framework for preparation and presentation of an internationally acceptable financial reporting and presentation of standard named as International

Accounting Standard (IAS). A reorganization took place in 2001 which changed the working policy of International Accounting Standard Committee (IASC) that led to its name being changed to International Accounting Standard Board (IASB). Some of the International Accounting Standards (IAS) were adopted and modified to produce the new accounting framework and concepts known as International Financial Reporting Standards (IFRS) for preparation and presentation of financial reports globally. This was adopted by many countries in 2005. Japan and China adopted a roadmap in 2009.

In order to comply with global changes to IFRS, the Nigerian Security and Exchange Commission (SEC) issued directives to all business entities operating in Nigeria. They are directed to adopt IFRS for the preparation and presentation of their financial statements effective from January 1st 2012. The small scale and medium enterprises had their effective date as January 1st 2013.Meanwhile, Nigeria had signed into law an Act establishing Financial Reporting Council of Nigeria (FRCN) in 2011 after the repeal of Nigerian Accounting Standard Board (NASB). Financial Reporting Council of Nigeria (Act 22 of 2003) is charged with the responsibility for developing and publishing accounting and financial reporting standards to be observed in the preparation of financial statement of public entities in Nigeria. The adoption of IFRS in Nigeria had made financial reports to be comparable when harmonizations of standards are taken into consideration.The International Public Sector Accounting Standards (IPSAS) was adopted by the public sector with effective date of January 1st 2015.

In order to emphasize the principles and concepts of financial reporting, the code of corporate governance made it mandatory that directors of public companies should properly be accountable to the shareholders by rendering not only financial reports that are of high standard but also narrative reporting that are self explanatory to the users of financial statements. External audit of the financial statements will give assurance to the credibility of the financial reporting. With these, financial statements will be more useful to all the stakeholders. However, of recent are the losses of confidence in corporate financial statements being eroded through manipulation or misappropriations being perpetrated by some of the stakeholders most especially the management with the support of the auditors of the companies. Because of these infractions, all safeguards formulated and developed by the professional accountancy bodies, the national regulatory financial systems and the international financial bodies to fulfill the objectives of financial reports are easily thwarted (Wilson, Iheanyi, Okoroafo & Onyilo, 2016).

The boards of directors, in collusion with employees, are sometimes involved in accounting scandals due to inadequate corporate governance mechanism.Moreover, these infractions had no respect for boundaries, as national and international corporations are victims of this malaise. Objectives of financial statement are no longer fulfilling their purposes as they should and this is a challenge to academics and professional accountants.The above now raises the question of developing theories that would be more purposeful to the accounting reports that that will be globally effective in all its ramifications as the present concepts and framework are not addressing the shortcomings emanating from different countries. What are the prospects and challenges of International Financial Reporting Standards (IFRS) to Corporate Governance in Nigeria? Pin pointedly, what are the limitations of the present accounting concepts and regulatory framework that fail to meet the expectations of the users of accounting reports?In order to find solution to this, the focus of this paper will be the effectiveness of the financial statements to the users of accounting reports. Hereafter, the paper is then divided into four sections. Conceptual framework is in section two; research methodology will be in section three; section four is on findings and discussion. Summary, conclusion, and recommendation will be in section five.

Literature Review

Financial statement

The International Accounting Standard Committee (IASC) metamorphosed into International Accounting Standard Board (IASB) in 2001. The board's framework pinpointed issues pertaining to the preparation and presentation of financial statements. The objective of financial statement, according to IASB is to provide information about the financial position, financial performance, and changes in financial status of an entity, which will be useful to a wide range of users in making informed economic decisions. In preparing a high quality financial reporting, private sectors' growth is enhanced and the economy is strengthened with a low risk of financial market crises. Foreign investors can easily evaluate corporate prospects thereby making informed economic decisions. Financial statement is expected to be easily understandable by all the users an d it must also be relevant to the business concerned. So also, the attributes of relevance, comparability, reliability, and uniformity are of paramount importance a financial statement should possess before justifying its usefulness to the stakeholders.

Disclosure of information in the financial statement

In compliance with Companies and Allied Matters Act Cap C 20 Laws of the Federation of Nigeria, 2004 (as amended) the following information are to be disclosed in the financial statement.

- Statement of accounting policies
- Profit and loss account
- The balance sheet
- Value Added statement
- Five Year financial summary
- Notes to the account
- Auditors' report
- Directors' report
- Group financial reports in case of group of companies

However, based on the newly adopted International Financial Reporting Standards operating in Nigeria, the following are the information that are to be disclosed to enhance comparability and transparency of the information disclosed.

- Statement of financial position
- Statement of comprehensive income
- Statement of changes in equity
- Cash flow statements
- Notes to the accounts

Stakeholders of financial reports

The stakeholders of any financial statements are ordinarily parties that have interest in that document. They may be internal and external. Primarily, the stakeholders comprise investors and potential investors who are concerned with the security of their investments and the profits that they can earn. The security or otherwise of their investments will be revealed through the solvency of the company as stated by the assets and liabilities in the financial position of the firm at a particular point in time. Past performances can determine future profits through income statement. Lenders of funds are interested in the types of securities available and if they will be paid interests on the facilities. Suppliers need to know if goods and services rendered are to be paid for, and new suppliers require assurance about the financial health of the firm before supplying goods.

Customers, especially those dependent on the company, will be interested to know if the firm is able to supply or produce goods and services into the future. Trade union representatives and employees are interested in the financial statements to know if the employers can offer secure employment and possible pat rises. The disclosure of salaries and benefits of senior managers may be of interest to them. Also useful is the divisional profitability of the business if threatened with closure. In order to plan for financial and industrial policies, government agencies are interested in the performance of companies through the financial statements. Tax authorities use the financial statements as basis for assessing companies for tax payable. Finally, the effect of the company on the economy, local environment, and local community will be of interest to the public. Corporate social responsibility programmes undertaken by the companies may be of special interest to some members of the public.

Whenever revenues are matched with expenses, the resultant effect is the generation of income. Revenue itself is a flow of fund, which has resulted from the trading or business activities of a particular enterprise during a particular period, which is normally measured in twelve months. When revenues are more than expenses, there is gain, which is also called profit. When reverse is the case, there is loss. In order to be of any use to information users, income must be measured periodically (Eldon, 1982; Oseni, 2013). This leads to periodicity concept that stipulates that income should be measured once in a year. The measurement is also guided by accrual and prepayment concepts. The accrual concept makes clear distinction between cash received for goods and services and cash to be received later for the same goods and services. Therefore, to follow accrual concepts in totality, all costs (expenses) and revenue are accounted for whether paid for or not during the period covered by the financial report. Closely related to this is the matching concept that expects the financial statements to match the incurred costs in one year with the revenue of that year. All expenses incurred, but not meant for that particular period (prepayment) are to be excluded from the total costs. Unrealized profits should not be included with the revenue of that period.

The concept of capital and income are closely related. A stock of wealth existing at a given period of time is called capital whereas a flow of benefit from wealth of a given period of time is income. The income is derived from capital. One can say income depends to some extent on the size of the capital. Accounting income is a surplus derived from a business activity and it is measured by the use of matching concept when cost is set against revenue for a given period of time. Accountants measure income and try to ensure that the measurement is accurate and near to the truth as possible, therefore the accounting income is an ex post measurement. However, to the economist, income is defined as maximum amount an individual can earn during a period of time, which makes him to be as well at the end of the period as the beginning of the period. it then follows therefore that income is the amount the capital or net worth has increased during the given period and as to what has been withdrawn at the end of the period less new capital at the end of the period.

The objectives of income measurement are not farfetched from the concepts of the IFRS. Income is used as a basis for measuring efficiency. It shows how much the asset has generated. It also measures the company sources of revenue; it acts as a guide to future investment; it is an indicator of managerial effectiveness; it provides a basis for tax computation; it acts as a guide to the determination of firm's credit worthiness and provides a basis for dividend policy (Lee, 1974). To the economist, capital means those assets that are used in production of goods and services. The capital of the firm is represented by the stock of assets and its investment is made when the firms' stock of capital is increased. Capital includes physical assets in form of buildings, plants, and machinery as well as intangible assets. So also human resources and technology. In addition, capital is considered as present value of future savings derived from an asset of enterprise as a whole so that capital and income are linked together. Economists may prefer broader definition of capital employed and might suggest some assets as human resources that are omitted by accountants in their definition because they cannot be quantified and recorded in the books.

To the accountant, Capital is the amount invested in an enterprise by their legal owners. Accountants measure capital with reference to tangible assets whose existence, ownership, and cost can be verified. As far as the accountant Is concerned,, a person's capital is increased by the amount of his periodic which he has not consumed.Many concepts have been developed to ensure that financial reporting are made in such a way that the value of capital is not necessarily reduced or at least the value capital is maintained. One of such concepts is the capital maintenance concept. The capital concept argues that since the objective of going into business is to increase the value of one's assets (capital) through maximization of profits/benefits, then profit should be distributed when profit is available and should not be paid out of capital.Value is a useful concept in financial reporting which has its effect on the capital of an enterprise. The value of an asset is the present value of the future income stream expected to be derived from the assets

The price of the asset is the value set on it in market place by the interaction of the demand and supply. The general belief is that when an asset is very expensive, it has a high value and when the price of an asset is low, the value of such asset is not high. As far as income is concerned, an asset that generates income must have a high value.An asset will have different value according to the purpose, which it is made. Individual with different of the potentialities of an asset to produce income will value it differently. This shows clearly that the capital, value and income are strongly related. The incomes generated by an asset determine the value of that asset and such value determines what should be paid for the asset as income.

The primary objective of financial reporting is to enable investors and other users to be informed of investment decisions (Adetoso and Oladejo, 2013). Two reasons may be given for the interest of investors for the worth of their businesses. They are concerned with maintaining the cost of their capital and also concerned with maintaining and increasing their income, which is derived from the capital. Therefore, financial reporting concerns itself with capital and income. It is on this basis that financial reporting involves capital, income and value.

The accounting cycle consists of the following steps:

- Documentary evidence: It is the basis of recording a transaction e.g., a purchase invoice for recording purchases.
- Journalizing transactions: It is the recording procedure under double entry book-keeping.
- Posting to the ledger: It is the process of transferring transactions into various .accounts. An account is the basic unit of accounting that classifies diverse economic events into a homogeneous group.
- Balancing of accounts: Accounting is essentially aggregative in nature. The classification of transactions into homogeneous groups, called .accounts involve offsetting the positive flow against the negative flow of benefits. The remainder is called the balance of the accounts.
- Preparation of trial balance: A trial balance is the list of the balances of accounts arranged according to debits and credits such that the aggregate of the debit balances equals to the aggregate of credit balances. This is an apparent proof of the arithmetical accuracy of the balances of the accounts.
- Adjusting entries: Adjusting entries are the post trial balance operations which involve allocation of various items of revenues and expenses to the appropriate time period or operations for proper matching, e.g., depreciation adjustment, stock adjustment, etc.

- Preparation of final accounts: The last stage in the accounting cycle is the preparation of final accounts. This involves two steps-the first step is the closing of the temporary accounts (*i.e.,* revenues and expenses) which are not be carried forward to the next accounting period. The accounting stage for closing of the accounts is called income statement. The second step involves preparation of statement of financial position with the remaining balances of accounts that are not to be closed during the year to the income statement.

Accounting, on the one hand, is a practical art attempting to record, classify, summarize certain facts and events relating to business. On the other hand, it can be viewed as a theory of financial communication founded on assumptions and containing logically derived and internally consistent conclusions. Like the most other fields of knowledge, accounting is also oriented to certain concepts, postulates, conventions, and assumptions. These concepts, postulates, convention and assumptions which provide the operational content of the subject or a frame of reference to achieve the goal of accounting is collectively known as accounting bases. Accounting bases provide an orderly and consistent framework for periodic reporting of financial transactions of business, which by their very nature are both complex and diverse.

In financial reporting, one of the most important aspects is income. To the stakeholders, income is the most important reason of participating in the business activities of the organization. The measurement of income occupies a central position in accounting. Income measurement is probably the most important objective and function of accounting, accounting concepts, principles and procedures used by a business enterprise. Income represent wealth increase and business success; the higher the income, the greater will be the success of a business enterprise. The following are some of the major areas where income information is practically useful:

Methodology

Secondary data were used for this study.Qualitative research approach and retrospective literature analysis which were mainly secondary sources were used in order to highlight legal, environmental, and cultural challenges of financial reporting based on IFRS peculiar to Nigeria. Relevant materials such as textbooks, Journals, Newspaper and other official documents that were relevant to the adoption of IFRS in Nigeria were also used.

Data analysis and discussion of results

Financial reporting all over the world are prepared in languages understood by the stakeholders. Legal and cultural matters are translated to Scottish and Welsh languages from English languages in the United Kingdom. Even, papers in Law and Taxation in professional accountancy examinations often have local papers in these languages. However, this privilege is not extended or practiced in other lands colonized by the British. The option of having financial reporting in local languages will strengthen the corporate governance and dismantle cultural differences. Countries in Africa still use English language as its official language in financial reporting without any option for local language. The IFRS, which was adopted in Nigeria, has no provisions for local language translation which is a cultural element inherent in the standards.

Conclusions

The main focus of this paper rests on prospects and challenges of International Financial Reporting Standards (IFRS) to corporate governance in Nigeria. The history of accounting worldwide including that of Nigeria was discussed. The contributions of various individuals, corporate bodies, and professional accountancy bodies towards the development of accounting from the earliest periods to the time the

International Financial Reporting Standards was promoted and accepted worldwide. The local development of accounting was also discussed.

The financial reporting in other lands take into consideration the local attributes like the local languages into consideration. This paper recommends that local languages should be introduced into financial reporting as it is been done in advanced countries. Locally, sports commentaries are now being reported in local languages on foreign sports and the enthusiasms and contribution with followership are encouraging. The paper then concludes that local content like local languages should be introduced into financial reporting in Nigeria.

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THE EFFECT OF IFRS ADOPTION ON SHAREHOLDERS WEALTH: A STUDY OF DEPOSIT MONEY BANKS IN NIGERIA

DZUGWAHI, Haruna
University of Liverpool, United Kingdom
Email: hdbirdling@yahoo.com
&
KIGHIR, Apedzan Emmanuel
Department of Accounting
Federal University, Dutsin-Ma, Katsina State, Nigeria
Email:apedzankighir2007@yahoo.com

Abstract

In 2012, Nigerian government adopted IFRS due to inadequacies of the Nigeria GAAP and the need to embrace international best practices. This study examines the effect of IFRS Adoption on Shareholders Wealth in Deposit Money Banks in Nigeria. The study employs longitudinal research design and collected data from published financial statements of Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange (NSE) for the period 2008 to 2015. Multivariate analysis of variance (MANOVA), Multivariate analysis of covariance (MANCOVA) and multiple regression analysis models were used for the data analysis. The dividend per share (DPS), market value per share (MVPS), earnings per share (EPS) and return on equity (ROE) serve as proxies for shareholder's wealth while IFRS pre and post-treatments serve as a categorical variable and inflation as a continuous control variable. The outcome of the study shows that IFRS adoption impacted significantly on DMBs shareholders' wealth of DPS, but on ROE only after controlling for inflation effect. There is, however, no evidence on Market value per share (MVPS) and Earnings per share within the same period under review even after controlling for inflation effect. The study concludes that IFRS adoption has improved DMBs shareholders' wealth in Nigeria. The study recommends among others that DMBs in Nigeria should sustain the application of IFRS as it improves shareholders' wealth. The policy implication is that this can help reduce the information asymmetry between shareholders and managers in Nigeria, thus improving the investment climate for the overall benefit of the Nation.

Keywords: International Financial Reporting Standards (IFRS), Shareholders' Wealth, Deposit Money Banks (DMBs), Agency Theory, Multivariate analysis of variance (MANOVA), Multivariateanalysis of covariance (MANCOVA), Inflation.

Introduction

Globalisation and increasing business activities across borders necessitate the International Organizations of Securities Commissions (IOSCO) to adopt International Financial Reporting Standards (IFRS) for companieslisted or seeking to list on stock exchanges worldwide (Stenka, Ormrod, & Chan, 2008). The International Financial Reporting Standards is a set of high - quality global accounting standards and rules issued by the International Accounting Standards Board (IASB) of United Kingdom for the preparation and presentation of financial statements worldwide to promote uniformity and transparency (IASB, 2016, ICAEW, 2013).

These International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) are posited to serve as a guide in the preparation of financial statements globally (IASB, 2016; Chen, Tang, Jiang, & Lin, 2010).As at31[st]March 2018, one hundred and fifty (150) countries have adopted IFRS (IASB, 2018),notwithstanding, the implementation rate differs across countries and continents of the world. In 2005, European Union (EU) directed all listed companies in Europe to migrate from national accounting standards to IFRS. Also, the United States Securities and Exchange Commission (SEC) allowed foreign corporations that were trading on the US Stock Exchanges to report financial statements in line with IFRS rules (Athanasios, 2011).

Table 1 shows continental adoption of International Financial Reporting Standards (IFRS) as stated hereunder as at 31[st] March 2018:

	Number of Jurisdictions	Percent of total
Europe	44	29%
Africa	23	15%
Middle –East	13	9%
Asia and Oceania	33	22%
Americas	37	25%
Totals	150	100%

Source: http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction

Statement of the Problem

In line with the global practice, Nigeria in 2012 adopted the International financial reporting standards (IFRS) along with other twenty - two (22) African countries. In the light of adoption, the Financial Reporting Council of Nigeria (FRCN) a government regulatory body directed all listed companies in Nigeria to migrate from national accounting standards called the Statement of Accounting Standards (SAS) to International Financial Reporting Standards with effect from 1st January 2012 (FRCN, 2015; Madawaki, 2012).In the spirit of globalisation, the Nigerian Stock Exchange (NSE) and the Nigeria Securities and Exchange Commission (SEC) made it mandatory for all companies trading and wishing to be listed on the floor of the Nigerian Stock Exchange' to adopt IFRS reporting for their financial statements in line with Nigeria's adoption of IFRS (NSE, 2015).

Nwude, 2012, posits that it had become worrisome to the shareholders in Nigeria when the prices of the shares crashed in 2007, although the impact of global economic meltdown contributed to this. Despite this fact, companies were throwing up impressive performances in the financial statements presented annually to the shareholders. These financial statements were prepared using the local standards,i.e.,Nigeria, Generally - Accepted Accounting Principles (NGAAP) known as Statement of Accounting Standards (SAS). Dividends were declared, but companies could not offset the obligations on the profit reported by them (Nwude, 2012).

The above necessitated the takeover of five DMBs in 2009 in Nigeria namely: Afribank Nigeria Plc., Oceanic Bank Plc; Platinum Habib Bank Plc., Intercontinental Bank Plc., and Spring Bank Plc. These banks were caught up in the web of creative accounting when reporting their performances (CBN, 2015).

Nigeria Deposit Insurance Corporation (NDIC) and Central Bank of Nigeria (CBN) intervened by injecting six hundred and fifty billion naira ₦650Bn (the equivalent of USD 4.13 billion) to save depositors fund and bank stakeholders (CBN, 2015; Ogunde, 2012). Before, the capital market operators adopted IFRS as listing requirements for quoted companies in Nigeria (NSE, 2015); however, Investors also raised concerns about the inadequacy and lack of credibility of financial information provided in the financial statements (Shehu, 2011).

Jensen and Meckling (1976), in their agency theory, posits that conflict arises when an agent (manager), pursue their interest (high pay, better perks, and great bonuses) to the detriment of the shareholders objective of wealth maximisation. Some managers get involved in window dressing of financial reports and unethical practices, and this adversely impacts shareholders value (Mallin, 2013). The principal-agent relationship breeds information asymmetry (Hilliard, 2013).This necessitated the need to have financial statementsthat potential investors, shareholders and other users of the financial statements such as managers, suppliers, creditors, andgovernment can rely on for decision making. (IASB, 2016; Alexander, Britton, &Jorissen, 2011).

This research tries to find out if the adoption of IFRS has improved information asymmetry of these banks and hence the shareholders wealth since IFRS adoption. The studycovers 2008 to 2015 with four years before and four years after the adoption of IFRS by Nigeria in 2012 by significant public entities. This is to allow a pre and post treatment effect on shareholders wealth for adequate comparison.

Past researchers in Nigeria focused mainly on the impact of IFRS adoption on equity, foreign direct investments, and the cost of capital (Nnandi & Soobaroyen, 2015, Shehu, 2015, Okafor and Ogiedu, 2011)., without investigating the effects of IFRS adoption on the wealth of the owners.In addition this research employs multivariate analysis of variance (MANOVA/MANCOVA) to compare the effect of pre and post treatment effects in addition to multiple regression of pre and post categorical variable to find out if IFRS adoption impacts on shareholders wealth with dividend per share (DPS), market value per share (MVPS), earnings per share (EPS) and return on equity (ROE) as proxies.

research objectives

The primary purpose of this research is to assess the effect of international financial reporting standards implementation on shareholders wealth of the listed deposit money banks in Nigeria.

The study aimed at achieving the following specific objectives:

I. To evaluate the effect of IFRS adoption on Market Value per Share (MVPS) of the listed Deposit Money Banks (DMBs) in Nigeria, pre and post IFRS implementation

II. To ascertain the effect IFRS adoption on Earnings per Share (EPS) of the listed Deposit Money Banks (DMBs) in Nigeria, pre and post IFRS implementation

III. To determine the effect of IFRS adoption on Dividend per Share (DPS) of the listed Deposit Money Banks in Nigeria, pre and post IFRS implementation

IV. To assess the effect of IFRS adoption on Return on Equity (ROE) of the listed deposit Money Banks (DMBs) in Nigeria, pre and post IFRS implementation

Statement Of Research Questions

(I) Does IFRS adoption have a significant effect on Market Value per Share (MVPS) of listed Deposit Money Banks in Nigeria?

(II) Does the implementation of IFRS significantly impact Earnings per Share (EPS) of listed Deposit Money Banks in Nigeria?

(III) Does IFRS significantly improved Divided per Share of listed Deposit Money Banks in Nigeria after adoption?

(IV) Is there any significant impact of IFRS implementation on Return on Equity of listed Deposit Money Banks in Nigeria?

Statement of Research Hypotheses

$Ho_{1:}$ There is no significant impact of IFRS adoption on Market Value per Share (MVPS) of the listed Deposit Money Banks (DMBs) in Nigeria after IFRS implementation

$Ho_{2:}$ There is no significant impact of IFRS adoption on Earnings per Share (EPS) of the listed Deposit Money Banks (DMBs) in Nigeria after IFRS implementation

$Ho_{3:}$ There is no significant impact of IFRS adoption on Dividend per Share (DPS) of the listed Deposit Money Banks (DMBs) in Nigeria after IFRS implementation

$Ho_{4:}$ There is no significant impact of IFRS adoption on Return on Equity (ROE) of the listed Deposit Money Banks (DMBs) in Nigeria after IFRS implementation

Scope of the study

The survey covers International Financial Reporting Standards (IFRS) adoption of the fifteen (15) Deposit Money Banks (DMBs) listed on the floor of the Nigerian Stock Exchange as it relates to the wealth of the shareholders (NSE, 2015). The data collected from published financial statements of the listed Deposit Money Banks (DMBs from 2008 to 2015 and the share prices from the website of Deposit Money Banks (DMBs) and the Nigerian Stock Exchange (CBN, 2015, NSE, 2015).The period coincides with four years before and four years after the adoption of IFRS by Nigeria in 2012 by significant public entities. This is to allow a pre and post treatment effect on shareholders wealth for adequate comparison.

Literature Review

This section covers the conceptual review, theoreticalreview and the Comprehensive review of empirical evidence on International Financial Reporting Standards (IFRS) adoption and its impact on shareholders' wealth around the world and summary of the study.

International Financial Reporting Standards (IFRS)

IFRS are the international accounting standards issued by the International Accounting Standards Board (IASB). IASB is the independent not for profit organisation saddled with the task of developing high - quality global accounting norms in the public interest (IASB, 2015).

IFRS is principle based. Studies revealed the disparity between GAAP standards and IFRS narrow (Ampofo&Sellani, 2005). However, the convergence of GAAP and IAS/IFRS eliminated the differences between US GAAP and IFRS to having single global accounting standards (IASB, 2015).IFRS standards ensure uniformity, standardisation, comparability, and understandability of financial statements across borders (ICAEW, 2013).

The GAAP

The Generally Accounting - Accepted Principles (GAAP) is the convention governing accounting, financial reporting, and auditing in the preparation and presentation of financial statements (Ampofo&Sellani, 2005). GAAP vary from country to the other, and the source and development of GAAP differ from one jurisdiction to the other. For instance, we have the US GAAP, UK GAAP, Chinese GAAP, German GAAP and Nigeria GAAP.

The professional accounting bodies and constituted Accounting Boards develop and issues accounting standards that guide accounting and accounting related practices (Ampofo&Sellani, 2005).

Shareholders Wealth

"Shareholder wealth is the present value of the expected future returns to the owners (that is, shareholders) of the firm. These returns can take the form of periodic dividend payments and/or proceeds from the sale of the stock" Binder (n. d).The shareholders wealth is enhanced through growth in earnings per share (EPS), dividend per share (DPS), market value per share (MVPS) and increase in return on equity (ROE) ratios that ultimately maximises shareholders wealth (Hillier, Ross, Westerfield, Jaffe and Jordan., 2014, Elliott & Elliott, 2012, Pandey, 2009).

Earnings per Share (EPS) as it relates to wealth maximisation only

Earnings per share (EPS) are the portion of the distributable profit to each unit of outstanding equity shares; after paying employees, suppliers, creditors and preference shareholders (Elliott & Elliott, 2012). It measures the amount of profit available for distribution to the equity shareholders over a period (Silviana, 2013). The higher the EPS, the better because, a high EPS shows an improvement in the earnings and strong financial position of the entity (Elliott & Elliott, 2012).

Dividend per Share (DPS) as it relates to wealth maximisation only

Agency theories assume dividend payment is subject to public information (Hail, Tahoun, & Wang, 2014). However, over the year's companies that payout,dividend had positively impacted their stock prices. The rationale for selecting dividend per share (DPS) as a measure to assess the effect of IFRS adoption on the wealth of shareholders in Nigeria; because both dividend payment and capital appreciation enhance the richness of the owners (Elliott & Elliott, 2012).

Market Value per Share (MVPS) as it relates to wealth maximisation only

Akbar (2008) investigated factors responsible for the creation of shareholders' wealth in Indian car manufacturing companies listed on Bombay Stock Exchange from 2001 to 2015.Shareholders wealth maximised through an increase in earnings per share (EPS) and the market price of shares (Akbar, 2008).The market value per share of the Deposit Money Banks quoted on the floor of Nigerian Stock Exchange, at the end of the reporting period,i.e., 31st December each year from 2008 to 2015 used as a dependent variable of the study (NSE, 2016).

Return on Equity (ROE) as it relates to wealth maximisation only

Return on equity is a profitability ratio that measures the ability of a firm "to generate profits from its shareholder's investment in the company" (MyAccountingCourse.Com, 2017, p.22).

Return on equity indicated how much profit one dollar of ordinary equity shares generates. It shows how management utilised shareholders' investment to produce profits.The higher return on equity the better for the company because the excess fund is available for investment and business expansion without requiring additional capital from equity shareholders hence the need for borrowing reduces; Warren Buffet often regarded this high ROE as investment principle (Buffett, 2017).

Hilliard (2013) examined the effect of adopting IFRS on financial statements in Canada and found that the market reacts adversely to IFRS implementation. Migrating to IFRS from Canadian GAAP enhanced financial reporting and reduction of information asymmetry. Despite Hilliard (2013) discovery, that IFRS adoption led to the decrease of information asymmetry. The study only examined the first quarter financial reports after the passage of IFRS in Canada, for better analysis and generalisation the research could have spanned overtime periods, and that is not the case. Notwithstanding, Hilliard's outcome may be beneficial to early adopters in evaluating the impacts of IFRS adoption.

Common accounting standards across Europe and the globe ensure greater comparability of financial information (ICAEW, 2015). Mandatory adoption of IFRS in the European Union; helped improved comparability among adopters(Brochet, Alan & Edward 2013; Andre, Dionysia& Ioannis 2012; Yip & Young 2012; Cairns, Massoudi, Taplin and Tarca 2011; Jones & Finley 2011; Dargenidou and McLeay 2010. However, according to Lang, Mark & Edward (2010), the adoption of international financial reporting standards has not increased accounting comparability.IFRS adoption improved value relevance in Australia, Hong Kong and New Zealand (Cheong, Kim &Zurbruegg, 2010) and the adoption of IFRS assisted capital market participants in Korea through improved earnings quality and lower information asymmetry (Cho, Kwom, Yi & Yun., 2015).

Gulani, Malgwi & Idriss (2015) investigated the effects of the adoption of IFRS on ratios of banks in Nigeria. A paired sample T-test employed in the analysis of return on capital employed (ROCE), return on assets (ROA), return on equity (ROE), equity to loan, equity to total assets and loan to total assets. From the study, migrating from Nigeria GAAP to IFRS significantly impacted return on equity and loan to total assets. Moreover, return on equity affected shareholders wealth when ROE increases it would enhance the wealth of shareholders and vice versa (Gulani, Malgwi & Idriss, 2015).Ibiamke and Ateboh - Briggs (2014) examined the impacts of IFRS adoption on the primary financial ratios for the quoted companies in Nigeria. A sample of 60 companies quoted on the floor of the Nigerian Stock Exchange used. The IFRS adoption caused a decrease in profitability, liquidity, and critical market ratios.

The study by Yahaya, Onyabe& Usman (2015) similar to the research on hand examined the effect of IFRS adoption on value relevance of the listed Deposit Money Banks in Nigeria from 2004 to 2013.Pre - IFRS adoption period 2004 to 2008 and post - IFRS adoption 2009 to 2013. Two models employed in the analysis price and earning models. The price model proxies' earnings per share (EPS) and market value per share (MVPS) while annual returns representing earning model; Findings revealed that, earnings per share increased significantly and value relevance of accounting information improved. Therefore, improvement in accounting information and EPS invariably enhanced shareholders wealth (Yahaya, Onyabe& Usman, 2015).

Tanko (2012) examined the effect of IFRS adoption on the performances of firms in Nigeria measured as profitability, growth, liquidity, and earnings per share (EPS) and from the results the quality of financial reporting improved through a decrease in managerial discretion in reporting earnings.Adabenege, Kutigi& Mohammed (2015) examined the effect of IFRS adoption on earnings behaviour of quoted deposit money banks in Nigeria. Financial statements of the15 listed banks on the Nigerian Stock Exchange (NSE) for the period 2004 to 2013 used. The study showed that banks' ability or tendency to engage in earnings management reduced due to transparency involved in financial reporting under IFRS (Fodio, Oba, Olukoju, andZik - rullahi, 2015). Several studies in the US, UK, Asia, Australia, and Africa centered on the effect of IFRS adoption in the areas of net income, equity, financial ratios, and foreign direct investment, the cost of capital. Particularly the comparative analysis of financial statements prepared under the GAAP and IFRS.

Theoretical Review

Jensen &Meckling (1976), in their agency theory, posits that conflict arises when an agent (manager), pursue her interest (high pay, better perks, and great bonuses) to the detriment of the shareholders objective of wealth maximisation. Some managers get involved in window dressing of financial reports and unethical practices, and this adversely impacts shareholders value (Mallin, 2013). The principal-agent relationship breeds information asymmetry (Hilliard, 2013).

A professional manager undertakes a task of preparing and presenting financial statements on behalf of the shareholders. Managers have a fiduciary responsibility and accountability to shareholders (Mallin, 2013).The Agency theory is relevant in this research as the adoption of IFRS will likely impact on information asymmetry between the managers and shareholders and hence the shareholder's wealth.

Methodology

The study adopts panel or longitudinal research design to test the impact of IFRS adoption of shareholders wealth pre and post-adoption. The study also adopted epistemological positivism which stands on the assumption that social world exists, and the properties are determined by objective means instead of subjective inference from situation or senses (Kothari, 2004). The reality here is that international financial reporting standards (IFRS) exist, and the effect of IFRS adoption on shareholders wealth in Nigeria; is what this study seeks to establish.

Sources of Data

The data collected from published financial statements of the listed commercial banks (DMBs from 2008 to 2015 and the share prices from the website of Deposit Money Banks (DMBs) and the Nigerian Stock Exchange (CBN, 2015, NSE, 2015).The period coincides with four years before and four years after the adoption of IFRS by Nigeria in 2012 by significant public entities. This is to allow a pre and post treatment effect on shareholders wealth for adequate comparison. Monthly inflation data sourced from Central Bank of Nigeria (CBN) website.*The sample size:*

All the 15 Deposit Money Banks listed on the Nigerian Stock Exchange constitute the sample of the study from a population of twenty-two (22) DMBs Banks in Nigeria. This is because the study adopted a filter based on the availability of the data in the DMBs as seven out of the twenty - two(22), Deposit Money Banks in Nigeriaare not listed on the Nigerian Stock Exchange, leaving only fifteen listed banks that met the criterion.

Method of Data Analysis

The study employs Multivariate Analysis of Variance (MANOVA) and Multivariate Analysis of Covariance (MANCOVA) along with pooled Ordinary least squared Regression Analysis (OLS) to test the impact of IFRS adoption pre and post on shareholders wealth.

Measurement

This study uses six (6) variables to study the relationship between IFRS adoption and Shareholders wealth.

Shareholders wealth is measured by four variables separately viz: Return on Equity (ROE), Earnings per Share (EPS), Dividends per Share and market value per share as a proxy for Shareholders wealth and as dependent variables.

IFRS adoption is measured by Pre and post-treatment as a proxy and as a categorical variable and inflation factor as control and a continuous variable for regression analysis.

The MANOVA and MANCOVA compare the means of the four variables, pre and post while the OLS regression is fitted after the comparison to see the effect of pre (1) and post (2) as a categorical independent variable on each of the four dependent variables representing shareholders wealth.

Model Specification
In this study, the relationship between four (4) dependent variables and one (1) two independent variable expressed in multiple equations are as below.

MANOVA/MANCOVA
$X_{1a} = X_{1b}$; for ROE
$X_{2a} = X_{2b}$; for EPS
$X_{3a} = X_{3b}$; for DPS
$X_{4a} = X_{4b}$. for MVPS

Where $X_a = X_b$ are pre and post means of the respective dependent variables, X1, X2 X3 and X4 for ROE, EPS, DPS and MVPS respectively for MANOVA analysis while MANCOVA compares the Covariance of a continuous variable.

Regression Analysis
$Y_{it}= b_0 + b_1Xi_1t_1 + b_2Xi_2t_2 + \varepsilon_{it}$

Where Y= dependent variable (ROE, EPS, DPS and MVPS)

X= independent variable (Pre (1) and Post (2) categorical variable)

$b_{0,}$ b_1, b_2, …$b_{t\,=}$ coefficient of the regression
i = number of banks, t = number of years

ε = error or random variable or residual

*Decision Rule:*Accept the null hypothesis (H_o) if the p-value is less than 1%, 5% or 10% or otherwise if the p - the value is higher.

Data analysis and discussion of results
The data and information used in the analysisaremainly obtained from secondary sources. The published financial statements of the fifteen (15) Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange (NSE) for the period 2008 to 2015 (CBN, 2015, NSE, 2015). MANOVA/MANCOVA and Regression modelused for the data analysis with the aid of the STATA 13 statistical package and the results interpreted and the summary of findings presented in a suitable format from which inferenceswere drawn.

Descriptive Statistics
Data on shareholders wealth (SW) that is the dependent variable (market value per share (MVPS), earnings per share (EPS), dividend per share (DPS) and return on equity (ROE)) and independent variables were analysed using STATA 13 statistical package and presented below:

Table II Descriptive Statistics for the Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
MVPS	120	8.8283417	6.900982	0.5	28
EPS	120	.88775	1.152094	0	8.74
DPS	120	.3934167	.4838214	0	2
ROE	120	10.44083	11.65177	0	109.44
Inflation	96	.08786458	0.06862708	-.6	3.69

Source: Researchers Analysis using STATA 13

From table II above, the market value per share (MVPS) has a mean of ₦8.28 with a standard deviation (SD) of 6.90; the highest MVPS of Deposit Money Banks (DMBs) in Nigeria for the period was ₦28.00 while some deposit money banks value depleted to the negative of 50 kobo. The earnings per share (EPS) attributable to ordinary shareholders have a mean of 0.89 and an SD of 1.15; the maximum EPS was ₦8.74 and the lowest zero. The dividend per share (DPS) averages negative ₦0.39 and negative SD of 0.48. For the entire period the maximum dividend received by shareholders was ₦2.00, and in some years, there was no dividend paid. The average return on equity (ROE) was ₦10.44 and SD of 11.65; the highest return accruing to shareholders is ₦109.44. The average monthly inflation is 8.7% with a standard deviation of approximately 0.07%.

Table IIIThe Correlation Matrix

Variable	MVPS	EPS	DPS	ROE	Inflation
MVPS	1.0000				
EPS	.2471	1.0000			
DPS	.6005	.4024	1.0000		
ROE	.3778	.4907	0.4889	1.0000	
Inflation	-0.0874	-0.1318	-0.0419	-0.1125	1.0000

Source: Researchers Analysis using STATA 13

Correlation measures the degree or strength of relationship among variables. From table III. Correlating the relationship among dependent variables (MVPS, EPS, DPS, & ROE) revealed that the correlationbetween market value per share (MVPS) and earnings per share (EPS) is 0.25 and between market value per share (MVPS) and dividend per share (DPS) is 0.60. Also, the correlation between market value per share (MVPS) and return on equity (ROE) is 0.38. The correlation of 0.40 exists between earnings per share (EPS) and dividend per share (DPS) whilethe correlation of 0.49 exists between EPS and return on equity (ROE). In the same vein correlation of 0.489 exists between dividend per share (DPS) and return on equity (ROE). Inflation is inversely correlated with MVPS, EPS, DPS and ROE during the period under review.

All correlation coefficients between the dependent variables are below 0.8; this indicates the absence of multicollinearity among variables under observation. However, if the coefficient of regression is above 0.8 means, multicollinearity exists.The reason for examining the relationship between the dependent variables is to ensure that there isno very high or perfectcorrelation ofthe regression variables. Multicollinearity emerges because of a high degree of correlation between dependent variables; if it exists then one dependent variable must be eliminated from the study, to avoid redundancy of dependent variables and distortion in the values of regression coefficients.

MANOVA of MVPS, EPS, DPS and ROE

Pre (1) and Post (2) IFRS Treatment serves as a proxyfor the categorical independent variable for IFRS adoption
manova MVPS EPS DPS ROE = TREATMENT
Number of obs = 120

W = Wilks' lambda L = Lawley-Hotelling trace
P = Pillai's trace R = Roy's largest root

Table IV Multivariance Analysis of Variance (MANOVA)

Source		Statistics	Df	F (df1,	df2) =	F	Prob > F
Treatment	W	0.9324	1	4.0	115	2.09	0.0872 e
P		0.0676		4.0	115	2.09	0.0872 e
L		0.0725		4.0	115	2.09	0.0872 e
	R	0.0725		4.0	115	2.09	0.0872 e
Residual			118				
Total			119				

Source: Researchers Analysis using STATA 13
Key: e = exact, a = approximate, u = upper bound on F

From IV above all the statistical measures of difference between pre-IFRS adoption and post IFRS adoption has a significant difference (Wilks' lambda, Pillai's trace, Lawley-Hotelling trace and Roy's largest root). This means IFRS adoption has a significant difference on shareholders wealth. However, as the measures could not determine which has impacted most on shareholders wealth.Thisis determined by running a regression using the pre and post-treatment as categorical variable as below:

Table V Regression result for pre and post treatment test

Variable	Obs	Treatment	Coefficients	Std. Error	t	P value
MVPS	120	Pre	0			
		post	0.132	1.265	0.10	0.917
EPS	120	Pre	0			
		post	0.254	0.210	1.21	0.228
DPS	120	Pre	0			
		post	0.193	0.869	2.21	0.029

ROE	120	Pre	0			
		post	1.699	2.131	0.80	0.427

Source: Researchers Analysis using STATA 13

From Table V above, only dividend per share (DPS) that has a positive relationship and significant impact post-treatment at below 5% significant level. This means IFRS adoption has an impact on shareholders wealth of DPS. MVPS, EPS, and ROE have a positive relationship but not significant. This means IFRS adoption has not improved shareholders wealth of MVPS, EPS, and ROE.

Table VI Multivariance Analysis of Covariance (MANCOVA)

Source		Statistics	Df	F (df1,	df2) =	F	Prob > F
Treatment	W	0.891	2	8.0	180.0	1.34	0.2251 e
P		0.112		8.0	182.0	1.34	0.2239 a
L		0.121		8.0	178.0	1.34	0.2264 a
R		0.095		4.0	91.0	2.15	0.0810 u
Residual			93				
Inflation	W	0.975		4.0	90.50	0.59	0.6709 e
P		0.026		4.0	0.50	0.59	0.6709 e
L		0.026		4.0	90.50	0.59	0.6709 e
R		0.026		4.0	90.50	0.59	0.6709 e
Total			95				

Source: Researchers Analysis using STATA 13

Key: e = exact, a = approximate, u = upper bound on F

Table VII. Regression result for pre and post treatment test with inflation as control variable

Variable	Obs	Treatment	Coefficients	Std. Error	t	P value
MVPS	120	Pre	0			0
		Post	0.0.18	1.354	0.01	0.989
		Inflation	-.822	0.992	-0.83	0.410
EPS	120	Pre	0			0
		Post	0.167	0.240	0.70	0.487
		Inflation	-.198	0.176	-1.13	0.262
DPS	120	Pre	0			0
		Post	0.51	0.088	1.72	0.089
		Inflation	-.005	0.64	-0.07	0.025
ROE	120	Pre	0			0
		Post	3.308	1.449	2.28	0.025
		Inflation	-.705	1.061	-0.66	0.508

Source: Researchers Analysis using STATA 13

From table VII above, both dividend per share and return on equity have a positive relationship and significant impact post-treatment at 10% and 5% respectively. This means using inflation as a control, IFRS adoption has an impact on shareholders wealth of DPS and Return on equity. However, MVPS and EPS have an only positive relationship but not a significanteffect on shareholders wealth. This means IFRS adoption has not improved shareholders wealth of MVPS and EPS.

Summary of Findings

The initial analysis of all the statistical measures of difference between pre-IFRS adoption and post-IFRS adoption has a significant difference (Wilks' lambda, Pillai's trace, Lawley-Hotelling trace and Roy's largest root). This means IFRS adoption has a significant difference on shareholders wealth. However, the measures could not determine which has impacted most on shareholders wealth. Thisis determined by running a regression using the pre and post-treatment as a categorical variable.

The result of regression test shows that only dividend per share (DPS) that has a positive relationship and significant impact post-treatment at below 5% significant level. This means IFRS adoption has an impact on shareholders wealth of DPS. MVPS, EPS, and ROE have a positive relationship but no significant effecton shareholders wealth. This means IFRS adoption has not improved shareholders wealth of MVPS, EPS, and ROE.

Multivariate analysis of covariance (MANCOVA) outcome after controlling for inflation shows both Dividend per share (DPS) and Return on Equity (ROE) have positive relationship and significant impact on shareholders wealth; while, Market value per share (MVPS) and Earnings per share (EPS) reveals positive relationship but have no significant effect on shareholders wealth of listed Deposit Money Banks (DMBs) in Nigeria.

Conclusions

As at 31st March 2018, one hundred and fifty (150) countries have adopted IFRS (IASB, 2018). In 2012, Nigerian government adopted IFRS due to inadequacies of the Nigeria GAAP and the need to embrace international best practices that guarantee understandable, transparent and comparable financial statements across borders (ICAEW, 2013). This study was undertaken to assess the effect of IFRS adoption on shareholders.

Extensive studies on IFRS in the US, UK, Asia, Australia, Africa and Nigeria focused on, the effect of IFRS adoption on net income, equity, financial ratios, and foreign, the cost of capital. From the review, practical/policy, theoreticalandmethodological and literature gaps exist. Also, data collected for the period of eight years (2008 -2015). The data were analysed using multivariate analysis (MANAVOVA/MANCOVA) and multiple regression models with the aid of a STATA 13.

The dividend per share (DPS), market value per share (MVPS), earnings per share (EPS) and return on equity (ROE) serves as proxies for shareholder's wealth while IFRS pre and post-treatmentserve as a categorical variable and inflation as a continuous control variable. This study reveals that IFRS adoption significantly impacted shareholders wealth of the listed deposit money banks in Nigeria particularly dividends per share and return on equity.Multivariate analysis (MANOVA/MANCOVA) outcome after controlling for inflation shows that Dividend per share (DPS) have a positive relationship and a significant impact on shareholders wealth at below 10% significant level. Return on Equity (ROE) has a positive relationship and significanteffect on shareholders wealth at below 5% significant level. However, Market value per share (MVPS) and Earnings per share (EPS) has a positive relationship but have no significant effect on shareholders wealth of listed Deposit Money Banks in Nigeria.The study concludes that IFRS adoption improves DMBs shareholders' wealth in Nigeria.

The study recommends among others that DMBs in Nigeria should sustain the application of IFRS as it improves shareholders' wealth. The policy implication is that this can help reduce the information asymmetry between shareholders and managers in Nigeria, thus improving the investment climate for the overall benefit of the Nation.

Further research on the effect of International Financial Reporting Standards (IFRS) adoption on shareholders wealth should explorefurther, the impact of economic growth and development on shareholders wealth as control variables.

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Conference theme 2:

Auditing, investigation and assurance services

ACCOUNTANTS' PERCEPTION OF THE PERSONAL FACTORS INFLUENCING AUDITORS' ETHICAL BEHAVIOUR IN NIGERIA

Adeleke Clement Adekoya
Afe Babalola University Univerisity Ado-Ekiti, Nigeria
adekoyaac@abuad.edu.ng; lericks2006@yahoo.com

Collins Sankay Oboh
University of Lagos (UNILAG), Lagos, Nigeria
colsanky@yahoo.com

Obafemi Rufus Oyewumi
University of Lagos (UNILAG), Lagos, Nigeria
femioyewumi@yahoo.com

Abstract

This study was conducted to examine the perception of accountants on the personal factors influencing an auditor's ethical behaviour in Nigeria. A cross-sectional survey of accountants in Lagos State Nigeria was conducted. Data was obtained from 152 accountants (80 chartered and 72 non-chartered) through the use of a well-structured questionnaire. The data collected was analysed using nonparametric tests (Wilcoxon rank-sum test and Mann–Whitney test) to check for differences in the perceptions of chartered and non-chartered accountants on the personal factors influencing auditors' ethical behaviours. The results showed that, with the exception of auditors' age, there is no significant difference in the perceptions of the two groups of accountants on the personal factors influencing auditors' ethical behaviours. The study offers value to professional accounting bodies in that it provides empirical explanations to guide the pursuit for sustainable and resilient ethical values among accounting professionals.

Keywords: Ethical behaviours, corruption, auditors, chartered accountants

Introduction

Generally, ethics is the bedrock of any responsible society and the basis for a meaningful and sustainable development. True professionalism and societal formation are established upon sound ethical values which are the foundation for all other standards of performance (Turpen & Witmer, 1997). Globally, the continuing decline of ethical values in organizations and societies has heightened the concerns for ethics studies in societies (Transparency International, 2016). In 2002, the appeal for ethics in business and accounting practices became amplified after the Enron and Andersen debacles (Low, Davey & Hooper, 2008; Arfaoui et al., 2016). The outcome of the investigation only brought to bear what already was a deficiency in the very fibres of the business and professional communities.

The issue of unethical business and accounting practices has a long history (Low *et al*., 2008). Although, reported cases only surfaced in the 1970s with the scandals of Lockheed Corporation in 1976, United States and Nugan Hand Bank in 1980, Australia. Others include the scandals of Northguard Acceptance Ltd. in 1980-82, Canada and ZZZZ Best in 1986, US (Murphy, 2015). Recent cases include the scandals of Toshiba in 2015, Japan; Alberta Motor Association in 2016, Canada; and Odebrecht in 2016, Brazil (Rusnell, 2016; Associate Press, 2017; Inagaki, 2017). By implication, the recurring global headlines of financial scandals and the roles played by accountants and auditors have brought a dent on the image of the accounting profession's nobility (Dellaportas, 2006; Bakre, 2007; Musbah *et al*., 2016). Also, stakeholders remain surprised as regards the moral decline and unethical posture of public accountants (Wokukwu, 2015; Herbert *et al*., 2016).

In Nigeria there have been several outcries over increasing incidents of corruption and unethical accounting practices (TI, 2016). Despite increased government legislations and the presence of governance and professional ethics codes, as well as common integration of accounting ethics conversations in the academic curriculum, cases of unethical practices among accountants in both the public and private sectors subsist (Bakre, 2007; Otusanya, 2010). There are cases of the collusion of accountants with companies' management and directors to falsify companies' accounts and the compromising stance of external auditors. Cadbury Nigeria Plc. suffered a major financial scandal in 2005, while Dunlop Nigeria Plc. liquidated in 2009. Likewise, Oceanic and Intercontinental banks collapsed, leaving hundreds of shareholders financially impaired (Bakre, 2007; Ogunleye, 2015; Otusanya & Uadiale, 2014).

Confronted with these ethical challenges among accounting professionals, coupled with the consistent rankings of African countries among most corrupt in the world (TI, 2016) and the concerns expressed by different stakeholder groups for more business and professional ethics studies in Africa, this paper examines accountants' perceptions of the personal factors influencing auditors' ethical behaviours in Nigeria, a developing country. Although, research findings on factors influencing individuals' ethical behaviour abound in the literature, however, only few ethics studies relate these factors to auditors' ethical behaviour and decision-making. Yet, audit is one of the major fields in accounting and plays a significant role in lending credibility to companies' financial statements. The public ascribes the auditing profession a high social status, regard and esteem over financial information in corporate entities (Adeyemi & Fagbemi, 2011). There is a dearth of ethics literature relating to auditing in Africa.The other sections are arranged as follows: section II presents the review of literature and hypotheses formulation. Section III discusses the research methods adopted for the paper. Section IV presents the results and discussions, while section V summarises and concludes the paper.

Literature Review

Ethics, as explained by Bovee, Thill and Mescon (2006), is the principles and criteria for moral conduct on what is "right" as opposed to the "wrong", which society has adopted for its existence. Morf, Schumacher and Vitell (1999) described ethics as concerned with moral commitment, responsibility and social justice of all parties involved in the process of decision making.

Every professional association is established upon a generally accepted body of knowledge, a widely recognized standard of attainment and enforceable codes of ethics (Smith, Smith & Mulig, 2005; Karaibrahimoglu, Erdener & Var, 2009). These codes of ethics guide and shape members' behaviour and enable them to resolve ambiguity or contentious issues concerning ethical conduct (Crebert *et al.,* 2011). At times, it is difficult to judge what may be right or wrong in certain situations without some frame of reference. Hence, ethics deals with well-based standards of how individuals or professionals ought to act. It actually does not describe the way they do act, it deals with the way they should act, and it is prescriptive (normative), not descriptive (Mintz & Morris, 2008).

In accounting ethics is primarily a field of applied ethics which prescribe behaviours set forth in accordance with accounting principles, which is regarded as the underpinning for all other standards of professional conducts and performance (Turpen & Witmer, 1997). Ethical standards and behaviours in accounting can be expressed as performing the accounting duties in accordance with Generally Accepted Accounting Principles (GAAP) such as reliability, accuracy, objectivity and transparency (Karaibrahimoglu*et al*., 2009). These standards of conduct are heavily influenced by the profession's specifications, national laws and the expectations of the society (Mintz & Morris, 2008).

In the literature, Kohlberg's cognitive reasoning and moral development theory has been widely applied in understanding ethical principles and behaviours among accounting professionals (Ogunleye, 2015; Musbah *et al*., 2016; Karaibrahimoglu *et al*., 2009). Kohlberg proposes, as a reformulation of Piaget's progression from heteronomy to autonomy, a developmental model in six stages with three levels (Barron, 2015; Schepers, 2017). This theory assumes six stages of moral reasoning, which an individual can only pass to the next stage based on the developments of his/her belief systems (Kohlberg, 1973; Weber, 1991). The first of which is obedience to rules motivated by avoidance of punishment and the second, obedience influenced by rewards (personal benefits). Generally, these stages (stages 1 and 2) make up the pre-conventional level of morality. At this level of morality, Kohlberg argued that an individual responds to thoughts of 'right' or 'wrong,' especially when expressed in terms of consequences of action (punishment, rewards, exchange of favours), or in terms of imposition of physical power by those enunciating the rules (Kohlberg, 1973; Mintz & Morris, 2008; Musbah, 2010; Weber, 1991; Schepers, 2017).
The third and fourth stages, of Kohlberg' theory, consist of obedience influenced by fairness to others and by law and order (Kolhberg, 1973; Mintz & Morris, 2008). At this level of morality, Kohlberg believed an individual would act ethical with a sense of responsibility to maintain the expectations of others, and not necessarily for fear of punishment or envisaged rewards. The individual thinks he should be fair to others, especially those in his/her group (family, peers, colleagues, etc.), and that he/she owes the society the obligation to be ethical as a generalized member of society (Weber, 1991).

In the fifth and sixth stages, the basic understanding of the fundamental rights to liberty and life, the principle of human rights and the recognition of the universal principle of rules and regulation characterized individuals' moral development (Kohlberg, 1973; Schepers, 2017). These stages (stages 5 and 6) make up the post-conventional morality level. At stage five, Kohlberg believed right action is defined in terms of general individual rights and in terms of standards, which have been critically examined and agreed upon by the whole society (Weber, 1991). Individuals will act ethical, because to do so, would benefits society more. Unlike the rigidity of maintaining the laws in stage four, stage five emphasizes flexibility in the law in terms of rational considerations of social utility ('*utilitarianism*') (Weber, 1991; Kohlberg, 1973). At stage six, the laws are valid only if they are grounded in justice, and a commitment to justice carries with it an obligation to disobey unjust laws. Here, ethicality is defined by the decision of conscience in accord with self-chosen ethical principles appealing to logical comprehensiveness, universality, and consistency (Barron, 2015; Mintz & Morris, 2008).

Generally, accountants perform their work in many different areas and sectors of human endeavours, which involve serious ethical concerns. Likewise, various opportunities exist in their work to engage in unethical behaviour (Mele`, 2005). Hence, as a profession, there are specified guidelines and codes of conduct that guide accountants on how to conduct themselves in the discharge of their duties as public interest protectors. Bakre (2007) noted that in some quarters, there are claims that the foundation of the operating activities of the accounting profession are the central elements of ideologies such as the prescription that the occupation will encourage and maintain high professional standards, ethical conduct, moral integrity and hence give impartial service to the public. On account of the indispensable roles accounting play in human endeavours and in the global economy, scholars have sought to understand, from different dimensions, what would make highly skilled professionals, well remunerated, charged with the responsibility of protecting the interests of the public in financial matters, behaviour contrary to professional standards.

Hitherto, Psychologists believed there are intrinsic factors that may contribute in moulding and shaping individuals cognitive reasoning and ethical values. Accounting scholars also believed these factors influence, motivate and compel accountants to behave ethical when faced with situations or decisions that may be unclear or ambiguous on what the ethical stance should be (Dellaportas, 2006). Mintz & Morris (2008) argued that an individual may know what is ethical and have the desire to act ethical, but may be influenced by pressures, internally and externally, to act otherwise. Kohlberg believed an individual's ability to make ethical judgement develops in stages and is affected by certain factors, which are both internal and external to the individual (Kolhberg, 1973). In the literature there is yet to be a consensual persuasion on the factors influencing the ethical values and behaviours of accounting professionals. It is still a contentious discourse among academics on the way ethical values are acquired. Some of the factors that have been found to influence the moral development of individuals include perception, experiences, environment, family, personality and education (Nathan, 2015; Karaibrahimoglu *et al.,* 2009; Musbah *et al*., 2016; Marques & Azevedo-Pereira, 2009).

This paper therefore examines accountants' perception of some of the factors that may influence auditors' ethical behaviour. It assesses the extent to which stakeholders perceive certain intrinsic factors to influence auditors' ethical behaviours. Generally, these factors are grouped into two broad categories, namely: personal and external factors (Mintz & Morris, 2008).

Personal Factors and Ethical Behaviour

In literature, some of the personal factors that have been found to influence individuals' cognitive reasoning, moral development, ethical behaviour and decision making include age, gender, upbringing, personal values, fear of punishment, conscience and religion (Musbah *et al*., 2016; Kohlberg, 1973). The study of Marques & Azevedo-Pereira (2009) examined the ethical ideology and ethical judgments in the Portuguese accounting profession. Their findings suggest that age and gender significantly determine the ethical judgment and values of accounting professionals in Portuguese. They further reported that ethical judgment did not differ significantly based on ethical ideologies (personal moral philosophy – '*personal values*') among the respondents. Kurpis, Beqiri & Helgeson (2008) investigated the effects of commitment to moral self-improvement and religiosity on ethics of business students. The study found religion and commitment to moral self-improvement to be significant predictors of perceived importance of ethics, ethical problem recognition, and ethical behavioural intentions among the students. Although, the findings of Rawwas, Swaidan and Al-Khatib (2006) suggest that religion has less influence on ethical behaviour; however, the reason for this outcome was based on the special characteristics of the Japanese culture.

Among the religious respondents group, age and gender were found to be possible predictors of ethical behaviours compared to the secular respondents group (Rawwas, Swaidan & Al-Khatib, 2006).

From the study of Ogunleye (2015), it was reported that various situational and demographic factors significantly influence the ethical perception and predisposition of Nigerian accountants. The study found that age, gender, culture and religiosity significantly influence the ethical perception and predisposition of accountants. Female accountants were found to be more ethically disposed than their male counterparts. In Musbah *et al*. (2016), the role of individual and organizational variables and moral intensity dimensions in Libyan management accountants' ethical decision making were examined. From their findings, a slight significant relationship was reported between age, gender, educational level and personal moral philosophy (personal values) and ethical decision making. Contrasting Ogunleye (2015) on gender influence on ethical decision-making, Musbah *et al*. (2016) found male accountants to display more ethical traits than their female counterparts.

Nathan (2015) on the other hand, akin to Ogunleye (2015), found that the ethical standards of female participants were less affected by societal influences than that of their male counterparts. Evidence from the study of Tilley (2010) signals gender differences in ethical decision-making, noting that both genders change their behaviour to select more ethical options when a kinship factor is involved. Generally, the results and evidences on gender differences and individual ethical behaviour have been mixed (Becker & Ulstad, 2007; Valentine *et al.*, 2009; Valentine &Rittenburg, 2007).The study of Becker and Ulstad (2007) suggested that biological gender has been found to have an impact on ethical behaviour, of which the female gender demonstrates to be more ethical than the male. Buckley, Wiese & Harvey (as cited in Becker & Ulstad, 2007, p. 88) argued that social conditioning may lead males toward unethical action more often than females, especially when they feel the end justifies the means. This therefore, supports the debate of gender socialization theory, which holds that men and women bring different ethical standards and values to the work environment (Dawson, 1995).

In reality, men and women differ considerably in moral reasoning processes, irrespective of whatever decisions they may make in given circumstances (Dawson, 1995; Tilley, 2010). Valentine and Rittenburg (2007) and Valentine *et al.* (2009) affirmed that, on the average, women are more ethical than men. Hitherto, there is no consensus on gender influence on ethical reasoning and behaviour. From the findings of Bobek, Hageman and Radtke (2015), professional role, decision context, gender influence and moral intensity significantly related to males' decision making, than females.

Affiliated to the influence of conscience in ethical reasoning, behaviour and decision making, Thilly (1900) noted that certain feelings and impulses surround the idea of a deed and lead individuals to make judgments. These feelings and impulses are the products of the inner voice,or inward eye (conscience), as sometimes referred. Thilly (1900) argued that conscience is not an independent or separate faculty as common sense would hold, but a complexof psychical states, and that the characteristic emotional and impulsive elements peculiar to it are the feelings of approval (or disapproval) and the feelings of obligation. It judges and it is cognitive or intellectual in personality. Hence, conscience functions ('*warns'* or '*condemns*') both before and after the performance of an act.

Howard (1910), citing Sainte-Beuve, noted that for a Frenchman, the first consideration is not whether he is amused or touched by a work of art or mind. What he seeks above all to learn is, whether he was right in being amused and moved by it, and in applauding it. Thus,Howard (1910) stated that:

> ‘A Frenchmanhas, to a considerable degree, what one may call a conscience in intellectual matters; he has an active belief that there is a right and a wrong in them, that he is bound to honour and obey the right, that he is disgraced by cleaving to the wrong’ (p. 486).

Undoubtedly, every individual has or professes to have conscience in moral matters. According to Howard (1910), the word conscience is narrowed, in popular use, to the moral sphere, because this lively susceptibility of feeling is, in the moral sphere, so far more common than in the intellectual sphere. It has become a man's inclination to admit a high standard of conduct and a perfect authoritative model in correcting his everyday moral behaviours.

According to Lyons (2009) conscience is an inner voice of special moral illumination or expertise and of incontrovertible moral authority, which reveals itself inwardly and unavoidably in consciousness and warns us to do good and avoid evil, while condemning us when we fail. To complement Lyons (2009), Hansen (2011) suggested that conscience forms the connection between God and man. It is an original principle and a messenger from God who, both in nature and in grace, speaks to us behind a veil (1 John 3:20, King James Version). At times, conscience may be more related to faith and identity (Cummings, 2009). Eberle (2007) noted that obedience to the dictates of conscience is an important moral good when exhibited by the citizenry, and it is no less good when exhibited by the inhabitants of other social roles.

This study, akin to these persuasions on the interrelationship between conscience and moral behaviours, argues that conscience is the inner voice or inward eye in every individual, which, to a considerable degree, influences, motivates, justifies or condemns individuals’ conducts. It is a significant personal factor that may influence auditors’ ethical reasoning and behaviour. Perhaps, what Kohlberg referred to as universal ethical principles in stage six of the theory of moral development, may be linked to an active conscience that ought to guide the conducts of every individual irrespective of societal norms or legal laws. As hypothesized by Fuss (1964), conscience is the very marrow of the moral life. Embedded in conscience is the complete law of nature, which universally confined individuals to appreciate what is good as against the bad. It is the very voice of nature (Marks, 2006).

Still on personal factors, ‘age’ (Ogunleye, 2015; Musbah *et al*., 2016) and ‘personal or individual values’ (Musbah *et al*., 2016) have been found to be significant determinants of ethical reasoning, decision and behaviour. Equally, ‘religion’ (Ogunleye, 2015) and ‘upbringing’ – home training (Ilmi, 2011) play significant roles in influencing individuals’ values and behaviour. In Proverbs 22:6 (King James Version), it says that “*train up a child in the way he should go: and when he is old, he will not depart from it*.” According to anecdotal reports, Arthur Andersen's mother had a significant influence in his moral beliefs and conducts. She had schooled him in a Scandinavian axiom — *"Think straight, talk straight"*. These ethical values, learnt from his mother during his growing up days, guided Arthur Andersen into building one of the world’s largest accounting firms before the Enron scandal in 2002 that led to the collapse of the firm (Trevino & Blown, 2004).

Overtly, to a considerable degree, the moral perception and disposition of an individual has a link to his/her religious beliefs and growing up experience. In educational discourses, it is generally accepted that all children are defined as blank slates (‘*tabula rasa*’) that are in need of moral inscription. Both teachers and a child’s family members are acknowledged as essential means by which children can be imprinted with right moral values and, thus, socialized (Rydstrøm, 2001). Given that the results of the influences of some of the personal factors in individuals’ cognitive reasoning, values and ethical decision and behaviour are mixed, this study hypothesizes that:

H_1: the perceptions of chartered accountants and non-chartered accountants' stakeholders groups of the personal factors influencing auditors' ethical behaviours are not significantly different.

By chartered accountants this study refers to those accountants who are qualified accountants of the Institute of Chartered Accountants of Nigeria (ICAN); while the non-chartered accountants are those without a professional qualification or those with other qualifications different from what is offered by ICAN.

Research Methods

By way of a cross-sectional survey design, data were collected from stakeholders (chartered and non-chartered accountants) to examine their perceptions of the personal factors influencing auditors' ethical behaviour in Nigeria.The choice of this design was based upon the fact that it helps to elicit data from the study's sample objectively in order to make generalization to the population. A sample of 200 accountants was surveyed using a structured questionnaire of which 160 (80%) copies were filled and returned. After due scrutiny of the returned copies of the questionnaire, 152 (76%) copies were found to be usable for analysis.

Upon the development of the instrument, the initial draft was subjected to content and face validity tests with the assistance of two accounting scholars and a professor of research methodology and statistics. Their constructive criticism and suggestions aided the final version of the instrument. As earlier mentioned, this study is a perceptual study. It samples the opinions and perceptions of two stakeholder groups (chartered and non-chartered accountants) on certain factors (personal and external) that influence auditors' ethical behaviour on a 5-point Likert scale of agreement [from (5) 'Strongly agree' to (1) 'Strongly disagree'] and scale of influence [from (5) 'overwhelming influence' to (1) 'no influence'] to evaluate their opinions. Descriptive and inferential statistics were employed in analysing the data collected.

Descriptive statistics was performed to present a summary of the demographic information of the respondents and their perceptions of the general ethical climate of the accounting profession in Nigeria. Each questionnaire item was analysed using frequenting and cross tabulation analysis. The inferential statistics was performed at a 0.05 level of significance on the ordinal data collected. Specifically, Wilcoxon rank-sum test and Mann–Whitney test were performed to test for difference in the perceptions of the two independent stakeholders (chartered and non-chartered accountants) groups on the factors influencing auditors' ethical behaviours.

Data analysis and discussion of results

Descriptive statistics

To begin, descriptive analysis was performed to assess the accountants' demographic composition and characteristics. The outcome of this analysis provided a level of assessment of the accountants' understanding and ability to provide valid responses to the questionnaire items without bias.The respondents were asked to rate the ethical behaviour of an average accountant in Nigeria on a six-point-scale measure (6, Excellent to 1, very poor). The results showed that half of the respondents (38, chartered and 38, non-chartered accountants = 76) perceive the ethical behaviour of an average Nigerian accountant is 'satisfactory'. However, 43 respondents (24, chartered and 19, non-chartered accountants) consider the behaviour as 'poor', while 29 respondents (16, chartered and 13, non-chartered accountants) perceived the behaviour as 'good'. Also, 2 respondents (1, chartered and 1, non-chartered accountant) perceived the behaviour as 'excellent', while the remaining 2 respondents (1, chartered and 1, non-chartered accountant) perceived the behaviour as 'very poor'. Generally, the ethical behaviour of an average accountant in Nigeria is still perceived to be satisfactory.

Furthermore, the study examined the extent of influence the perceived personal factors have on auditors' ethical behaviours in Nigeria. A Cross tabulation analysis was used to examine respondents' responses to each factor. Table 1 present the results of this analysis.

Table 1*:* Cross tabulation analysis of the perceived influence of personal factors on auditors' ethical behaviour

	Influence of religion on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No Influence	Total
Chartered accountant	12	15	36	13	4	80
Non-chartered accountant	9	21	24	13	5	72
Total	21	36	60	26	9	152
				μ = 3.22; σ = 1.075;	Min. 1	Max. 5

	Influence of upbringing on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No influence	Total
Chartered accountant	9	45	21	2	3	80
Non-chartered accountant	12	42	15	2	1	72
Total	21	87	36	4	4	152
				μ = 3.77; σ = .818;	Min. 1	Max. 5

	Influence of conscience on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No influence	Total
Chartered accountant	19	37	16	6	2	80
Non-chartered accountant	18	36	12	3	3	72
Total	37	73	28	9	5	152
				μ = 3.84 σ = .970;	Min. 1	Max. 5

	Influence of gender on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No influence	Total
Chartered accountant	-	3	15	38	24	80
Non-chartered accountant	-	2	15	20	35	72
Total	-	5	30	58	59	152
				μ = 1.88; σ = .840;	Min. 1	Max. 4

	Influence of age on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No influence	Total
Chartered accountant	1	7	21	32	19	80
Non-chartered accountant	0	4	16	22	30	72
Total	1	11	37	54	49	152
				μ = 2.09; σ = .956	Min. 1	Max. 5

	Influence of fear of sanction on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No influence	Total
Stakeholders: Chartered accountant	17	39	16	8	-	80
Non-chartered accountant	15	27	25	5	-	72
Total	32	66	41	13	-	152
				μ = 3.77; σ = .880;	Min. 1	Max. 5

	Influence of personal values on ethical behaviour					
	Overwhelming influence	Lot of influence	Some influence	Little influence	No influence	Total
Stakeholders: Chartered accountant	36	31	10	3	0	80
Non-chartered accountant	32	30	8	1	1	72

Total	68	61	18	4	1	152
				μ = 4.26; σ = .818;	Min. 1	Max. 5

Source: Field survey, 2016

The results suggest that both groups of accountants (36 chartered and 24 non-chartered accountants) perceived religion as having some influence on auditors' ethical behaviours. In total, 117 accountants (63 chartered and 54 non-chartered accountants) perceived religion to have a considerable influence on auditors' ethical behaviours, while 35 respondents (17 chartered and 18 non-chartered accountants) perceived religion to have little or no influence on auditors' ethical behaviour.

On the influence of upbringing on auditors' ethical behaviours, the results displayed in Table 1 suggest that both group of respondents (45 chartered and 42 non-chartered accountants) perceived upbringing to have lot of influence on auditors' ethical behaviours. In total, 144 respondents (75 chartered and 69 non-chartered accountants) perceived upbringing to have a considerable influence on auditors' ethical behaviours, while only 8 respondents (5 chartered and 3 non-chartered accountants) perceived upbringing to have little or no influence on auditors' ethical behaviour.

With regards to the influence of conscience on auditors' ethical behaviour, the results suggest that both groups of respondents (37 chartered and 36 non-chartered accountants) perceived conscience to have lot of influence on auditors' ethical behaviours. In total, 138 respondents (72 chartered and 66 non-chartered accountants) perceived conscience to have a considerable influence on auditors' ethical behaviours, while 14 respondents (9 chartered and 5 non-chartered accountants) perceived conscience to have little or no influence on auditors' ethical behaviour.

Concerning the influence of auditors' gender on their ethical behaviours, the results suggest that both group of respondents (24 chartered and 35 non-chartered accountants) perceived gender to have no influence on auditors' ethical behaviours. In total, 35 respondents (18 chartered and 17 non-chartered accountants) perceived gender to have some influence on auditors' ethical behaviour, while 117 respondents (62 chartered and 55 non-chartered accountants) perceived gender to have little or no influence on auditors' ethical behaviours.

On the influence of auditors' age on their ethical behaviours, the results suggest that both groups (32 chartered and 22 non-chartered accountants) perceived auditors' age to have little influence on their ethical behaviours. In total, 103 respondents (51 chartered and 52 non-chartered accountants) perceived auditors' age to have little or no influence on their ethical behaviours, while 49 respondents (29 chartered and 20 non-chartered accountants) perceived auditors' age to have some influence on their ethical behaviour.

Regarding the influence of fear of sanction on auditors' ethical behaviour, the results suggest that both groups (39 chartered and 27 non-chartered accountants) perceived that the fear of sanction have lot of influence on auditors' ethical behaviours. In total, 139 respondents (72 chartered and 67 non-chartered accountants) perceived the fear of sanction to have considerable influence on auditors' ethical behaviours, while only 13 stakeholders (8 chartered and 5 non-chartered accountants) perceived the fear of sanction to have little influence on auditors' ethical behaviour.

Finally, with respect to the influence of auditors' personal values on their ethical behaviours, the results suggest that both groups (36 chartered and 32 non-chartered accountants) perceived that auditors' personal values have overwhelming influence on their ethical behaviours. In total, 147 stakeholders (77 chartered and 70 non-chartered accountants) perceived the personal values of auditors have overwhelming influence on their ethical behaviours, while only 5 stakeholders (3 chartered and 2 non-chartered accountants) perceived the personal values of auditors to have little influence on their ethical behaviours.

Test of Hypothesis

From the descriptive analysis, it is apparent that accountants (chartered and non-chartered accountants) perceived the identified personal and external factors as significant influencers of auditors' ethical behaviours. To make inferences and generalization on the outcome of the descriptive analysis, Wilcoxon rank-sum test and Mann–Whitney test were performed to test the study's hypotheses with the aid of SPSS version 21. These tests are the non-parametric equivalent of the independent samples t-test (Field, 2009). The results of the tests are shown in Tables 2. Table 2 presents the test statistics for hypothesis one (H_1).

Table 2: Personal factors and auditors ethical behaviours

Test Statistics[a]

	Religion	Home training	Conscience	Gender	Age	Fear of sanction	Personal values
Mann-Whitney U	2837	2575	2751	2480	2341	2667	2856
Wilcoxon W	6077	5815	5991	5108	4969	5295	6096
Z	-.166	-1.261	-.511	-1.577	-2.089	-.834	-.098
Asymp. Sig. (2-tailed)	.868	.207	.609	.115	.037*	.404	.922

a. Grouping variable: Professional status; * *P < .05*

From Table 7, with the exception of age (.037 < .05), the p-values for religion (.868 > .05), home training (.207 > .05), conscience (.609 > .05), gender (.115 > .05), fear of sanction (.404 > .05) and personal values (.922 > .05) suggest no significant difference in the perceptions of chartered and non-chartered accountants of the personal factors influencing auditors' ethical behaviours in Nigeria. That is, there is a consensual perception among the stakeholders that these personal factors influence auditors' ethical behaviours. With respect to age, the test outcome suggests that stakeholders perceived differently the influence of age on auditors' ethical behaviours, meaning that, while one accountants' group (say, chartered accountants) perceived age as a significant factor influencing auditors' ethical behaviours, the other stakeholders group (non-chartered accountants) perceived age as not a significant influencer. Hence, auditors' ethical behaviours are perceived to be influenced by factors personal to them.

Discussion

The results revealed that the both chartered and non-chartered accountants view fear of sanction, religion, upbringing, conscience, gender, and personal values in relatively the same way as influencers of an auditor's ethical behaviour. This consensus in opinion suggests that each of these factors inherently defines who an auditor truly is, and hence dictates how he behaves, particularly in the discharge of his responsibilities. However the stakeholders perceived differently the extent to which age and gender influence auditors' ethical behaviours. This outcome confirmed the mixed results in ethics literature on the influence of gender and age on ethical behaviours. Whereas the study of Ogunleye (2015) and Nathan (2015) reported significant relationship between age and gender and ethical decision, the study of Musbah *et al*. (2016) reported a slight significant relationship between these demographic variables and ethical decision making. Although, Kohlberg argued that, as individuals grow older, they graduate from one stage of morality to another in a Six-stage level of morality, supposing the influence of age on ethical behaviours. This result is arguable and an experimental study may be required to validate the accountants' perception on the influence of age and gender on auditors' ethical behaviours.

Conclusions

Given the findings above, this study concludes that personal factors play a crucial role in determining how an auditor behaves in examining the books of clients and expressing an opinion thereon. Hence the fear of sanction, religion, upbringing, conscience, gender, and personal values of individuals working with audit firms go a long way to determining how those individuals will act on the job, and ultimately influence the position of the audit firm as a whole.It is therefore recommended that much emphasis should be placed on these personal factors in the lives of the individuals that are to be employed or engaged by audit firms in the discharge of their duties to their clients. This should be complemented with continuous training on ethics particularly as it has to do with the accounting profession and audit practice.

Like prior business ethics studies, there are some limitations to the methods adopted in this paper. Firstly, it simply examined the perceptions of the sampled respondents. Hence, the findings represent the opinions and perceptions of the sample drawn from the population, and not their behaviour. However, it is a reflection of the population since the samples were drawn randomly.This paper lends its voice to call for more research efforts in the area of business and professional ethics in Africa. For hitherto, there is still a dearth of empirical evidence on professional and business ethics studies in Africa. In addition, further studies should be conducted using more advance methodologies to provide empirical explanation on the effect of conscience, upbringing and fear of God on the ethical decisions of accounting professionals.

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AUDIT ATTRIBUTES AND FINANCIAL REPORTING TIMELINESS OF CONGLOMERATES IN NIGERIA

IBRAHIM ALI
Department of Accounting,
Faculty of Arts and Social Sciences,
Gombe State University
E-MAIL: awhilewithalee@gmail.com

Abstract
This study focused on audit-related factors and examines whether auditors' attributes measured by audit firm size and audit independence mitigate the tendency of listed conglomerates in Nigeria to delay reporting of financial information. Data for the study were obtained from the annual report of the sampled companies from 2007 to 2016covering a period of 10 years and the data were analyzed using pooled OLS regression. The findings from the study indicates that audit firm size has a negative but insignificant relationship with financial reporting timeliness of conglomerates in Nigeria while audit independence has a significantpositive relationship with financial reporting timeliness implying that the lower the degree of audit independence the longer the reporting period and the higher the degree of audit independence the shorter the reporting period. The study therefore recommends thatin order to enhance auditors' independence, policies should be made to mandate auditors to sign and submit their audit report before a specified period (which should be below 90 days) after the client's financial year-end.

*Keywords:*Audit attribute, Audit firm size, Audit Independence, Audit report lag, financial report lag

Introduction

Financial reporting timeliness is one of the most important objectives of financial reporting. The information contained in the financial statement is a key guide for informed decision making. However, delay in financial reporting is inimical to the facilitation of such decision making. Timeliness in Accounting refers to the need for accounting information to be presented to the users in time to fulfil their decision making needs. Although, timeliness alone will not make informationrelevant, information must be timely to be relevant. Therefore, financial information presented timely is generally more relevant to users.

In Nigeria, as rightly observed by Iyoha (2012), the need for high quality and timely financial information has become particularly imperative due to the increasing exposure of Nigerian business organizations to international capital markets. Thus, the business organizations are being obliged to satisfy the information demands of both local and foreign investors and to provide them with more timely information in annual financial reports. Recognizing the importance of timely release of financial information, the Nigerian Securities and Exchange Commission (SEC) has required a maximum of 90 Daysafter the company financial year end from listed companies to release their corporate reports. Despite this regulation, listed conglomerates in Nigeria still experience time lags in the release of their financial reports. These listed conglomerates had recorded very low performance in recent years and as such the need to determine factors influencing the time lag.

Timeliness is therefore crucial and hence the need to determine factors affecting financial reporting timeliness. Owusu-Ansah (2000) posited that timely reporting is a function of audit-related and company-specific factors. Audit-related factors are those factors that are likely to impede the auditor in carrying out the audit assignment and issuing out the audit report timely while company-specific factors are those that either enable the management to produce amore timely report or reduce thecost associated with undue delay in reporting. Thus, company-specific factors include company size, profitability, gearing and company age.

This study tries to focus on audit-related factor and relevant studies had been conducted in emerging economies on how audit related factors specifically, audit firm size; audit independence; qualified audit reports affect financial reporting timeliness. Among these studies are the studies of Soltani (2002); Al-Ajmi (2008);Al-Ghanem (2011); My, Hoang and Hong (2015) while in Nigeria, existing studies on reporting timeliness focuses on company-specific factors, among these include the studies of Iyoha (2012); Ibadin, Izedonmi and Ibadin (2012); Emeh and Appah (2013); Efobi and Okougbo (2014). It is in this vein that the study is motivated and tends to examine whether auditors' attributes mitigate the tendency of firms to delay reporting of financial information thereby adding to existing literaturein Nigeria.

The objective of this studytherefore, is to assess how audit attributes (audit size and audit independence) may mitigate the timeliness of financial reporting of conglomerates in Nigeria. The study is made into five sections, the first section gives an introduction on the study, the second part of the paper is areview of extant empirical work and hypotheses development, the subsequent part showcase the methodology used in analyzing the data collected followed by analysis and discussion of the data. A brief conclusion was presented in the last section, stating the findings, as well as recommendations.

Literature Review

The assumption that larger audit firm tends to provide higher quality audit can also be presume to facilitate audit report as also pointed out by Iman, Ahmed and Khan, (2001) that larger audit firms are expected to complete audits more quickly than smaller firms because they have more resources in terms of staff and experience in auditing listed companies. Several studies have examined whether audit firm size influences financial reporting timeliness.

Ahmed (2003) examined the timeliness of corporate annual reporting in three South Asian countries, namely, Bangladesh, India and Pakistan. Base on a large sample of 558 annual reports for the year 1998. A multivariate regression analysis indicates that financial year-end date is a significant determinant in each country. The size of the audit firm, as measured by the factor loading of audit fees, number of reporting entity audited by an audit firm and international linkage, indicates large audit firms take significantly less time in India and Pakistan.

Similarly, My, Hoang and Hong (2015)studied the effect of audit firm and firm performance on the timeliness of the financial report: A case study of Vietnamese Stock Exchange. The study uses data collected from 100 companies with largest market capitalization and high liquidity on Ho Chi Minh City Stock Exchange in 2014.The Result showed that the audit firm and firm performance measured by Return on Equity (ROE) index positively affect the timeliness of financial report.

In the same vein, Sakka and Jarbai (2016) examined the relationship between corporate governance, external auditor's characteristics index, and timeliness in light of amendments made to the Financial Security law (2005) in Tunisia. The study uses panel data methodology of 28 Tunisia companies listed on the Tunisians Stock Exchange over the period 2006 – 2013. The study indicated that whenever the audited report publication date proves to be short the external auditor's characteristics index is discovered to be high.Likewise, Ahmad andKamarudin (2001); Leventis, Weetmanand Caramanis (2005); Che-Ahmad and Abidin (2008); and Turel (2010) all reported a positive significant relationship between audit firm size and financial reporting timeliness.

On the other hand, Al-Ajmi (2008) investigated the timeliness of annual reports of an unbalanced panel of 231 firms-years of financial and nonfinancial companies listed on the Bahrain Stock Exchange. The study revealed that no evidence was found to support the effect of accounting complexity or auditor type (Big Four or non-Big Four) on the timelines of annual reports. This is also similar to Carslaw and Kaplan (1991); Almossa and Alabbas (2007) where they found no evidence to support the effect of auditor type whether the Big four or non-Big four on timeliness.

Base on the above review, where mixed results can be observed and dearth of literaturein Nigeria, this study therefore, hypothesizes no significant relationship exists between audit firm size and financial reporting timeliness of conglomerates in Nigeria.

H_1: there is no significant relationship between audit firm size and financial reporting timeliness of conglomerates in Nigeria

Audit Independence and Financial Reporting Timeliness

The auditor in the conduct of his duty is required to report any breach found in the client's financial statement, the ability of the auditor to exercise this duty relies heavily on his independence. As pointed out by De-Angelo (1981) that the quality of an audit relies on the market assessed joint probability that a given auditor will both discover a breach in the client's financial statement and report the breach. From this view, while the ability to discover a breach has to do with the auditor's competence, reporting the breach greatly relies on the auditor's independence. This is also consistent with the view of Krishnan (2005) that the timeliness of financial reports in reflecting publicly availablebad news about future cash flows than good news is moderated by audit independence. Therefore, independent auditors have both the expertise to detectlosses and the incentives to persuade their clients to report them in a timely manner

Several studies had observed that where an auditor exercise his independence by qualifying the client's financial statement, such qualification is characterised by delays in the publication of financial statement for investors decision making. Evidence to this can be traced to early research of Whittred (1980) where the study compares the reporting behaviour of companies that received audit qualifications with a random sample of companies that received no such qualification and with the reporting behaviour of the same companies in the years preceding the qualification. The results indicate that the incidence of a qualified audit report delays the release of the preliminary profit report and the final annual accounts. It also appears that the more serious the qualification, the greater is the delay. Ashton, Willingham and Elliott (1987);Bamber, Bamber andSchoderbek (1993) and Simnett, Aitken, Choo and Firth(1995) also showed that reporting delay is significantly longer in thecase of companies that receive qualified audit opinions.

Soultani (2002) also conducted a study on the timeliness of corporate and audit reports in French context. The study was analyzed by examining the trend in reporting delay of companies, the effect that qualified reports have on the timeliness of corporate reporting, and the relationship between reporting behaviour and types of audit reports over a 10-year period. It was evidenced that qualified audit opinions were released later than unqualified opinions and that, in general, the more serious the qualification, the greater the delay.From the review of these studies, while the studies do not examine audit independence directly, the ability to issue a qualified audit report on a client financial statement is a determinant of audit independence as also observed by De-Angelo (1981) that reporting the breach in a client's financial statement constitutes audit independence.

This study further argued that audit reports associated with serious audit opinion are usually delayed as a result of management influence to compromise the auditor independence, in supporting this assertion, Whittred (1980) stated that as a result of the consequence of audit opinion,management take issues with the auditor's findings and an increase in auditor-client negotiation ensues leading to delayed audit report. Additionally, Kinney and McDaniel (1993) described audit delay to correction of previously reported interim earnings that lead to increasing year-end audit work and auditor-client negotiations about the best disclosure action. In this light and aligning with the view of De-Angelo (1981) that the ability to report a breach in the client financial statement relies on auditor's independence, audit lag can therefore, be considered as a measure of audit independence. This study opines that audit independence can be measured as the ratio of audit report lag and the average audit reporting lag in an industry. The longer the audit report lag, the lower the degree of the auditor's independence, and the shorter the audit report lag, the higher the degree of the auditor's independence. Consequently, Sakka and Jarbai (2016) had indicated that whenever the audit report date proves to be short the external auditor's characteristics index is discovered to be high.

Although, it could be argued that auditing standards requirebefore issuing a qualified opinion, an auditor must take all reasonable steps to put himself in a position to issue a confirming opinion which such a course of action might be considered as a general time constraint, it is worthy to note as stated by (Whittred, 1980)that the standard also states that auditor should not unreasonably defer issuing report in the hope of obtaining further evidence to resolve a possible qualification situation, no matter how serious the possible qualification might be. Thus, audit report delay remains questionable.

Therefore, the significance of examining audit independence on reporting timeliness cannot be overemphasized as it was evidenced by these research works revealing that there is a significant delay associated with serious audit opinions. Furthermore, this association has not been observed by recent literatureand it is in this vein that this study hypothesizes no significant relationship between audit independence and financial reporting timeliness.

H_2: there is no significant relationship between audit firm size and financial reporting timeliness of conglomerates in Nigeria

Methodology

This study examined the relationship between audit attributes and financial reporting timeliness of listed conglomerate companies in Nigeria for a period of 10 years (2007-2016) with 40 observations. There are 6 listed conglomerate companies on the Nigerian Stock Exchange as obtained from the Nigerian Stock Exchange (NSE) as at 31stDecember, 2016. Out of the 6 companies, four companies are studied. The selected companies are those that their annual reports and accounts were obtained for complete 10 years period. The companies include; AG Leventis PLC, Chellarams PLC, John Holt PLC and UAC of Nigeria PLC.This study utilized documentary firm-level data collected from the annual reports and accounts of the sampled firms. Panel data methodology using OLS, and random effect regression methods were used in analyzing the data using STATA 13.0.

Model Specification

In this study, audit attributes are proxied by audit firm size and audit independence; these variables had been identified as averitable reflection of audit attribute (De-Angelo, 1981). Financial reporting timeliness was measured using similar approach of Soltani, (2002) and Al-Ajmi, (2008) which is the difference of days between the financial year end of a company and the date of the annual general meeting. This is preferred because it is a composition of both audit lag and financial reporting lag and it's the day when the annual report is made available to the public. Audit fee is considered as a control variable in the study which is a reflection of the incentive that could ensure an effective audit process.

The equation below represents the model for this study, thus;

$Freptim_{it} = \beta_{0i} + \beta_1 ASize_{it} + \beta_2 AInd_{it} + \beta_3 AFee_{it} + \varepsilon_{it}$

Where;

Freptim: financial reporting timeliness measured as the financial reporting lag which is the number of days between the financial year end of a company and the date of the annual general meeting. (Soltani, 2002; Al-Ajmi, 2008)

ASize: Audit firm size which is measured as a categorical variable where 1 represents the engagement of any of the 'big four' audit firms (Price Waterhouse Coopers PWC, Akintola Williams Deloitte, Ernst and Young and KPMG) and 0 otherwise.(Asthana & Boone, 2012; Kimeli, 2016)

AInd: Audit independence which is measured as the ratio of audit report lag and industry average audit reporting lag

AFee: Audit fee measured as the natural logarithm of independent auditor fee disclosed in the client's financial statement. (Kimeli, 2016)

β_{0i} Intercept of the model

$\beta_{1.....3}$ coefficients of the independent variables, which are expected to reflect thesign and magnitude of the explanatory variables

it Individual firm and the period identifiers

Data analysis and discussion of results

Table 1: Discriptive Statistics Summary

Variable	Obs	Mean	Std. Dev.	Min	Max
Freptim	40	230.85	62.99147	148	351
ASize	40	.65	.4830459	0	1
auditlag	40	134.775	62.32894	83	326
Aind	40	1	.4624666	.6158412	2.418846
lafees	40	7.279291	.5944222	6.25527	8.90155

Source: Authors analysis using Stata V.13

From the descriptive statistics in table 1, the highest financial reporting lag is 351days while the lowest is 148 days, with an average of 231 days, this is beyond the regulatory requirement of 90 days indicating that all the sampled company do not report on timely basis as required by the SEC. audit independence is at highest with 242% above the industry average and 62% lowest below the industry average. Audit independence is considered highly effective when it is below 100% of the industry average.

Post-residual Diagnostic Test (Multicollinearity and Heteroscedasticity)

Table 2: Multicollinearity

	FreptimASizeAindlafees				*VIF*
Freptim	1.0000				
ASize	-0.0894	1.0000			1.30
Aind	0.4477	0.2877	1.0000		1.27
lafees	-0.4229	0.2992	-0.2563	1.0000	1.28

Source: Authors analysis using Stata V.13

The correlation analysis was performed in table 2. It can be observed that audit firm size and audit fee has a negative correlation with financial reporting timeliness, this indicates that when a big 4 auditor is engaged, there will be a reduction in the time taken to release financial reports likewise when audit fee is high. On the other hand, audit independence has a positive correlation with the reporting timeliness, indicating that when the audit lag is above the industry average, reflecting lower degree of auditor independence, the reporting period tends to be high.

The variance inflation factor (VIF) for audit firm size, audit independence and audit fees are 1.30, 1.27 and 1.28 respectively. This indicates that the VIFs are less than 10 respectively.Thus, the study concludes that there is no problem of multicollinearity. That multicollinearity exists only when the VIF is greater than 10 (Samaila, 2014)

The BreuschPegan/ Cook-Weisberg Test of Heteroskedasticity on the study model gives the Chi2 Prob of 0.9474, indicating that it is insignificant, hence, the data are homokesdasticity and as such desirable.

Multivariate Analysis

In testing the hypotheses for the study, pooled OLS regression, fixed effect and random effect regression were conducted and hausman specification test was later conducted to decide between fixed effect and random effect. The hausman specification test was not significant and therefore, random effect was considered appropriate for the model of the study. Furthermore, Breusch and Pagan Lagrangian multiplier test for random effectswere conducted to decide between pooled OLS regression and random effect regression. The Breusch and Pagan LM test was not significant and therefore, pooled OLS regression was considered more appropriate for interpreting the study model. The result of the pooled OLS regression is presented below;

Table 3: Estimation Results (Pooled OLS Regression)

Source	SS	df	MS	Number of obs = 40
				F(3, 36) = 5.49
Model	48575.7969	3	16191.9323	Prob> F = 0.0033
Residual	106173.303	36	2949.25842	R-squared = 0.3139

				Adj R-squared = 0.2567	
Total	154749.1	39	3967.92564	Root MSE	= 54.307

Freptim	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
ASize	-16.15967	20.53771	-0.79	0.437	-57.81207	25.49273
Aind	56.05015	21.17619	2.65	0.012	13.10285	98.99745
lafees	-29.71374	16.53604	-1.80	0.081	-63.25038	3.822904
_cons	401.5986	124.8251	3.22	0.003	148.4415	654.7557

Source: Authors analysis using Stata V.13

The pooled OLS regression as presented in table 3 provides the estimation result of the model. The F value probability of 0.0033 is significant indicating that the model is fit. From the regression, audit firm size and audit fee have negative but insignificant relationship with financial reporting timeliness of conglomerates in Nigeria. Audit independence has a positive and significant relationship with financial reporting timeliness of conglomerates in Nigeria. This implies that the lower degree of audit independence, the longer the reporting period and the higher the degree of audit independence the shorter the reporting period. This finding is consistent with Sakka and Jarbai (2016) where it was indicated that whenever the audit report date proves to be short the external auditor's characteristics index is discovered to be high and also the finding buttress the assertion of Whittred (1980); Kinney and McDaniel (1993).

This study had therefore, provides an empirical evidence that audit attribute does mitigate the timeliness of financial reports of conglomerates in Nigeria, the findings of this study imply that quality audit attributes reflected by big 4 audit firms (audit firm size)and a high degree of audit independence do facilitate timely financial reports for investors' decision making. This corroborates the position of De-Angelo (1981) that audit quality is the assessed market probability that an auditor will both discover a breach and report the breach in the client's financial statement. Discovering this breach has to do with competence and reporting the breach relies on audit independence.

Conclusions

This study had examined the relationship between audit attributes and financial reporting timeliness of conglomerates in Nigeria. The study proxied audit attributes by audit firm size and audit independence. The findings from the study indicates that audit firm size has a negative but insignificant relationship with financial reporting timeliness of conglomerates in Nigeria while audit independence has a positive and significant relationship with financial reporting timeliness implying that the lower the degree of audit independence the longer the reporting period and the higher the degree of audit independence the shorter the reporting period. This findingsis consistent with that of Whittred (1980); Kinney and McDaniel (1993);Sakka andJarbai (2016)It is therefore recommended that in order to enhance auditors' independence, policies should be made to mandate auditors to sign and submit their audit report before a specified period (say 90 days) after the client's financial year-end.

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DETERMINANTS AUDIT FEES OF QUOTED NIGERIAN DEPOSIT MONEY BANKS

Muideen Adeseye AWODIRAN
Department of Accounting, AfeBabalola University, Ado-Ekiti (ABUAD), Ekiti State,
muideen266@gmail.com

Ramat Titilayo SALMAN
Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin-Nigeria.
titisalman4@gmail.com
&
Isiaka Kareem JIMBA
Department of Accounting, AfeBabalola University, Ado-Ekiti (ABUAD), Ekiti State, Nigeria
jimbaik@abuad.edu.ng

Abstract
This study evaluates the determinants of audit fees based on variables that are peculiar to banking industry and considered salient to regulators of banking services. It also examines the effect of IFRS adoption on audit fee of banks. Data were sourced from annual reports and accounts of all the fifteen (15) quoted deposit money banks for the period covering 2006-2015 and were analysed using descriptive statistics and inferential statistics. The result of Hausman specification test favours random-effect over the fixed-effect models of panel least square regression. Findings of the study revealed that capital risk has negative influence on audit fees at 10% level of significance while credit risk shows positive influence at 1% level of significance. Also, complexity, IFRS adoption and size had significant positive relationship with audit fees at 1%, 10% and 5% levels of significance respectively. However, management efficiency and profitability showed no significant relationship with audit fees. As regards variables considered important to regulators of banks, the study concludes that auditors do not seem to consider management efficiency in determination of audit fees. The study recommended amongst others that auditors of banks should further align the determination of their fees with factors that are considered important to regulatory body; to reduce costly litigation associated with audit failure.

Keywords: Auditors, Audit Fee Pricing, Audit Quality, Deposit Money Banks

Introduction
The principal-agent conflict as depicted in agency theory, where principals lack reasons to trust their agents because of information asymmetries and differing motives is fundamental to the understanding of the development of audit as well as its usefulness and purpose. An agency relationship arises when one or more principals (e.g. owners) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in delegation of some decision making authority to the agent. Auditors are agents of the shareholders whose interests are usually different from those of the managers of the company being audited; the more reason information asymmetry is a direct consequence of audit. External auditors have two main functions complementing that of reduction in information asymmetry; unveiling non compliance with financial reporting regulations, and limit the discretionary accounting practices of the managers (Ng, 1978). Furthermore, the need for audit is three folds; to function as a monitoring mechanism, to meet the demand for information from investors in order to improve their decision-making, and to act as insurance against material misstatements (Ask & Holm, 2013). The global

demand for improvement in audit quality mechanism has increased even further with the world being rattled with massive economic crises and corporate scandals sparking a plea for stricter control and regulations of companies. The Emerging economies are not exceptional from large corporate failures; for instance the corporate failures in the Nigerian financial sector in the early 1990s brought auditors into sharp focus and caused the public to question the role of accountants and auditors (Akinpelu, Omojola, Ogunseye, &Bada, 2013).

External audit is an important factor in the corporate governance function, as supervision of performance and assurance of accountability in management are important governance function. External audit constitutes a significant tool for maintaining good governance levels by creating confidence in the financial statements issued for stakeholders' use, and to enhance the credibility of audited companies. One of the main attributes of the auditor's independence is charging of correct audit fees (i.e. fees that are not too low and not too high) for the exercise which is determined ahead of the commencement of the engagement. In other words, audit fee is an economic cost of efficient auditors.

In the 1980s and 1990s, large external audit firms have gone through mega-mergers that reduced their number from eight – Big 8 – to five – Big 5 (Abidin, Beattie, &Goodacre, 2008). However, with accounting scandals in the 2000s– which led to Arthur Andersen's termination, the last decades have seen the consolidation of this sector around the current Big 4. This concentration accentuates the value assigned to the accounting information quality. It was revealed in Enron case that the reputation of audit firms has close ties with the independent audit conducted by them. Audit has value to the extent that investors, regulators and the market believe that the auditor is independent and, as a consequence, he will report significant distortions discovered in the audited company, thus reducing expenses due to opportunistic behaviour of managers (agency costs) (Watts & Zimmerman,1986). The concentration of the auditing industry reduces the options available to audited companies; such concentration, along with accounting scandals and the importance of auditing for corporate governance shed light on professional independence issues and the determination of external auditors' fees.

The pricing of audit services has been an interesting topic for audit researchers, and a plenty of audit studies were conducted to investigate factors believed to have an influence on audit fees in industrial companies. Unlike other industries, banking firms are characterized by the different nature of their operation and greater scrutiny from regulatory bodies. Audit fee researchers (Simunic 1980; Fields, Fraser, & Wilkins, 2004) suggest that audit fees for every company should be a function of client size, business complexities and client business risk. However, the audit fees studies for banking firms have not received adequate attention for two key reasons: first, most of the measurement variables for risk and complexities used in other industries are not suitable for banks. For instance, leverage and quick/current ratio measures used in other industries cannot properly capture the risk and complexities involved with banking firms. Secondly, the presence of vigilant regulation cast its effect in the audit service in either of the two ways. On one hand, tight regulation of banks may induce auditors to plan their audit in less intensive manner and charge lower audit fees (Boo & Sharma, 2008).

On the other hand, it also places a higher litigation risk on the auditor because both regulators and owners may bring court action in case of audit failure (Fields *et al*., 2004; Boo & Sharma, 2008). As a result of these two basic differences in banks operations and operating environment, most audit fee studies exclude firms in banking sector (Ireland & Lennox 2002; Gonthier-Besacier&Schatt, 2006; Thinggaard&Kiertzner, 2008; Caneghem, 2010; &Lawrence,Minutti-Meza, & Zhang, 2011). While few recent studies model bank audit fees in terms of factors that are considered most important to the regulatory bodies and found interestingly missed results.

Auditing of companies in the regulated industries is associated with a higher litigation risk exposure in case of audit failures. To avoid such a costly litigation, it is argued that bank auditors should take in to account factors that are most important to regulators in their audit fee determination to better align with the interest of regulators. It is known that in most countries of the world, be it developing or developed, bank regulators use CAMELS (Capital adequacy, Asset quality, Management Efficiency, Earning Quality, Liquidity, and Sensitivity to market) for their off-site surveillance mechanism including Nigeria. In the light of this, studies on bank audit fee model audit fees around these CAMELS ratios (Fields *et al.,* 2004; Lobo, Kanagaretnam&Krishnan*,* 2010; Ettredge, Fuerherm, & Li,2014). Whether auditors in Nigeria consider these factors still remain an open question. It is against this backdrop that the study examines detrninants of audit fees of quoted Nigerian deposit money banks

Literature Review

There has been consensus among scholars/ authors, professional bodies and standard setters as to the exact definition of auditing. The general definition of an audit is an evaluation of a person, organization, system, process, enterprise, project or product. The term is commonly referred to as audit in accounting, but similar concepts also exist in project management, quality management, and energy conservation. Adeniyi (2010) defined audit as the independent examination of and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation. From the above definitions, it can be deduced that auditing is an independent examination by an auditor of the evidence from which financial statements of an organisation are prepared. The objective of an audit is to express an opinion on whether the financial statements are prepared in all material respects, in accordance with an identified financial reporting framework (sometimes referred to as established criteria) (Dandago, 2002).

Zerni (2012) explained audit service as a unique among other professional services for two major reasons. First, auditors are hired and paid by the client, but their product is really used by the third-parties (e.g., investors), to whom they owe a standard of care. Second, the quality of an audit cannot be directly observed prior to contracting and, in general, not even after the audit is conducted. The only observable outcome of the audit process is the issued audit report, which, at least in its standard form, does not contain much information about the state of independence and audit quality.

Needless to say, the opinion of an auditor must be an independent opinion given by a professional person with appropriate skills in audit work, and the opinion must not be influenced by anyone else, and in particular must not be influenced by the opinions and views of the management of the company whose financial statements have been audited. In order that an audit report is of value, auditors must have 'independence of mind' and be 'independent in appearance'. These principles of both being and being seen to be independent are at the centre of the role played by independence in auditing. Independence of the auditor is a matter of public confidence in the audit process. Auditors need to be fully aware of situations that may damage their independence and objectivity. Such situations are referred to as threats to auditor's independence. Any threat to independence may be reduced through safeguards provided in the code of ethics issued by accounting profession regulatory bodies (ICAN, 2014).

Several factors have been identified in literature which may influence auditor's independence such as lack of stricter regulations, the nature of the auditor-client relationship, extended audit tenure, the provision of non-audit services and competitive pressures leading to lowballing /price cutting. In addition to the audit service, audit firms provide various non audit services such as tax consultancy, system consultancy, management advice, international business advice, human resource management, and financial and investment consultancies. The collapse of the giant US corporations in the year 2002 (Enron, WorldCom and Global Crossing) marked a black spot on the auditing profession as a whole. Arthur Anderson, the auditor of these collapsed companies was highly criticized for over relying on non-audit fees and compromising independence. Economic dependence (proportion of non audit service fees to total audit fees) of external auditors has received researchers attention. It is argued that provision of non-audit services by incumbent auditors impair auditor independence. First, non-audit service fees make auditors to be financially dependent on their client, and as a result weaken their ability to resist management pressure for fear of losing their business.

Secondly, the consultancy nature of non-audit services puts auditors in a compromising position which potentially threaten their independence about the transactions they audit. In addition, Positive abnormal audit fees or the presence of positive client specific quasi rent creates an incentive for the auditor to compromise independence with respect to a specific client (Defond, Raghunandan, & Subramanyam, 2002; Choi, Kim, Liu &Simunic, 2008). Although, a counter theoretical argument also suggests that auditors have market-based institutional incentives to act independently. The expected costs of sacrificed independence include the reputation loss and litigation costs associated with audit failures (Defond *et al.*, 2002).

DeAngelo (1981) defined audit quality as the market-assessed joint probability that an auditor will discover an error in the client's account and report the error to the third parties. She also mentioned that the probability that a given auditor will discover a breach depends on the auditor's technological capabilities, the audit procedures employed on a given audit, the extent of sampling, etc. Furthermore, the conditional probability of reporting a discovered breach is a measure of an auditor's independence from a given client. Several researchers investigated the factors which affect audit quality. Size and independence related issues (i.e. the proportion of audit fees received from a particular client, auditor tenure, the provision of non-audit services and other audit client relationships) are given emphasis as determinants of audit quality. Huang (2006) reported that non-audit consultancy business began to rapidly develop during the end of the 1990s. It has been argued that non-audit fees have a higher profit margin than audit services by the US Securities and Exchange Commission (SEC) annual report of 2000.

Consultancy services such as large-scale, big-fee financial information systems design, and implementation of information technology projects have been reported as providing more than a third of the revenues of the then Big Five accounting firms (Riesenberg, 2002). The new Public Company Accounting Oversight Board (PCAOB) established by the Sarbanes-Oxley Act of 2002, and other various groups have asserted that auditor's independence can be impaired when non-audit services are provided; considering the fact that high non-audit fees could lead to auditors compromising their independence to retain clients when they are performing auditing (Reynolds & Francis, 2000; & The Sarbanes-Oxley Act, 2002). Moreover, the PCAOB has to date banned certain non-audit services in the US. However, it has been argued that total prohibition of non-audit services for audit clients would, over time, reduce accounting firms overall technical competence and expertise, and undermine audit effectiveness. For instance, auditing the accuracy of a company's tax provision properly requires having skilled tax experts (Riesenberg, 2002). In this vein, the existence of such value-added services is reasonable and it is impossible to completely stop auditors from providing non-audit services; as the spill-over effect of expert knowledge inevitably adds new value to auditing services, and then differentiates auditors in their ability to provide these additional services.

In the Nigeria context, ICAN code of ethics provide guidance on provision of non-audit services. The Code recognises the value to both client and auditor of the provision of non-audit services, but requires the auditor to evaluate the significance of any threat to independence created by the provision of such services. In some cases, it may be possible to eliminate or reduce the threat by applying safeguards. However, ICAN considers that safeguards are not possible for activities such as authorising or executing a transaction, or otherwise exercising authority on behalf of the assurance client, or having the authority to do so; determining which recommendation of the firm should be implemented; reporting, in a management role, to those charged with governance. All these activities involve the auditor or audit firm in assuming a management role. ICAN considers several specific areas of non-audit service provision. Most of these activities are considered permissible, provided that; management decisions are not taken, andappropriate safeguards are put in place. Some of these areas include taxation services, internal audit services, and IT systems services.

Choi *et al*. (2008) speculated that when the auditor receives abnormally high audit fees from a client (i.e., abnormal audit fees are Positive), the auditor possibly allows the client to engage in opportunistic behaviours like earnings management. He further reasoned that for clients with positive abnormal fees, the benefits to the auditor from agreeing to client pressure for opportunistic earnings management can outweigh the associated costs (e.g., increased litigation risk, loss of reputation). For those firms whose earnings increase has been gained through doubtable accounting practices are likely to pay higher audit fee to persuade their auditors to certify those earnings as correct, and give it a better audit opinion than the facts merit (Xie, Cai, & Ye, 2010).

The demand for audit quality is also differ relative to the strength of corporate governance. A more independent board of directors could prevent earnings manipulation in the first place and hiring an auditor with high quality may also protect the auditor from being fired by managers when he reports a breach or material misstatement (Chung &Kallapur, 2003; Ireland & Lennox, 2002). Hermalin and Weisbach (2003) argued that effective board monitoring was more likely when insiders have less influence on the board. In addition, audit committees are also regarded as an important group, since they are responsible for determining audit fees and independence arrangements. However, the effectiveness of the audit committees is mostly guaranteed and noticed when positions of the CEO and the chairman are separated and headed by two independent individuals (Gregory & Collier, 1999).

Arrunada (2000) explained two important attributes of audit quality; professional judgement and the impact of independence on the third party and other clients. Professional judgement is a crucial attribute of audit quality because it substantially enhances the informational value of auditing for the third party. However, if there is lack of independence, auditors may decide not to make efforts to discover problems they do not wish to report on. As a result, they may come to light in decisions that reduce effective technical competence. Therefore, the content of audit quality, competence and independence are interrelated. In other words, auditors have to exercise their professional judgement independently (Huang, 2006).

Gonthier-Besacier and Schatt (2006) examined factors influencing audit fees in France. They attempted to elucidate the amount spent on audit fees in 2002 in a sample of 127 French (nonfinancial) firms. The main finding was that audit fees depend on firm size, firm risk, and the presence of two of the big four firms. According to them, when two big four firms audit company accounts, the fees charged (adjusted for company size) are significantly lower in comparison with those paid in the other cases, and that the results appeared not to have been influenced by the share of fees paid by the companies to the main auditor. Al-

Harshani (2008) investigated factors influencing the amount of external audit fees in Kuwait.The results indicated that the amount of audit fees was significantly influenced by the audit client size, liquidity ratio, and profitability ratio. The results, however, did not provide evidence of a significant relation between audit fees and the number of audit locations, or the size of the audit firm.

Hassan and Naser (2013) examined factors influencing audit fees paid by non-financial companies listed on Abu Dhabi Stock Exchange (ADX). Data were collected from the 2011 annual and corporate governance reports published by the Emirati non-financial companies listed on ADX. Backward regression analysis was employed to assess the association between audit fees and certain company's attributes. The findings showed a direct relationship between audit fees and each of corporate size, business complexity and audit report lag variables. An inverse relationship between audit fees and each of industry type and audit committee independence was found. The findings also revealed that audit fees are not significantly influenced by company's profitability, risk, and status of audit firm.

Akinpelu*et al.* (2013) investigated the determinants of audit fees in commercial banks in Nigeria. Data were collected from a sample of banks mostly quoted on Nigerian Stock Exchange. The result showed that bank size, degree of bank complexity and transaction and saving accounts to total deposit ratio were positively related and statistically significant to audit fees charged by the auditors. Also, the risk weighted capital adequacy ratio was negatively related and statistically insignificant to audit fees while non-performing loan was statistically insignificant.

Younas, Velte, and Ashfaq (2014) investigated the firm-level factors effect on the audit pricing in China and Pakistan. The study used the panel data of 160 firms of each country of study for the period from 2005 to 2011. They first run the combined model for two countries and observed that complexity of business transaction is the only variable contributing positively and significantly in audit pricing for both countries. Then, for comparative review, they then segregated the data of each country and run separate model. The results of separate models showed that, in the case of Pakistan, auditors mainly consider complexity of business transactions and client risk while pricing their engagement as an auditor. However, in the case of China, the auditors only considered the Big 4 audit firm effect as a reputational tool while pricing their audit activity. The study further added that auditors in China totally ignore the client risk and complexity of business transactions which may be problematic for their auditing firm in future. The study concluded that audit pricing in Pakistan is more rational in comparison to China.

Tamrat (2014) investigated the determinants of audit fees based on variables that are unique to the banking firms and considered important by regulators in a sample of Ethiopian commercial banks. The study also examined whether abnormally higher audit fees reduce the audit quality. A panel data for eight commercial banks from the year 2004-2012 was used. The panel fixed effect regression result revealed that bank size, liquidity, efficiency, loan growth, capital adequacy and auditor size are the main determinants of audit fees for the Ethiopian commercial banks. With regard to the factors considered important by the regulatory bank, auditors do not seem to consider credit risk in the determination of audit fees. In relation to the audit quality, the study failed to find any significant relationship between the extent of earning management through loan loss provision and abnormal audit fees. The study therefore concluded that auditors do not seem to compromise audit quality for the sake of securing abnormally higher audit fees.

Kikhia (2015) examined the factors influencing the level of external audit fees paid by firms to their auditors in Jordan. Specific attention was on the investigation of the potential influence of auditee size, complexity of client, profitability, client risk, auditor size and auditor tenure on audit fees. The study strongly reinforced that greatest of prior studies results were also appropriate and applicable to the Jordanian audit market. Moreover, the study provided further evidence connecting variables such as the auditor tenure effects and auditee risk which have been found to have an inconclusive relationship with the amount of external audit fees in prior studies. However, they observed the auditee size seemed to have been the key determinant of external audit fees. Lastly, financial risk was found to be negatively and significantly associated with the level of external audit fees. On other side, empirical results found that the audit tenure has no significant relationship with audit fees.

Castro, Peleias and Silva (2015) analysed the determinants of audit fees paid by companies listed on the BM&F BOVESPA, Brazil. They found a positive relationship between fees and the variables; size, client's complexity, and Big N auditors. The risk perceived by the auditor demonstrated to affect the values of fees differently in larger and smaller clients. In smaller clients, the results suggested that the auditor charges lower fees to more leveraged and riskier clients, contrary to the hypothesis that the auditor might charge higher fees as a reward for his risk. In turn, in larger clients, the results demonstrated that clients with higher risk, as measured by liquidity and leverage, or those having stronger governance practices, tended to spend more on auditing. As for changing the auditor, the results revealed that larger clients paid less in the first year of audit.
Ahmed and Abdullah (2016) examined factors influencing the determinants of audit fees in the Kurdistan region/ Iraq. Specifically, the study investigated the significance of three major groups of factors which might considerably influence audit fees; audited firm attributes, auditor attributes, and market attributes. They developed a plausible proxy that can be beneficial in practical work. Furthermore, research questionnaire was distributed among experienced auditors, accountants and financial officers of client firms, and academics in the field. The results showed that all three proposed categories of factors are significant and might be taken in consideration when audit fees are determined.

Sonu (2017) how the downward pressure on audit fees influences the determinants of audit fees during crisis using Korean data for the period 2005-2010. The study revealed that; first, consistent with prior studies, audit fees dropped significantly during the financial crisis period, supporting the existence of downward pressure on audit fees. Second, among the determinants of audit fees, the coefficients of firm size decreased significantly while those of firm risk increased during crisis. Accordingly, the findings suggest that auditors respond differently to small firms and risky firms when facing downward pressure on audit fees. Collectively, the results provide useful insights into how auditors behave when they are under pressure to reduce audit fees.

Theoretical Review

The theory of inspired confidence otherwise known as theory of rational expectation, developed by the Dutch Professor Theodore Limperg can be used to explain both the demand and the supply of audit services (Hayes, Dassen, Schilder, &Wallage, 2005). The demand for audit services is the direct consequence of the participation of third parties (interested parties of a company) in the company. These parties demand accountability from the management, in return for their investments in the company. Accountability is realized through the issuance of periodic financial reports. However, since this information provided by the management may be biased, and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit assurance, the theory states that auditors' report derives its added value (confidence) from expert work on which the audit opinion is to be founded. The auditor in performing his task should be governed by rational expectations of the several of users of his report. Wallage and Drieënhauizen (1995) suggest that, "the auditor should act in such a way that he does not disappoint these expectations (users' expectation). However, he should not arouse greater expectations in his report than his examinations justify". Saleh (2011) argues that with the aid of audit technology, the auditor should do everything to meet reasonable public expectations. The public in this context does not preclude the uses to which observers, supervisors and regulators may want to put the audit report.

The Official Supervision Theory

Threats to independence and profit maximisation race by audit firms that may have imprisoned the trustworthiness of the auditors may dash sceptic view at their ability to maintain the public expectations of protecting the investors'/depositors' funds and the general public. The introduction of the complementary role of banks' regulators is to ensure probity in the management of depositors' funds. Hence, the official supervision theory as developed by Beck, Demirguc-Kunt, and Levine (2004), theoretically argues that governments have both the expertise and the incentives to ameliorate market imperfections, information, and enforcement to improve governance of banks. This extends the position of rational expectations theory beyond the spheres of public expectations. The responsibility of any government is to avoid public outcry and other negative impacts that may succeed incessant bank failures. The official supervision theory theoretically justifies further that government is sensitive about market failure, seismic risk and consumer dissatisfactions that may emanate from bank failure and is constantly unleashing its political brainpower in terms of regulatory institutions to prevent the ugly occurrence (Salami, Uthman, & Abdul-Baki, 2014). It therefore reasonably implies that the official regulation of banks shares common goals with external audits in the need to ensure healthy banking services. Considering the common goal of the duo, the protection of the depositors' fund and the general public become necessary as this study examines whether auditors of banks consider factors that are important to regulators by evaluating audit fees determinants in the subsector. This theory is therefore adopted for the study

Methodology

The study adopted an ex post facto research design, since it examined an already occurred phenomenon. The study population consists of the listed deposit money banks on the Nigerian Stock Exchange and was all included in the study. Secondary data from annual reports and accounts of banks for the 2006-2015 was used. As for the method of data analysis, the inferential statistical methodlike Variance Inflation Factor (VIF) was to check the independent variables for possible multicollinearity. Hausman test was also conducted to make a choice between the Fixed and Random Effects Model (FEM; REM) of Panel Least Square regression

Model Specification

The study builds on audit fee model of Soyemi and Olowoookere (2013) which was modified thus;

$$AFEE = f\ (CAR, COMP, NPLR, EFFI, IFRS, SIZE, \text{and } ROE) \ldots\ldots\ldots\ldots \text{(i)}$$

$$LOGFEE_{it} = \beta_0 + \beta_1 CAR_{it} + \beta_2 COMP_{it} + \beta_3 NPLR_{it} + \beta_4 EFFI_{it} + \beta_5 IFRS_{it} + \beta_6 LOGASSET_{it} + \beta_7 ROE_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots \text{(ii)}$$

Where:
LOGFEE = Natural log of audit fee
CAR = Capital Risk
COMP = Complexity
NPLR = Non performing loan ratio
EFFI = Management efficiency
IFRS = Compliance with IFRS

LOGASSET = Natural log of total assets of the auditee
ROE = Return on Equity
ε_{it} = Component error term given as $\mu_i + V_{it}$
β_0 = Intercept
$\beta_{1,}$ β_2 .... β_7 = Parameters being investigated
The subscripts *i* and *t* refer to the cross-dimension and time series dimension of the model respectively, explaining the panel nature of the model

Measurement of Variable
Table 3.1: Measurement of Study Variables

Variable Definition	Measurement	Expected Sign
Dependent		
LOGFEE (Audit Fee)	Natural log of Banks annual Audit Fee	
Independent		
CAR(Capital Risk)	Weighted Capital Adequacy ratio	-/+
COMP (Complexity)	Demand deposit/Total deposit	+
NPLR (Credit risk)	Non-performing loan/Total Loan	+
EFFI (Mgt. Efficiency)	Total operating expense/ Total revenue	-
IFRS (Compliance with IFRS)	Dummy Variable, 1 if adopted and 0 if otherwise	+
Control		
LOGASSET	Natural log of total asset	+
ROE (Profitability)	Profits attributable to owners/ owners' equity	+

Source: Generated by the Researcher from Previous Studies (Fields*et al.*, 2004;Soyemi&Olowookere, 2013;Akinpelu*et al*., 2013; &Tamrat, 2014).

Data analysis and discussion of results

Presentation of PreliminaryTest Statistics
Table 4.1: Variance Inflation Factor

Variable	VIF	1/VIF
LOGASSET	1.47	0.679755
IFRS	1.34	0.746911
NPLR	1.21	0.826879
ROE	1.09	0.920290
COMP	1.06	0.944241
EFFI	1.02	0.983985
Mean VIF	1.20	

Source: Author's Computation, 2018

Table 4.1 brings out in clearer terms the extent to which the standard error of regression coefficients may be inflated due to relationship between the predictor variables. In other words, the variance inflation factors were conducted to measure the degree of correlation between one independent variable and another. As a rule of thumb (Kennedy 1992; Hair, Anderson, Tatham& Black, 1995; &Rogerson, 2001), a VIF in excess of 5 calls for further investigation whereas a VIF of at least 10 is suggestive of severe degree of collinearity between the predictors of interest which requires correction. A VIF of exactly 1 implies that there is absence of correlation. As can be seen from the table, the VIFs were slightly greater than1 meaning that there is low relationship between the predictor variables. This is supported by tolerance levels (TOLs) which is the inverse of VIFs, the results being significantly higher than the common threshold of 0.20. Hence, there is no tendency that the standard errors of the regression coefficients would have been erroneously inflated.

Table 4.3 Hausman Test
Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.781954	7	0.1484

Source: Author's computation, 2018

The results of Hausman test conducted to make a choice between Fixed and Random Effects Model estimates were also presented. As shown in the table, since the calculated p-value is higher than the significance level of 5%, we are not inclined to reject the null hypothesis that the differences between the estimated parameters yielded by the two estimation techniques are not systematic. As a result, Random Effects model produces better results for the model and is therefore adopted for this study.

Random Effects Model Estimation Results and Testing of Hypotheses
Table 4.4: Determinants of Audit Fees of Nigerian Deposit money Banks
Dependent Variable: LOGFEE
Method: Panel EGLS (Cross-section random effects)
Date: 08/02/18 Time: 18:06
Sample: 2007 2016
Periods included: 10
Cross-sections included: 15
Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.678573	1.779844	1.504948	0.1346
CAR	-0.012786	0.006726	-1.900981	0.0593
COMP	0.010496	0.002249	4.666963	0.0000
EFFI	-0.000570	0.003203	-0.177969	0.8590
IFRS	0.259207	0.137402	1.886484	0.0613
NPLR	0.020147	0.003278	6.146126	0.0000
LOGASSET	0.451989	0.152703	2.959928	0.0036
ROE	0.000356	0.001513	0.235047	0.8145
R-squared	0.736893	Mean dependent var		8.054779
Adjusted R-squared	0.715332	S.D. dependent var		0.737325

S.E. of regression	0.693504	Sum squared resid	68.29461
F-statistic	3.774957	Durbin-Watson stat	1.981277
Prob(F-statistic)	0.000874		

Source: Author's Computation, 2018

Table 4.4gives a comparison of the Fixed and Random Effects estimates.

Random Effects model results were used to evaluate the factors determining external audit fees in quotedNigerian deposit money banks. The results in Table 4.3 showed that audit fee (LOGFEE) has a negative relationship with capital risk (CAR). This means that audit fee decreases withcapital risk. The significance of this negative effect is established by t-statistic of -1.901. As a result, the null hypothesis of no significant effect can be rejected at10% level of significance. So in marginal effect terms, increase of 1% in capital risk would induce a decrease of 0.013% in audit fee provided that all other factors are held constant.

Conversely, the table depicts that audit fee is positively related to complexity of banks operations (COMP) at a significance level of 1%. This implies that null hypothesis of no significant influence of operational complexity on external audit fees is rejected due to t-statistic of 4.667. Therefore, audit fee increases with the level of complexity in the Nigerian deposit money banks operations. In economic terms, an increase of 0.0105% in external audit fees is expected if the complexity of banks operations in terms of transaction volume increases by 1%,assuming that all other things being equal.

Similarly, the results indicate a direct relationship between audit fee and adoption of International Financial Reporting Standards (IFRS). The significance of this relationship is established by t-statistic of 1.886. Given a p-value of 0.0613, the null hypothesis of no significant effect of IFRS adoption on external audit fees can be rejected at 10%. Hence, audit fee increases with adoption of IFRS.

In addition, the table shows that external audit fee is positively correlated with credit risk (NPLR). The significance of this relationship is established by t-statistic of 6.146. So the null hypothesis that external audit fee is not significantly affected by credit risk is rejected at 1% level of significance. The marginal effect then shows that external audit fee will increase by 0.020% if the credit risk builds up by 1%, supposing all other factors remain the same.

Nevertheless, the association between audit fee and total asset is positive and significant; given a t-statistic of 2.960. By implication, audit fees would ceteris paribus increase by 0.452% if the total assets appreciate by 1%. On the contrary, while audit fee has a negative relationship with management efficiency ratio (EFFI), its relationship with return on equity (ROE) is positive but not statistically significant given the t-statistics of -0.178 and 0.235 respectively. Consequently, the null hypothesis of no significant effect of management efficiency on audit fees is hereby accepted.

For the goodness of fit of the model, the R-Squared value of 0.7369 shows that 73.69% of the systematic variations in audit fees were explained by variations in the predictor variables of interest. Overall, the joint significance of all the variables in the model is brought to light by the F-statistic of 3.775. Based on this, the null hypothesis that the predictor variables are not jointly significant can be rejected at 1% level of significance. Therefore, it can be concluded that capital risk, complexity of banking operations, management efficiency, reporting requirements of IFRS, credit risk, size, and profitability are significant factors affecting audit fees in the Nigerian deposit moneybank.

Conclusions

The study revealed that capital risks of banks have a significant negative relationship with audit fees. Additionally, complexity of banks operations had a significant relationship with audit fees but on a positive direction. Similarly, credit risks of banks showed a significant positive relationship with audit fee while efficiency of banks management did not appear significant in affecting audit fees determination. As regards IFRS adoption, it revealed a significant positive relationship with audit fees. Finally, banks size also showed a significant positive relationship with audit fees while banks profitability exhibited no significant relationship.

From the foregoing conclusions, it is recommended that auditors of banks consider factors which are important to regulatory bodies. Although, the study finds that salient factors such as capital and credit risks were considered by auditors while determining audit fees, adequate cognisance of banks management efficiency which is also important to regulatory bodies was not taken. The better alignment of the regulators' interest in the course of determining audit fees would help auditors focus on important areas, thereby avoiding costly litigation associated with audit failure.

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DETERMINANTS OF AUDIT DELAY: EVIDENCE FROM LISTED FIRMS IN NIGERIAN STOCK EXCHANGE

OHIOKHA, F. I.
DEPARTMENT OF ACCOUNTING AND FINANCE
SAMUEL ADEBOGEGA UNIVERSITY
OGWA, EDO STATE, NIGERIA
e-mail: fohiokha@yahoo.com
&
OHIOKHA, G.
DEPARTMENT OF ACCOUNTING
FACULTY OF ARTS, MANAGEMENT AND SOCIAL SCIENCES
EDO UNIVERSITY IYAMHO
EDO STATE, NIGERIA
e-mail: Godwin.ohiokha@edouniversity.edu.ng

Abstract
The broad objective of this study is to investigate the factors affecting audit delay in Nigerian listed firms. The research population consists of all (189) listed firms on the Nigerian Stock Exchange in year 2014. A sample of 66 firms was selected for the study using the convenience sampling technique. The penal regression analysis is the technique for data analysis. The study finds firm size and profitability as negative and statistically significant while women in audit committee are found to be negative but insignificant related with audit delay. The study recommends large firm size for the Nigerian listed companies since size bestows reputation and increase resources which collectively act to reduce reporting lag.

*Keywords:*audit report lag, firm size, audit committee, profitability, audit firm type.

Introduction

One reliable resource that can be used for decision making is audited financial statements. The decision relevance of accounting information is based on its qualitative characteristics of timeliness. Delayed disclosure of an auditor's opinion on the true and fair view of financial statements prepared by Directors increase the uncertainty in an investment decision (Standish, 1975). Consequently, this may adversely affect investors confidence in the capital market as experience shows that timeliness critically affects the investors chance of being defrauded, the degree of uncertainty in investment evaluation as well as the expected payoff. This delay may encourage certain investors to acquire a costly private pre disclosure of information and exploit their private information at the expense of the less informed investors (Abdulla, 1996). Delay in audit report may affect stakeholders in decisions and predictions. The accuracy of financial reporting of publicly traded companies is affected by the auditors timeliness in completing the audit assignment. Timely prepared and reporting of the audit report can influence the value of financial statements for users (Carslaw & Kaplan, 1991).

Despite the regulatory framework and companies law mandating publicly listed companies to release audit report within specified dates. Companies and Allied Matters Act (CAMA, 2004) permits a period of six (6) months, the Corporate Affairs Commission and Securities and Exchange Commission requires public companies to issue audited annual financial statements to stakeholders within three (3) months after their financial year – end, most companies publicly listed have failed to comply with these specified dates. The motivation for this paper is derived from a long – standing problem of a lack of timely release of the audit report in Nigeria.

A rapid growth of the Nigerian economy may imply a growing array of domestic and international investors will be interested in receiving timely and reliable information. There are volume of extant literature on factors that influence audit delay but there exists mixed results from prior studies while some findings report positive relationship between audit delay and profits (Dyer & McHugh, 1975) others found a negative relationship (Ibadin & Dabor, 2013); others found a negative relationship between audit delay and company size (Ahmad & Kamarudin, 2003); audit firm size Gilling, (1997); Ibadin and Dabor, (2013) and Ibadin and Afensimi (2015) found a positive relationship between audit delay and company size and audit firm size respectively.

Against the backdrop there exists a knowledge gap which this study intends to fill.

The remainder of the paper is organised as follows: following the introduction is section two which focuses on the review of the extant literature; section three addresses the methodology; section four presents the estimation results and discussion while section five focuses on conclusion and recommendations.

Literature Review

Mohammed, Mashid, Keramatolla, Gholam and Faramarz (2013) saw audit delay to denote elapsed time between the close of a year – end and the end of audit field work; the latter is usually the date on which substantial audit tests are completed, and the auditors leave the clients premised. Audit delay is the length of time in audit completion from the closing date of the financial year to the completion date of the external auditors report (Ashton, Willingham & Elliot, 1987). Audit delay is the time needed to complete the audit process until the publication of the audited statements which is calculated from the date of publication of the annual financial statements of company (Sari & Supadmi, 2014).

Dyer and McHugh (1975) stated that the cause of the length of time in financial examination by the auditor is due to the difference in accounting and auditing issues between the clients, management and the auditors. The disagreement between the clients, management and the auditor is often triggered by the conflict of interest between the two parties. Lawrence and Bryan (1998) argued that audit delay is caused by the length of time in the audit process and will affect the timeliness of financial reporting.

Audit delay is measured by a dummy variable that has a value of one if the audit reports are delayed and zero if the audit reports are presented on time (Bambang, Abukosim, Mukhtarudin & Imam, 2013). In this study audit delay which is also referred to as audit report lag is measured as the length of audit completion time (in a number of days) starting from the end of the reporting period until the date the audit report is issued.

Audit Delay and Company Size

The size of firm can have an influence on the timely submission of financial information in various ways; for example, size can influence the agency costs that firms bear; in the time invested in the process of auditing; in the cost of producing and publishing the information. Size can be regarded as proxy for information asymmetry between managers and outside investors. Titman and Wessels (1988) argued that larger firms are more diversified and less susceptible to liquidate than small ones. This suggests that firm size is an inverse proxy for the profitability of bankruptcy and hence, larger firms have higher debt capacity and can borrow at more favourable risk – adjusted interest rates than smaller firms. Singhvi and Desai (1971) observed that there is a direct relationship between the size of a firm and its timeliness in the dissemination of its accounts giving rise to the testable hypothesis that larger firms disseminate such information more promptly.

Larger firms have more extensive and complex accounts to be audited. It could be thought that the auditors of these companies need more time and that this is more likely to cause a delay in releasing the accounts. However, the larger companies employ more staff, which should reduce the time needed for auditing (Garsombke, 1981). These are economies of scale in auditing a large company. Ashton et al. (1987) argued that the greater volume of audit work might not necessarily lead to longer audit delay, as the auditor has flexibility in timing the audit work.Besides, larger firms being politically visible, having more external stakeholders, being more closely monitored by analysts having more to lose from a negative signal provided by a longer than expected audit delay, and being able to exert pressure on the auditor to expedite the audit process, have incentives to opt for smaller audit lag (Waresur – Karim and Ahmed, 2005).

Empirical evidence is overwhelmingly in favour of negative relationship between audit delay and company size (Abdulla, 1996, Shukeri & Islam 2012, Ilaboya & Iyafekhe 2014). Courtis (1979) and Simnett (1995) found no significance for company size in explaining audit delay.The multivariate results of (Schwartz & Soo 1996, Ibadin & Dabor, 2013 and Mohammed, et al. 2013) found a direct relationship between company size and audit delay.

H1: There is no significant relationship between company size and audit delay.

Audit Committee Gender composition and Audit delay

Diversity on the committee is clearly well encouraged in corporate governance literature, such diversity as is often advocated includes: the combination of executive, independent and non-executive directors, diversity of experience and expertise skill (Carter, Simkins & Simpson, 2003). Gender is a set of characteristics that is considered distinguishing between men and women, which reflects one's biological sex or gender identity (Rini & Deliona, 2011). Gender diversity is becoming a strategic issue as some institutional investors are beginning to see gender diversity as a crucial criterion of the investment policy (Carter, et al. 2003).

Adams and Ferreira (2009) observed that gender diversity in boards has significant effects on board inputs. Women appear to behave differently than men with respect to attendance behaviour of more directors: female directors are also more likely to sit on monitoring – related committees than male directors. In particular women are more likely to be assigned to audit nominating and corporate governance committee.

In Nigeria, section 359 sub – section 4 of CAMA (2004) vested the responsibility of examining the report of the auditor on the audit committee and made recommendations thereon to members in the annual general meeting as it may think fit. Since every public company is expected to set up an audit committee so as to enhance the integrity of financial statements, the earlier the task to examine auditor's report is completed the more timely the audit report is made available to shareholders and other stakeholders.

Amanatullah, Shropshire, Erikai and Lee (2010) argued that women play their roles according to the social attributes and distinguish them from the men's roles. The audit process and accelerate the audit completion. The higher percentage of female gender in the composition of the audit committee, the more improvement the timeliness of financial reporting. The greater the number and competence of audit committee members the greater the force in improving the quality of reports by reducing the possibility of misstatements (Aditya, 2012).

Sari and Supadmi (2014) examined the effects of gender composition an audit committee on audit delay of 75 listed companies on IDX for 2012 financial year; and the result showed that statistically gender audit committee has negative and significant effect on audit delay. This describes that the presence of the feminine gender in the composition of audit committee plays a role in shortening the time span of audit assignment completion. Aditya (2012) stated that the competences of audit committee members influence audit report lag and that gender composition in audit committee has a negative influence on audit delay.

H2: There is no significant relationship between gender composition of audit committee and audit delay.

Audit firm type and Audit delay

Auditor type can influence audit delay. Auditors are classified into Big Four and non-Big four. The Big four refers to KPMG, Ernest and Young, Pricewater House Coopers and Akintola, Deloitte and Touche. Afify (2009) showed that larger audit firms have a stronger motivation to complete their work on time in order to maintain their reputation and name. The larger audit firms normally have more efficient audit team as they have more resources to conduct trainings for their staff and employ better audit technologies which will reduce the time of audit work (Owusu-Ansah & Leventis, 2006). Big – four firms complete their audit work faster than the non – Big four audit firms, companies audited by the Big four audit firms tend to have a shorter audit delay because they are big companies, thus are able to employ a larger number of employees; and since they are large firms it is assumed that they are able to audit more efficiently and effectively and have greater flexibility in scheduling the audits so that it can be completed on time (Shukeri & Islam, 2012).

Gilling (1977) found a significant positive relationship between the auditor type and audit delay. Most prior studies also found a negative relationship between audit firm size and audit delay (Ahmad and Kamarudin, 2003; Owusu – Ansah & Leventis, 2006; and Shukeri and Nelson, 2011). Davies and Whittred (1980) found no significant association between audit firm size and audit delay. This was also found in the studies of (Garsombke, 1981 and Carslaw & Kaplan, 1991).

H3: There is no significant relationship between audit firm type and audit delay.

Firm Operational Complexity and Audit Delay

Complexity is today often considered the fastest business buzzword – it reflects a current common reality but not lasting one. The industry to which a company is classified can be the cause of its submission being more or less timely. The adoption of different industry – related accounting measurement, valuation and disclosure techniques and policies may cause delay in preparing accounts and audit of complex industries. Therefore, the time to perform the work may be longer for the companies having complex operational process than other companies.

Givoly and Palmon (1982) found an improvement in the timeliness of annual reports as the result from the study indicated that reporting delay appeared to be more closely associated to industry patterns. i.e audit delay is positively associated with operational complexity. Ashton, et al. (1987) found that firms operational complexity is significantly related with audit delay i.e positively related. Fagbemi and Uadiale (2011) examined the determinants of timeliness of the audit report in Nigeria using forty – five (45) listed public companies and found that there is a positive relationship between timeliness of financial reports and business complexity, but statistically insignificant. Bambang et al. (2013) found that there is significant effect of complexity of operations on the timeliness of financial reports.

H4: There is no significant relationship between firm operational complexity and audit delay.

Firm Financial Performance and Audit Delay.
A firm financial performance measures how well a firm is using resources at its disposal to generate revenue. It is natural that managers would be more willing to report good news (profit) faster than reporting bad news (loss) as a result of the impact such news could have on the firms share price and other indicators (Iyoha, 2012).

Adelberg (1979) found that narrative disclosure in corporate annual reports are deliberately made complex to communicate bad news and made more lucid and easily understandable to communicate good news. Waresul – Karim and Ahmed (2005) argued that in years of high – profit companies are likely to feel more confident to face the shareholders than in other years. Therefore, at least, meeting lag should be minimal in profitable years. The audit delay could also be shorter in profit years compared to the loss years as there would be less perceived audit risk in profit years.

Some studies indicated a positive relationship between profitability and audit delay (Ahmad & Kamarudin, 2003; Cheng, 2006; Courtis, 1976; Dyer & McHugh, 1975). Whereas other researches indicated a negative correlation between profitability and audit delay (Almosa & Alabbas, 2007; Vuko & Cular, 2004).

H5: There is no significant relationship between firms' financial performance (profitability) and audit delay.

Theoretical Review
The framework for the analysis of the determinants of audit delay is anchored on the stakeholder's theory. The stakeholder's theory evolved from the agency theory. The agency theory deals with the contractual relationship between the agent (Professional Managers) and the principal (shareholders) under which shareholders delegate responsibilities to the professional managers to run their business. Freeman (1984, p.120) defined stakeholder theory as a "theory of organisational management and business ethics that addresses morals and values in managing an organisation". This theory is based on the view that the purpose of corporate governance should be to satisfy as far as possible, the objectives of all key stakeholder, stakeholders each have their expectations from the company which the company's management should attempt to satisfy. This means that there is greater information demand on the entity; this, therefore, places greater demands on the auditor to ensure a true and fair representativeness of the audit report. It is expected that auditors will spend more time inspecting the manager's activity to ensure the interest of all the major stakeholders are protected, hence, delay if the stakeholders are significant.

Methodology
The study was promised on the positivist philosophy which entails working with an observable social reality the deductive research approach (which theories provided the basis of explanation, allow for the prediction and control of phenomenon). The research design employed in this study is the survey design since the researcher has no control over the variables regarding being able to manipulate them. The population of the study comprising the universe of companies quoted on the Nigeria Stock Exchange (189) as at December, 2014. The convenience sampling method was adopted in the choice of sixty-six (66) and the judgemental sampling method (subjectively in the selection of the companies). Data for the study were time series converging 2008 to 2014 which is seven (7) years and cross- sectional converging sixty-six (66) companies on the NSE. The data were sourced from the content analysis of the annual financial statements for the relevant years of sampling companies. The choice of panel data approach is promised on the fact that it provides larger data points increase the degree of freedom and reduces the problem of collinearly of the explanatory variables. Data analysis was done by e-view 8.

The functional relationship that exist between audit delay as the dependent variable and the explanatory variable (company size, gender composition on audit committee audit firm type, operational complexity and firm financial performance in this study is depicted as;

$$AUDITLAG = \beta_o + \beta_1 FSIZE_{it} + \beta_2 AUDCFEM_{it} + \beta_3 AUDTYPE_{it} + \beta_4 COMPLEXITY_{it} + \beta_5 PAT\text{-}MARGIN_{it} + \sum_{it}$$

Where

AUDTLAG= Audit delay,

FSIZE=Log of company's total assets

AUDCFEM= Women on audit committee

AUDTYPE= Audit Firm type

COMPLEXITY= Firm Operational Complexity, Firm financial performance

PAT-MARGIN

I= Sampled Companies

t=time covered

∑=error term

ESTIMATION RESULTS AND DISCUSSION

Estimation Result

Descriptive Statistics

Table 1: Results of the Descriptive Statistics for Nigeria Companies

	AUDTLAG	AUDCFEM	PAT_MAGIN	COMPLEXITY	FSIZE	AUDTYPE
Mean	111.6688	0.497835	0.073377	0.312518	7.266212	0.709957
Median	90.00000	0.000000	0.070000	0.240000	7.085000	1.000000
Maximum	362.0000	2.000000	1.240000	1.050000	9.640000	1.000000
Minimum	41.00000	0.000000	-1.780000	0.000400	4.940000	0.000000
Std. Dev.	54.02892	0.647870	0.208451	0.255837	1.000482	0.454274
Skewness	2.025089	0.942351	-1.939610	0.543088	0.399320	-0.925364

Kurtosis	7.737023	2.774996	22.86846	2.128824	2.365251	1.856298
Jarque-Bera	747.7339	69.35252	7888.728	37.32050	20.03409	91.11498
Probability	0.000000	0.000000	0.000000	0.000000	0.000045	0.000000
Sum	51591.00	230.0000	33.90000	144.3833	3356.990	328.0000
Sum Sq. Dev.	1345716.	193.4978	20.03133	30.17363	461.4447	95.13420
Observations	462	462	462	462	462	462

Source: Researchers Computation (E-views 8) 2016.

The result of the descriptive statistics shows that the mean audit delay in Nigeria companies is 112 days with a maximum of 362 days and a minimum of 41 days. The Jarque-Bera statistic, test the normality of the regression variables reported large values and the associated probabilities are significant which implies that the variables follow the standard normal distribution. The mean Jarque-Bera statistic of audit report lag (AUDTLAG) is 747.7339 with a significant probability value of 0.000000. Auditor type (AUDTYPE) reported a Jarque-Bera value of 91 and associated probability of 0.000000.The validity of the Gaussian normality residuals of the estimation is further reinforced by the bell-shaped histogram in Fig. 1. Except AUDTLAG and PAT_MAGIN, which are leptokurtic (positive excess kurtosis), the other regression variables are platykurtic (negative excess regression variables). Kurtosis measures the degree of peak in distribution. The regression data are positively skewed; this is evident in the histogram normality test in Fig. 1 which shows that the distribution is skewed to the right. The standard deviation of the variables is relatively small except the dependent variable of AUDTLAG with a standard deviation of 54.02892. The implication of this is that the variables are clustered around their mean values and hence very reliable. The maximum number of women on the audit committee of Nigerian firms (AUDCFEM) is 2 with a mean value of 0.497835 which shows low women representation on the audit committee. The audit type with a mean value of 0.709957 shows that about 71% of the companies under focus were audited by the Big 4 audit firms.

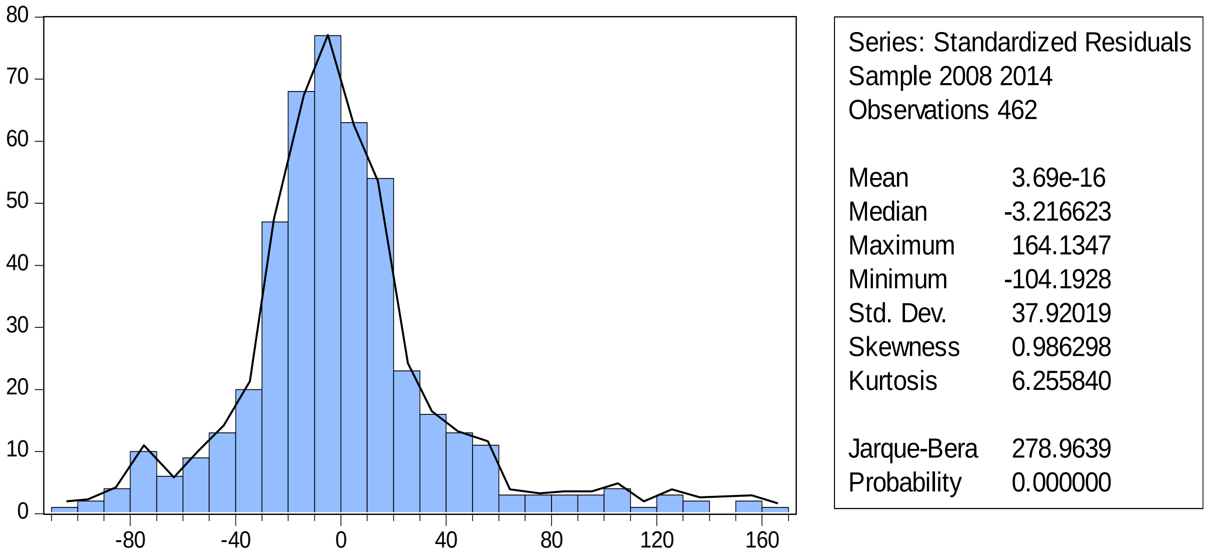

Fig. 1: Result of the Histogram Normality Test.

The mean Jarque-Bera value of 278.9639 and the associated probability value of 0.000000 is a reflection of the normality of the regression variables. The average Kurtosis of 6.255840 shows that the variables on the average are leptokurtic. These results further strengthened the results of the descriptive statistics in Table 2.

Correlation coefficient and variance inflation factor

Table 2: Results of the Coefficient of Correlation

Covariance Analysis: Ordinary Date: 11/28/16 Time: 13:07 Sample: 2008 -2014 Included observations: 462 Correlation t-Statistic

Probability	AUDTLAG	AUDCFEM	PAT_MAGIN	COMPLEXITY	FSIZE	AUDTYPE
AUDTLAG	1.000000					

AUDCFEM	-0.030045	1.000000				

	-0.644690	-----				
	0.5194	-----				
PAT_MAGIN	-0.327649	0.040852	1.000000			
	-7.437869	0.876919	-----			
	0.0000	0.3810	-----			
COMPLEXITY	-0.215950	-0.113543	0.051484	1.000000		
	-4.743532	-2.451071	1.105675	-----		
	0.0000	0.0146	0.2694	-----		
FSIZE	-0.274187	0.071688	0.331205	-0.134019	1.000000	
	-6.115005	1.541501	7.528467	-2.900562	-----	
	0.0000	0.1239	0.0000	0.0039	-----	
AUDTYPE	-0.135785	0.137901	0.054576	0.119591	0.434574	1.000000
	-2.939494	2.986170	1.172277	2.583493	10.34887	-----
	0.0035	0.0030	0.2417	0.0101	0.0000	-----

Source: Researchers Computation (E-Views 8) 2016.

The correlation coefficient between the dependent and explanatory variables in the sample of Nigerian companies is negative and significant except the variable of the number of women in audit committee (AUDCFEM), which is statistically insignificant, having reported a probability value of 0.5195. The highest probability value is between the variable of audit type and firm size, with a coefficient of 0.434574. Consistent with Bryman and Cramer (1997), the result of the coefficient of correlation is not indicative of any problem of multicollinearity since none is above the threshold of 0.80. The result of the coefficient of correlation is further strengthened by the outcome of the variance inflation factor reported in Table 3.

Variance inflation factor

Table 3: Results of Test of Variance Inflation Factor

Variance Inflation Factors

Date: 11/28/16   Time: 13:22

Sample: 1-462

Included observations: 462

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	372.7379	72.24706	NA
AUDCFEM	12.81367	1.655766	1.040218
PAT_MAGIN	137.6782	1.300723	1.157043
COMPLEXITY	86.77272	2.741131	1.098463
FSIZE	7.651940	79.78905	1.481378
AUDTYPE	33.44544	4.602411	1.334898

Source: Researchers Computation (E-Views 8) 2016.

The centered variance inflation factor has an average value of 1.2224 which is not significantly different from i.0000 and indicates the absence of multicollinearity in the regression variables. AUDTYPE has a centered VIF of 1.994898. Complexity 1.098463, and AUDCFEM 1.040218. The values are relatively low and below the benchmark of 10, above which there is a serious problem of multicollinearity.

Regression Assumption Tests

Table 4: Regression Diagnostics

Regression Test	*F-Statistic*	*Probability*
Ramsey RESET	0.333793	0.5637
Serial Correlation	1.512134	0.0946
Heteroskedasticity	9.276585	0.0000

Source: Researchers Computation (E-Views 8) 2016.

The accuracy of the regression model and by implication the regression result is a function of the results of the diagnostic tests. To achieve this, we carried out the usual regression assumption tests of normality using the histogram test of normality, heteroskedasticity using the Breusch-Pagan-Godfrey test, model misspecification using the Ramsey RESET test, and serial correlation using the Breusch- Godfrey test. The result of the test of heteroskedasticity could not reject the null hypothesis of equal error variance since the F-statistic of 9.276585, and the probability value of 0.0000 are both robust and significant at the 5% level. However, the presence of heteroskedasticity does not result in biased parameter estimates. The result of the Ramsey regression specification error test could not sustain the null hypothesis of misspecified model. The test reported F-statistic of 0.333793 and a probability value of 0.5637 which are both insignificant. The implication is that the regression model is well specified.

Analysis of the Regression Result

Preliminary specification tests

Table 5: Results of the Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	24.665484	5	0.0002

Source: Researchers Computation (E-Views 8) 2016.

The panel regression analysis is based on a balanced panel data with annual data from 66 firms listed on the Nigerian Stock Exchange for the period 2008 to 2014 comprising 462 observations. Table 6 presents result for a Hausman specification test of random versus fixed effect. The Hausman test is required in situations where the number of cross-sectional units in this case 66 companies, is large compared to the time period in this case 7 years. The test presents estimated chi-square value of 0.0002 which implies that there is a systematic difference between the coefficients of the fixed and random effect models. Therefore, our preferred model specification is the fixed-effect model

Table 6: Results of the Cross-Section Fixed Effect Model

Dependent Variable: AUDTLAG

Method: Panel Least Squares

Date: 11/28/16 Time: 13:14

Sample: 2008-2014

Periods included: 7

Cross-sections included: 66

Total panel (balanced) observations: 462

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	315.3593	102.0382	3.090601	0.0021

AUDCFEM	-4.071469	5.505425	-0.739538	0.4600
PAT_MAGIN	-37.79788	11.86371	-3.186008	0.0016
COMPLEXITY	-18.99330	24.67393	-0.769772	0.4419
FSIZE	-31.93721	14.09443	-2.265946	0.0240
AUDTYPE	55.08547	11.41799	4.824446	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.507407	Mean dependent var		111.6688
Adjusted R-squared	0.419219	S.D. dependent var		54.02892
S.E. of regression	41.17490	Akaike info criterion		10.41404
Sum squared resid	662890.6	Schwarz criterion		11.04959
Log likelihood	-2334.642	Hannan-Quinn criter.		10.66426
F-statistic	5.753694	Durbin-Watson stat		1.827369
Prob(F-statistic)	0.000000			

Source: Researchers Computation (E-Views 8) 2016.

Table 6 presents the result of the fixed effect model. The adjusted R-squared value of 0.419219 shows that 42% of the systematic cross-sectional variation in the dependent variable of audit report lag is explained or predicted by the explanatory variables of audit committee female representation, profitability of the firm, complexity of the firm, the firm size, and the auditor type. The coefficient of determination is a goodness-of-fit measure of the extent to which the linear regression equation fits our data. The adjusted R-squared value of 42% is consistent with earlier studies by Ilaboya and Iyafekhe (2014) which reported adjusted R-squared value of 42.3%. The result is also not significantly different from that of Owusu-Ansah and Leventis (2006) which reported adjusted R-squared value of 38%. Even though it differs significantly from the 29.3% reported by Iyoha (2012).

On the basis of the overall statistical significance of the model, we observe that the F-statistic of 5.753694 with a probability value of 0.000000<0.005 at the 95% confidence interval is indicative of a significant linear relationship between the regressand of audit report lag and the regressors. The Durbin-Watson statistics of 1.827369 is relatively close to the 2.00 benchmark and indicative of the absence of first-order autocorrelation in the regression residuals.

The study found that firm size is negative and statistically significant with a robust coefficient of -31.93721, t-value of -2.265946 and probability value of 0. 0240. The implication of this finding is that the size of the firm does not necessarily result in audit report lag. The justification for this finding is that larger firms have so much resources at their disposal to hire experts, put in place suitable internal control mechanism that will at the end facilitate the work of the external auditors. The reputation of the large companies in terms of public confidence also require them to meet public expectations by reducing the level of audit report lag. Timeliness is a qualitative characteristic of financial statement. Therefore, firms, irrespective of size, are required to comply compulsorily with the relevant reporting standards. Therefore, the negative relationship between audit report lag and firm size may not be unexpected.

The robust negative relationship between profits margin, a proxy for firm performance is beyond the likelihood of chance. From extant literature, it has been established that profit making organisations are likely to publish their good news faster than loss-making organisations who may be wary of the likely reputation liability arising from the bad news of the loss position of the organisation.

The robust positive relationship between the variable of audit firm type and audit report lag is not unexpected. This is because about 71% of the sample under consideration were audited by the Big 4 audit firms. The implication of the result is that the use of Big 4 audit firms tends to increase the level of audit delay in the sample study. The client -base, of the Big 4 audit firms in Nigeria, is too high, and the reputation for delivering quality audit and the fact that most of the companies have 31 December as their year end, put too much pressure on the Big 4 audit firms. The pressure overstretches their capacity with fewer people attending to too much volume of work and hence the delay.

The relationship between women representation in audit committee and audit report lag is negative but statistically insignificant having reported a t-value of -0.739538. The implication of this is that Women in the board tend to reduce the extent of audit report lag. The justification for this finding is that women tend to work more carefully and neatly in completing their tasks and tend to do the task better than men (Aditya, 2012).

The relationship between firm complexity and audit report lag is negative and statistically insignificant. The result shows that there is an insignificant relationship which is consistent with extant literature even though some others find a significant relationship between operational complexity and audit report lag (Ashton et al., 1987)

Conclusion

The paper sheds light on the determinants of audit report delay in a sample of 66 firms listed on the Nigerian Stock Exchange. The study revealed that there is a statistically significant and negative relationship between profitability, company size and audit delay; a negative but insignificant relationship between gender composition of the audit committee and audit delay. The study found a positive and significant relationship between audit firm type and audit delay. From the study, it can be concluded and inferred that larger companies have greater incentives to reduce both reporting delay and audit delay since they are closely monitored by investors, trade unions and regulatory agencies. Hence, the study recommends large firm status for Nigerian listed companies since size bestows reputation and increase resources which collectively act to reduce audit report lag.

The study is limited by the fact that it is restricted to company – related and audit – related characteristics and the broader economic, institutional factors of law enforcement, governance and commerce that can significantly influence auditing process are not considered.

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INTERNAL CONTROL AND FINANCIAL EFFECTIVENESS IN TERTIARY INSTITUTIONS IN OGUN STATE

ADEKOLA, Omotayo Ajibike
&
OLAYINKA, Segun Wale
DEPARTMENT OF ACCOUNTANCY, THE POLYTECHNIC, IBADAN.
[1]E-mail: kolatayo2003@yahoo.com
[2]E-mail: walesamuel52@yahoo.com, walesamuel052@gmail.com

Abstract
This study examines the impact of internal control system on the financial effectiveness of tertiary institutions in Nigeria. This is with the view of ascertaining whether strengthening of internal control system in tertiary institutions can have any effect on financial effectiveness. The study used a survey research design. Data were collected using structured questionnaire administered to bursary staff of selected tertiary institutions. This study employed quantitative method of data analysis using the regression analysis with the aid of the Statistical Package for Social Science (SPSS). The Ordinary Least Square Method was used to examine the impact of internal control on financial effectiveness. The findings showed that tertiary institutions with effective internal control unit make proper use of their finances. Based on this, it was observed that internal control significantly affects usage of capital grants, accumulated surplus, recurrent subvention, revenue from fees and investment policy. Hence, it was recommended that proper check and balance of all financial transactions should be encouraged and that disbursement of funds to tertiary institutions should be implemented as stipulated in the National Policy on Education.

Keywords: Capital Grant, Financial Effectiveness, Internal Control, Tertiary Institutions

Introduction

Internal control system has gained importance especially in the public sector. This is as a result of its public interest and the preservation of government assets. However, this usually reflects the public funds. Hence, since public money represents a cornerstone in the survival of any country, only the internal control units became the first line of defence for protecting and managing government assets. It also helps to prevent them from manipulation and corruption which is a usual occurrence in the government sector (Ghneimat & Siam, 2011). Many government sectors in recent time in Nigeria have been accused of different financial scandals and misappropriation. One of such sectors that is at the forefront is the educational sector.

Education in Nigerian is currently in crisis, because of alleged insufficient fund allocation to Tertiary education (Adewale, Ajayi & Enikanoselu, 2004). Education sectors complain of under-funding while the government accuses the sector of improper utilization of available resources. The donor suggested that capital grant on education should be reduced. At the same time, there is growing changes at the education level. Moreover, there are increasing complaints about poor standard of education at a period when globalization demands much from the educational system in term of preparation of skilful labour force. (Adewale, etal 2004). Currently, there is low-level of University Education funding and it is often a recurrent debatable issue among stakeholders with its effects on quality of university education in Nigeria. The World Bank study reported that the problem of higher education financing, particularly university education is more acute in Africa than the rest of the world. (World Bank 2010 in Olayiwola, 2010).

Government funding of education is very important in most, if not all countries because education is seen as a social service and government allocate a sizeable proportion of their annual budget to the provision of and finance of education. According to Benedict (2007), when capital grant is paid to institution of higher learning, it is meant for the erection or construction of new building, carrying out of major repairs of old structures and the purchase of hardware, school equipment such as laboratory equipment, etc. The amount of capital grant changes from year to year.

The important of adequate financing of education cannot be over-stressed. Ozigi (1977) argued that no organization could carry out its functions effectively without adequate financial resources at its disposal .Money is needed to pay staff, maintain the plant and keep the service going. This argument supported earlier findings that finance is of vital importance to education and economic growth (Sheehan, 1973; Eaton, and Nofsinger, 2000; Taggert, 2003). However, people have claimed that funds availability to tertiary institutions is as equally important as ensuring that such funds are well utilised. That is, Nigerian tertiary institutions are seen to be capable of only demanding for more funds without given appropriate account for the previous funds collected. This is as a result of poor internal control associated with many tertiary institutions which has given room to fraudsters to loot the treasury of the institutions.

No wonder, Public Universities these days have continued to register financial mismanagement even when there are guidelines for the utilization of funds (Tumwine, 2011). There is however, continued poor financial effectiveness, where capital grants, accumulated surplus, recurrent subventions and revenue from fees are not properly utilized and rules and regulations on the use of all these source of finance are not adhered to and there is massive unaccounted funds (Audit General, 2008). Thus, the purpose of this study is to examine and evaluate the impact of internal control system on financial effectiveness with a view of knowing whether strengthening of internal controls can have any effect on the usage of capital grant and usage of revenue from fees generated in tertiary institutions.

Other sections of the paper include the literature review, methodology, data analysis and findings, conclusion and recommendations.

Literature Review

Concept of Internal Control

Internal control refers to the measures instituted by an organisation so as to ensure attainment of the entity’s objectives, goals, and mission. They are a set of policies and procedures adopted by an entity in ensuring that an organisation’s transactions are processed in the appropriate manner to avoid waste, theft and misuse of organisation resources (Ndifon & Patrick 2014). According to Mwindi (2018), internal control are processes designed by those charge with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity’s objective with regards to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulation. Also, (ARABOSAI, 2012) defined it as a set of methods and procedures used to develop efficient regulation and promote acceptance of sound policies and procedures in the Commission. This is used for checking the validity of information management, protection of assets, and for minimising mistakes. More so, the Audit Committee on methods of auditing procedures which emanated from the American Institute of Certified Public Accountants (AICPA), defined internal control as "organizational plan and all methods and procedures developed by the company management, which aim to preserve the company's assets and ensure the accuracy and correctness of accounting information, increase the reliability and operational efficiency, and to verify the employee commitment to administrative policies set by the administration.”

Elements of the Internal Control System

Internal control system is an organizational plan for a range of actions and issues adopted by the facility which consists of basic elements. However, these elements must be provided by management and committee in order to achieve its objectives (Rashid, 2012). They are:

Separation of Responsibilities

An established department must separate the responsibilities of their employees, and even reduce possible fraud or inadvertent errors in the financial statements and management. Thus, it is based on this assumption hard collusion between employees or more is used in the implementation of manipulation or hides any unintentional errors. If proper separation between the responsibilities of employees depends on the separation of the functions of retained assets or possession of the evidence in the records and the certification authority (i.e. workers who have the authority to authorize operations), the cashier who keeps cash and account manager and his staff are doing a job of proof in the records. The Director of the Administrative and Financial Department approval of the job is the financial director of the administrative department. Thus, it is the person responsible for granting approvals.

Clear Lines of Authority and Responsibility

Large number of employees performs various functions in the facility. In order to achieve effective control over all the jobs, they must be held accountable through the allocation of specific responsibilities to specific individuals. In addition, it must be done through the manual mode (job description and powers), which should be known and not available to all employees.

Administrative and Organizational Plan

The system depends on the presence of an organizational plan and specific management objectives which clarifies the overall framework to guide and adjust the institution activity. This is done by having an organizational structure capable of clarifying authority's policies, determine responsibility, and provide procedures which do not allow anyone to breach internal control system through the creation of a clear link between the different functions.

Accounting System

Accounting system is based on an integrated set of documents, records, and classified evidence for calculations taken into account. Generally accepted accounting principles, documents, and records are considered as an essential foundation for documenting an enterprise's operations and information source for management decision-making. In addition, it aims at benefiting from the parties. Also, the statements cannot imagine the success of any facility in the provision of information without installing its operations in documents and in the records of any of its employee's memory. The document is the beginning of the accounting system point. It contains the necessary data to prove the placement of each process in the institution. They are documenting what is going on from the activities and daily operations. Based on registration records and the issuing of various reports required by management or third parties (externally), great care should be taken by the employee. Group accounting books is the basic support of the accounting system. Thus, it is considered as a tool for recording, analysis, and presentation. Furthermore, it also serves as a means for the preparation of financial statements and various reports that serve multiple objectives.

Protect Assets and Records

Institutions must have the necessary capabilities and procedures to protect and prevent all of the assets and records from damage, loss, waste, and misuse. Therefore, this is done through written instructions shown through work methods, protection procedures, and the follow-up personnel's commitment to these instructions. Thus, these instructions include saving money procedures and deposit in the bank, and the procedures for organizing stores. In addition, it helps to protect them from theft and manipulation, as well as noncurrent assets. For the records, it must be kept in places to prevent unauthorized access and make illegal adjustments. Also, a second copy of the records should be kept in the case of possible work.

The Efficiency and Integrity of Staff
The effectiveness of internal control depends on the efficiency and integrity of the employees in the institutions. Thus, this is despite the clarity of authority, lines of responsibility, and the correct distribution of jobs in accordance with the internal control system. However, there is a failure of any system in achieving its objectives due to inefficiency of the secretariat staff in the institution to perform the responsibilities entrusted to them. Internal control system may be a good and effective to talented and qualified staff and Trustees. Although this system does not include specific detailed functions and authorities, it must therefore follow institution policy in hiring new employees or upgrading existing employees. This is done by taking into consideration the job description and qualifications required for occupancy jobs.

Financial Effectiveness Procedures and System
Owolabi (2010) says that financial effectiveness is more of installing and operating good and efficient management information systems. This is to include appropriate accounting information systems which will take care of all policies, rules, procedures and practices as well as the physical element that are used to record, process and communicate the financial information of an institution. A good accounting information system should be able to meet the need of the management, employees, students, tax authority, investors, suppliers and other stakeholders. Each of these groups should be able to collect statement of account as at when required. The financial situations of these parties should be able to be confirmed at any time. This enhances confidence, trust, reliability, and therefore quality of service delivered. Safeguarding of securities, insurance policies and other valuable papers are essential.

The inquisitiveness to proffer lasting panacea to the ever-skyrocketing alleged insufficient funds allocation and fund mismanagement in tertiary institutions has given spur to increasing the debate on whether or not strengthening of internal controls can have any effect on financial effectiveness of tertiary institutions in Nigeria. This is viewed in the perspectives of developing countries.

Al-Hawatmeh and Al-Hawatmeh (2016) studied the evaluation of internal control units for the effectiveness of financial control in administrative government units. In order to achieve the objectives of the study and the testing of hypotheses, the researcher designed a questionnaire. This questionnaire was distributed to managers and employees in the internal control of the administrative government units. Out of the 125 questionnaires distributed, 96 were recovered with an adoption rate of 77%. The results showed that the assessment of internal control units for the effectiveness of financial control in administrative government units typically became high with an arithmetic mean (4.099) and standard deviation (0.511). The researcher attributed this result to the data analysis, verification, and validation of the financial transactions. Based on the results of the study, the researcher recommended the need for attention to the human element as one of the main components of internal control system.

Ejoh and Ejom (2014) studied The Impact of Internal Control activities on Financial Performance of tertiary institutions in Nigeria. The study aimed at establishing the relationship between internal control activities and financial performance in tertiary institution in Nigeria. Using Cross River State College of Education, Akamkpa as the case study, it was revealed that all activities of the college are initiated by the top management regarding control activities. The study also found out that there is clear separation of role in the institutions' finance and account department and that superior officer in the college supervised regularly work done by their subordinate. Also, the study found out that the institution financial statements are audited annually by external auditors. The study results further show that there is no significant relationship between internal control activities and financial performance of Cross River State College of Education. The investigation recommends proper checks and balances in all financial transactions. There should be effectiveness and efficient security network to reduce frequent theft, threat to life and property. Also recommends that management of the institution should organize regular training for staff on control mechanism.

Adewuyi and Okemakinde (2013) studied higher education financing in Nigeria: issues and trends. This study investigated that the potential of the higher education system to act as an agent of growth and development in Nigeria is being challenged by the long standing problem of limited access, inadequate financing, poor governance, declining quality and relevance. The argument in this paper support increased public investment in higher education for many reasons. The study however recognizes the fact that government alone cannot provide all the resources needed to increase access into and promote quality of higher education. This study recommends the need for alternative financial mechanisms to complement public funds in higher education.

Brian (2013) studied the effect of internal control on revenue collection in Kenya Revenue authority. The study closely looks at the internal control in operation at Kenya Revenue Authority with a view to establish whether internal controls have produced any meaningful results in increased collected revenue. The finding revealed that the five components of control environment, risk assessment, control activities, information and communication and monitoring must be available for internal control to work. The study establishes that weak internal controls have encouraged collusion of fraud, loss of revenue and embezzlement of collected revenue. The study therefore concludes that internal controls do function although with hiccups and that there is a significant effect between internal control and revenue collection in KRA.

Abraham (2013) in his study tagged "internal control performance in Non Governmental Organizations". The study was to assess the impact of internal controls on performance of Non Governmental Organizations (NGO), case study of management sciences for health (MSH) Juba, South Sudan. The study found out that the payment procedures followed by management science for health (MSH) attracted a positive response with majority acknowledging it performed well. The internal audit function attracted a relatively fair response with some agreeing and others not. Meanwhile majority of respondents gave a negative view about the procurement process indicating it was fraud, likewise they didn't appreciate the budgeting process. It was concluded therefore that internal control can affect performance of an organization. It was therefore recommended that the implementation of internal control system can be reviewed especially in the area of procurement and budgeting control.

In the study of Abo Dalobh (2012), it was established that the effectiveness of financial control has a positive impact on the ability of financial institutions to minimize deviations of actual expenditures from the budget estimate and for achieving the rationalization of spending. Also, Tumwine Anne (2011) examines internal audit function, employee attitudes and financial performance of public universities. The finding of the study revealed a significant and positive relationship between internal audit function and financial performance and between employee attitudes and financial performance in public universities. The study recommended that public universities should adopt strong policy measures on the variables of internal audit function which are risk management and internal controls and also aim at creating a committed work force for better financial performance.

Ubogu (2011) researched on financing higher education in Nigeria. The finding revealed that one of the major problems now facing educations in Nigeria is the problem of under-funding. This is because government revenues have reduced sharply while the national economy itself is in chaos. The government, which statutorily bears the cost of higher education in the country, now faces tight budget constraints due to the collapse of the oil market, and the need to meet heavy and raising debt service obligations. The study examined the past and present trend of funding higher education in Nigeria, the effects of inadequate funding and possible resources of funding. To sustain higher education in the country, the study suggested that parent and guardians, the society in general; the private sector and non governmental agencies must become involved in financing education in the country.

Benedict (2007) researched on the Alternative Strategies for sustaining the revenue base of tertiary institutions in Nigeria. The finding of the study revealed that the rising costs of higher education during a period of stagnant or declining public support and the consequence increases in non-tuition fees have triggered great concern about both the access to and quality of higher education. The finding revealed that tuition fees should be re-introduced to all undergraduate programmes in Nigerian universities as well as other institutions of higher learning in Nigeria, as opposed to the present situation whereby tuition is made free. However, this can only be achieved, if and only if, universities are granted full autonomy by the government. This will enable them to take decisions on sensitive matters affecting them like the issue of tuition payment. With the sharp reduction in government subventions to these institutions, and the seemingly enrolment upsurge in the universities and other institutions of higher learning, the institutions are left with no choice but to introduce tuition. The payment of tuition will make students to appreciate the value of education and also imbibe in them the spirit of hard work. Consequently, there will be an improvement in the overall quality of higher education.

According to Udu (2006) while examining the financial control and accountability in local government opined that one of the ways by which management can discharge the responsibility of detecting and preventing fraud, waste, abuse and errors is by instituting an effective internal control system. Oshisami (2004) supported this claim by stating that internal control can do much to protect against both errors and irregularities and ensure the reliability of accounting data.

Smith Jones (2000) Study was aimed at illustrating various ways to strengthen internal controls in the organizations and their importance, especially in the field of preventing and detecting errors, fraud, and mismanagement. The study depends on descriptive and analytical approach. A questionnaire was also prepared and distributed in coordination with the organizations in the United Kingdom and Australia. It was discovered that internal control weaknesses would result in serious consequences. Thus, the most important is the lost through neglect and lack of attention. This study then concluded that the possibility of fraud does exist, and that good internal control program-on paper-does not guarantee the commitment of individuals to control procedure

Theoretical Review

The need to anchor the concepts of internal control and financial effectiveness in tertiary institutions within the framework of certain theory cannot be over emphasized. The theory upon which this study was anchored was restricted to “Control theory”.Control theory has been described as “an interdisciplinary branch of engineering and mathematics that deals with the behaviour of dynamical systems with inputs”. The external input of a system is called the reference. When one or more output variables of a system need to follow a certain reference over time, a controller manipulates the inputs to a system to obtain the desired effect on the output of the system (Brian, 2013).

The objective of a control theory is to calculate solutions for the proper corrective action from the controller that result in system stability, that is, the system will hold the set point and not oscillate around it. Systems have inputs and outputs to bring a product after processing and so inputs and outputs of a control system are generally related by differential equations (Brian, 2013).This theory is relevant to this study because setting objectives, budgets, plans and other expectations establish criteria for control. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components-such as social environment effecting behaviour of employees, information necessary in control, and policies and procedures. Internal control structure is a plan determining how internal control consists of these elements (Brian, 2013).

Previous studies on internal control such as Beyang (2011), Brian (2013) and Abraham (2013) have focused on financial performance and most of them did not mention the impact of internal control on various sources of finance of tertiary institution which makes their finance effective. Also Ubogu (2011), Benedict (2007) and Adewuyi, etal (2013) studied on higher education financing, the issues, trend and sources of finance. But they did not state how all these sources of finance can be effectively utilized and the impact of internal control on it to reduce or detect fraud and avoid embezzlement of fund.

Methodology

The population of this study is the ten state owned tertiary institutions in Ogun State. This was done because Ogun State has the largest number of tertiary institutions in the southwest of Nigeria. From this, samples of four institutions were selected using purposive sampling technique. The sample frame of this study is the bursary department staff of these selected institutions totalled 220. Out of this, one hundred and thirty five bursary staff was randomly chosen to form the sample size.

Primary data was collected for this study through structured questionnaire. The purpose of using questionnaire survey is because of the direct response, feedback and the literacy level of the proposed respondents. One hundred and thirty five copies of questionnaire were administered to bursary staff of selected tertiary institutions in Ogun State and one hundred and twenty were returned for analysis. The questionnaire was constructed using a five-point Likert type scale.

Furthermore, a pilot study was carried out in which 25 copies of the questionnaire were distributed and 20 were returned to test its reliability. The result indicated that the instrument is reliable since the Cronbach's alpha of the scales ranged from 0.703 to 0.928.

Model Specification

This study employed quantitative method of data using regression analysis with the aid of the Statistical Package for Social Science (SPSS). The ordinary least square (OLS) method was used to measure the impact of internal control on financial effectiveness. A multiple regression model was structured using the ordinary least squares (OLS) method. The model used a single independent variable (internal control) and a dependent variable (financial effectiveness) which has two variables (capital grant and revenue from fees). The multiple regression model is considered viable for this study because it can provide information about the proportion of criterion variance accounted for by the set of independent variables and it also gives information about each independent variable.

Hence, a functional equation that relates internal control to financial effectiveness is specified as follows:

CAG= f(AUC, ADC, INA, QUC))…………………..F1

REF= f(AUC, ADC, INA, QUC))…………………...F4

Where: FE= Financial Effectiveness

IC= Internal Control

y_1 = Usage of Capital Grant (CAG)

y_2 = Usage of Revenue from Fees (REF)

x_1 = Audit Check (AUC)

x_2 = Administrative Control (ADC)

x_3 = Internal Audit (INA)

x_4 = Quality Control (QUC)

Given the theoretical linkage between internal control and financial effectiveness, there is need to build linear equations that was used to capture their relationship. Therefore, the linear relationship between internal control and financial effectiveness is as shown in equations below:

$CAG = a_0 + a_1AUC_i + a_2ADC_i + a_3INA_i + a_4QUC_i + \mu$..i

$REF = a_0 + a_1AUC + a_2ADC + a_3INA + a_4QUC + \mu$..ii

A Priori Expectation:

a_1,.......a_4 is greater than zero

Where: a_0 = Constant

a_1, a_2, a_3, a_4 = Model Co-efficient

μ = Error Term

Measurement of Variables

Independent Variable – Internal Control

This is the policy and procedure adopted by tertiary institutions to assist in achieving institutions' objective of ensuring the orderly and efficient conduct of the institutions. For the purpose of this study, the following are used as proxies for internal control:

- Audit check (AUC)

This is an examination of records or financial accounts to check accuracy. Questions 1 to 5 of "Section B" in the questionnaire were used to get necessary information on this.

- Administrative Control (ADC)

This is a set of procedure necessary for administrative and financial efficiency. Questions 6 to 10 of "Section B" in the questionnaire were used to get necessary information on this.

- Internal Audit (INA)

This is the frequent or ongoing audit conducted by tertiary institutions' accountants to monitor operating results, verify financial records and evaluate internal control. Questions11 to 15 of "Section B" in the questionnaire were used to get necessary information on this.

- Quality Control (QUC)

This is a procedure or set of procedure intended to ensure that organisations' operations adhere to a defined set of quality criteria or meets the lay down requirements by the institutions.Questions 16 to 20 of "Section B" in the questionnaire were used to get necessary information on this.

Dependent Variable – Financial Effectiveness

This is the utilisation of funds in such a manner as to accomplish the objective of the institutions. For the purpose of this study, the following are used as proxies for financial effectiveness:

- Capital grant (CAG)

This is yearly money received by the institutions which is restricted to construction of infrastructural facilities within the institutions' community. Questions 1 to 5 of "Section C" in the questionnaire were used to get necessary information on this.

- Revenue from Fees (REF)

This is the money realised by the institution through the tuition fees collected from the students. Questions 6 to 9 of “Section C” in the questionnaire were used to get necessary information on this.

Data analysis and discussion of results

Table 1: Regression Result of Model 1

Model		Unstandardized coefficients		T	Sig.	F	Prob.	R^2
		B	Std. Error			51.919	0.000	0.644
	(Constant)	.331	.046	7.189	.000			
	AUC	.345	.047	7.370	.000			
	ADC	.126	.045	2.794	.006			
	INA	.203	.047	4.286	.000			
	QUC	.454	.065	7.027	.000			

Source: Researcher’s Field Survey

The regression result of model one reveals a multiple regression result of the independent variables on the dependent variable. The result shows that there is a positive relationship between all the independent variables and the dependent variable and this is in line with the apriori expectation. This is invariably implies that a unit increase in all the independent variables (individually) will bring a corresponding increase on the dependent.

The t-statistic revealed that all the parameters are individually significant. The R- Square of 0.644 reveals the explanatory power of independent variables; the result shows that 64.4% variation on the dependent variable is explained by all the independent variables. The F-statistic reveals that the parameter of the general model is significant at 0.000 which is less than 0.05 level significance. This implies that there also exists a joint significant effect of internal control on usage of capital grants.

The above findings confirm to assertions by IIA (2001) which states that internal control provides a foundation for accountability in the usage of capital grants in tertiary institutions. It is further argued that internal controls are designed to ensure that tertiary institutions carry out its required function effectively and efficiently, that its financial reporting is reliable and complies with Audit check, Administrative Control, Internal audit and Quality control. (Policy Belief, 2004)

Table 2: Regression Result of Model 2

Model		Unstandardized coefficients		T	Sig.	F	Prob.	R^2
		B	Std. Error			42.001	.000	0.594
	(Constant)	-.145	.041	-3.571	.001			
	AUC	.245	.041	5.906	.000			
	ADC	-.383	.040	-9.556	.000			
	INA	.107	.042	2.557	.012			
	QUC	-.327	.057	-5.727	.000			

Source: Researcher’s Field Survey

The regression result of model two reveals a multiple regression result of the independent variables on the dependent variable. The result shows that there is a positive relationship between some of the independent variables and the dependent variable, except administrative control and quality control every other independent variable is in line with the apriori expectation. This invariably implies that a unit increase in the positive independent variables (individually) will bring a corresponding increase on the dependent, while on the other hand; an increase in the negatively signed variables will bring about a decrease in the dependent variable.

Based on the above, it means that a positive change in internal control will bring a corresponding increase on the financial effectiveness of tertiary institutions. This assertion is in accordance with the findings of Tumwine (2011), Brian (2013), and Abraham (2013) that there is a significant and positive relationship between internal control and financial effectiveness of tertiary institutions. However, the result above is contrary to the findings of Ejoh and Ejom (2014) that states that there is no significant relationship between internal control activities and financial performance of Cross River State College of Education.

Conclusions

Sequel to the findings above, it is discovered that tertiary institutions have continued to register financial mismanagement even when there are guidelines for the utilisation of funds. There is however, continued poor financial effectiveness, where usage of capital grants, usage of accumulated surplus, usage of recurrent subventions and usage of revenue from fees are not properly utilised and rules and regulations on the use of all these sources of finance are not adhered to and there is massive unaccounted funds, uncompleted projects and deterioration of plants and equipment as a result of misuse of finance facing the system. Most respondents were of the view that there was a relationship between internal control and financial effectiveness. The financial effectiveness of a tertiary institution can be measured by the standard or the effectiveness of the internal control system.

Based on this, the study concludes that internal control has a significant positive relationship to financial effectiveness in tertiary institutions. This implies that the usage of capital grants, usage of accumulated surplus, usage of recurrent subvention and usage of revenue from fees cannot yield any good result without efficient internal control.Also, it is concluded in the study that the institutions that had entrenched prudent internal control strategies were most likely to manage their finances better hence meeting their financial and other pertinent obligations almost seamlessly.

As a result of the above, this study recommends that:

- Disbursement of grants and subvention to tertiary institutions should be done as stipulated in the National Policy on Education.
- There should be proper check and balances for all tertiary institutions' financial transactions.
- At least one member of the tertiary institutions' Governing Council should be a financial expert.
- Tertiary institutions should review their financial statements periodically and ensure that finance is used for the purpose in which they are meant for.

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Conference theme 3:

ACCOUNTING AND FINANCE EDUCATION

INFLUENCING FACTORS AND PERCEPTIONS OF ACCOUNTING UNDERGRADUATE STUDENTS' ON ACADEMIC PERFORMANCE

Olufolakemi AFROGHA*; Femi OLADELE; and Olatunde WRIGHT
Department of Accounting and Finance
Faculty of Social and Management Sciences,
Bowen University, Iwo

Abstract
The study is predicated on the perception that there is a downward trend in the academic performance of students in tertiary institutions. Hence, the need to identify and examine factors as well as their influence on students' academic performance. These factors were moderated with students' perception. Furthermore, a twofold approach was used to examine factors that influence academic performance of undergraduate students in a privately owned university in Nigeria. This is significant to provide information that enhances the quality of academic competence bequeathed to students of Nigerian tertiary institutions. Questionnaire was used as the primary instrument for the study. The research instrument was administered to students in second, third and final year of a four-year Bachelor of Science degree programme in Accounting. Descriptive and inferential statistics were used to analyse data obtained from the questionnaire. The findings of the study add to the existing literature on the value-relevance of social, educational and financial factors that influence students' academic performance in tertiary institutions in Nigeria. The study found that demographic, academic, financial and religious factors affect students' academic performance with variations. Conclusively, more attention should be paid to the conduciveness of the learning environment as well as parental and peer pressure as factors that can be used to enhance academic performance.

Keywords: academic performance, social factors, educational factors, undergraduates

Introduction
There are various factors that could influence students academic performance which range from stress, ability to comprehend, inadequate research facilities, inadequate materials for study, unstable environment to mention a few. However, factors that affect students' academic performance may vary based on programme being run (post-graduate, undergraduate, advanced level or pre-degree) or the course of study. Mlambo (2011) noted that poor academic performance of students could result in unacceptable levels of attrition, reduced level of students for Advanced level programmes and in turn undergraduate programmes. This could translate to reduced graduate throughput and increased cost for training the nation's future labour force. The main focus of this research is to examine the factors that affect academic performance of undergraduates at Bowen University, Iwo, Osun State Nigeria.

There are factors that could contribute to a student's academic performance which include but are not limited to; ability to do personal study, qualification (as well as expertise) of staff, access to study materials, conducive learning environment, communication skills, lecture environment, collaboration and cooperation.

Sansgiry, Bhosle and Sail (2006) noted that survey methods exist to measure the variables stated earlier. The Grade Point Average (GPA) for undergraduates is the common system used by administrators to measure students' performance. Olatunji, Aghimien, Oke and Olushola (2016) noted that successful performance of students is measured by most educators based on entry standards. Moreover, this may not be a very effective measure as academic success may be viewed differently by lecturers and students. There is also the increased concern on the performance of students as success in academics is widely considered in gaining good employment after graduation.

The issue of improved academic performance has also become a source of concern for students across Nigerian universities. Similarly, stakeholders in the Nigerian educational system are equally concerned about students' performance (Akomolafe & Olurunfemi-Olabisi, 2011). This could be based on the fact that students are considered the greatest asset of any educational institute. More so, schools are established with the purpose of impacting knowledge (Fadokun, 2009). Thus, making poor academic performance a major concern for stakeholders in educational institutions. In addition, sponsors of students would desire value for money especially in Nigeria where the cost of education in privately owned institutions far outweighs the cost of state-run institutions. Various studies (Galiher, 2006; Lubinski & Camilia, 2006; Al-Mutairi, 2010; Yusoff, Rahim & Yaacob 2010; Akomolafe & Olorunfemi-Olabisi, 2011) have been carried out on undergraduate students' academic performance. However, this study seeks to examine factors that affect the performance of undergraduate students to determine whether the factors that affect academic performance in literature reviewed are similar to factors identified amongst Bowen University undergraduates. Olatunji *et al*., (2016) noted that study habits, student's self concept, teacher qualification, teaching method, school environment, and government factors affect students' performance. The main focus of this study is to examine factors that affect the performance of undergraduate students in Bowen University. The paper makes the following contributions to knowledge; it provides insight on factors affecting performance of undergraduates and gives suggestions of better ways of improved students' performance.

Research questions

The following questions are answered by this research:

RQ1: To what extent do demographic, academic, financial and religious *(DAFR)* factors affect academic performance?

RQ2: What are students' perceptions of factors that impact their academic performance?

Research hypothesis

H_{01}: Age has no significant influence on students' academic performance.

H_{02}: Gender has no significant influence on students' academic performance.

H_{03}: Entry type has no significant influence on students' academic performance.

H_{04}: Ordinary level type has no significant influence on students' academic performance.

H_{05}: Ordinary level result has no significant influence on students' academic performance.

H_{06}: Academic level has no significant influence on students' academic performance.

H_{07}: Financial status has no significant influence on students' academic performance.

H_{08}: Religious inclination has no significant influence on students' academic performance.

H_{09}: Demographic, academic, financial and religious factors collectively have no significant influence on students' academic performance.

Literature Review

Institutions are established for the purpose of passing knowledge to their major assets which are students and these institutions cannot exist in isolation of the students. Thus, it becomes necessary to be concerned about the academic performance of the major assets of institutions. Literature is rife with studies on academic performance of students and especially in government owned institutions (Ali, Haider, Munir, Khan & Ahmed, 2013; Applegate & Daly, 2006; Hedjazi & Omidi, 2008; Al-Rofo, 2010). This research would contribute to the existing body of literature on undergraduate students' academic performance, by using a privately-owned instittuion. There is paucity of research on factors affecting performance of undergraduates in Private Institutions as compared to Government owned institutions in Nigeria. Most studies on factors affecting performance of undergraduate studies use the Grade Point Average (GPA) as a common factor to show the performance of students. Sansgiry, Bhosle and Sail (2006) noted that the GPA remains a primary indicator for performance in the academic environment. Various studies have examined factors affecting students' academic performance in general (Banard, 2004; Roberts, 2007; Shafiq, Farooq, Chaudhry & Berhanu, 2011) while others have focused on particular course of study (Mlambo, 2011; Jeffres, Barclay & Stolte, 2014; Suhas & Panya, 2016). Alos, Caranto and David (2015) noted that thinking skills and the ability of teachers to harness the thinking skills of the student could affect the student's performance.

This was corroborated by Mushtaq and Khan (2012) who noted that communication skills affect students' academic performance. Communication skills when improved upon could give students better chances to perform better academically (Abdullah, 2011). According to Kirby 2002 cited in Hijazi and Naqvi (2006) impatience is another factor that could affect a student academic performance. Impatience could affect a student's ability to take in all that is being taught for not been patient to go through all lectures or the teacher's explanation of certain technical aspects. Also, access to improved learning materials and well equipped libraries could equally have impact on students' performance (Barkley, 2006).

According to Chong, Cheung and Hui (2009) absenteeism is considered a major factor affecting performance of students. Brauer cited in Teixeira (2016) supports this and notes that absenteeism is likely to jeopardize teaching and learning. He notes that the reasons for absenteeism may have to do with factors such as; low quality instruction, students have already mastered the material or they can learn the material better by spending the same time studying in other ways. Contrarily Crede, Roch and Kieszczynka (2010) notes that class attendance is beneficial for learning, irrespective of the specific teaching mode or modes used by the instructor. Various researches (Chen & Lin, 2008; Romer, 1993; Schmulian & Coetzee, 2011) on students' academic performance reveal absenteeism as a major factor affecting students' performance. Similarly, Chen and Lin (2008) note that absenteeism can be associated with poor performance and thus should be monitored properly. Thus, attendance in class should be encouraged and enforced (Romer 1993 & Brauer 1994). Conversely Stephenson (1994) noted that a captive audience may not be an ideal environment and mandatory attendance may distort the opportunity cost of absenteeism and impose welfare loss on the student.

Furthermore, Kochhar (2002) opined that proper guidance could contribute to improved academic performance despite the factors identified earlier that affect students' academic performance. Student participation in class exercises and activities could also affect academic performance as active participation could indicate weak areas that could be improved upon. A study by Robert and Sampson (2011) on students' academic performance noted that active participation in the learning process could help to improve students' performance. However, Jeffres, Barclay and Stolte (2014) stated that the consideration of students as assets of the institution and subsequent treatment as customers has reduced the value placed on education. Thus, education is seen by the students as something that is owed them for the financial amount involved rather than as education to be earned This creates the feeling that they are owed the services rendered and as such there is no motivation to strive to perform in their academic (Kopp, Zinn, Jurich & Finney, 2011). Most studies have measured academic performance through the use of the Grade Point Average. This study also adopts the point grade system to measure academic performance. This is supported by Rock off 2003 and Kingdon 2006 who noted the common measure for students' performance to be test scores and students grade of the student. However, Tan and Yates 2007 note that academic performance can be measured based on past exam performance. The success of a student academically is seen as critical to employability in the labour market.

This is particular for a country such as Nigeria where the number of unemployed graduates is on the increase. Kingdon (2006) and Rockoff (2003) noted that academic performance can be measured through grades and test scores. This is in consonance with this study as the grade of students converted to points will be used to measure academic performance. Various researches have been conducted on factors that affect students' performance in developed countries. However, not too many studies have been conducted in developing countries such as Nigeria.

For the purpose of this study, academic performance is considered to be a students' success or failure at the end of the period for courses being taught. The Grade Point Average (GPA) is used as the measure for academic performance. This is supported by Kingdon (2006) who noted that academic performance is widely measured in terms of grades and test scores. Kochhar (2000) opined that proper guidance is necessary to help the students with problems like lack of correlation between talent and achievement, faulty study practice, imperfect methods of learning.

Robert and Sampson (2011) noted that students who effectively participate in the learning procedure are seen to have a higher CGPA (cumulative grade point average). Despite the factors identified above that could impact on students performance, Ebenuwa-Okoh (2010) noted that academic performance of undergraduate students in Nigeria is on the decline.

At this juncture, it is significant to assert that studies on academic performance measurement (Okafor & Egbon, 2011; Mushtaq & Khan, 2012; Teixeira, 2016) do not anchor their research on theories while others give a passing mention (e.g. Obasi, Urhoghide, & Archibong, 2015).

Methodology

This study focuses on undergraduate students of the Faculty of Social and Management Sciences with reference to students in the Department of Accounting. The study looks at factors affecting the academic performance of 200, 300 and 400 level students. A programme of four (4) years is run to obtain a degree in Accounting from Bowen University. However, for the purpose of this study 100 level students are excluded as it is considered that they are just new to the university system.

The variables that are considered by this work are (1) demographics, which is limited to age and gender, which have been found to influence academic performance, (2) academic factors such as entry type (UTME/DE), ordinary level type (WAEC, NECO, CAMRIDGE etc.), ordinary level result, which was a computational cumulative of five requisite subjects (Mathematics, English Language, Economics and any other two subjects) as matriculation requirements, and academic level (200, 300 and 400). The third is the financial factor, which was measured using self-reported monthly allowance and (4) religious factor, with Chapel service attendance as proxy. Academic performance was measured using cumulative grade point average (CGPA). It is significant to state that A1, B2, B3, C4, C5 and C6 were coded 6, 5, 4, 3, 2, and 1 respectively and cumulated to arrive at the result of each respondent.

Simple statistical tables showing measures of central tendency (mean) and dispersion (standard deviation) were used for data presentation, while regression analysis was used in answering research question one and correlation was used to answer research question two. Crosstabs was also used to control for students' perception and academic performance.

Model specification for this study based on the regression model is stated as follows:

$$Demography = f(Age, Gender) \ldots 1$$

$$Academic\ factors = f(Entry\ type, O'level\ type, O'level\ result, Level) \ldots 2$$

$$Financial\ factor = f(Monthly\ allowance) \ldots 3$$

$$Religious\ factor = f(Chapel\ attendance) \ldots 4$$

$$Academic\ performance = f(Demography, Academic\ factors, financial\ factor, religious\ factor) \ldots 5$$

$$Academic\ performance = \beta_0 + \beta_1 Demography + \beta_2 Academic\ factors + \beta_3 Financial\ factor + \beta_4 Religious\ factor + \varepsilon \ldots 6$$

Data analysis and discussion of results

Response statistics

Of the 250 copies of questionnaire that were prepared, only 169 were returned and found usable for analysis, which is 68%. It is important to state that the questionnaire was ethically administered and that some respondents did not respond to all questions, leaving the total in some questions less than 169.

Demographic statistics

The gender distribution of the respondents is 66% and 34% for female and male students respectively, while many (65%) of the respondents fall in the 19-22 years, while only one student is 27 years or more.

Academic statistics

Results also show that 78% of respondents gained admission using the WAEC SSCE and about 4% used combined results. More than 70% of our respondents are performing well academically in the second class upper and first class divisions, while only a few of about 4% are in the third class division. Respondents are fairly evenly distributed among the three levels (50, 51 and 57 for 200, 300 and 400 levels.) We present the statistics of results used in the admission of students in Table 1.

Financial and religious statistics

45% of the respondents claimed to receive about ₦10,000.00 to ₦24,999.00 monthly, while 39% of the respondents claimed to receive ₦25,000.00 to₦39,999.00 and 16% claimed to receive more. 87% of respondents attend only the mandatory number of chapel services, while about 13% attend more services than the mandatory number.

Table 1: Demographics

		Freq. (*n=169*)	%
Gender	Female	109	65.7
	Male	57	34.3
	Total	166	100.0
Age	15-18 years	49	29.3
	19-22 years	109	65.3
	23-26 years	8	4.8

	27 years and above	1	.6
	Total	167	100.0
Entry type	UTME	144	87.8
	DE	20	12.2
	Total	164	100.0
O'level	WAEC SSCE	128	77.6
	NECO SSCE	9	5.5
	WAEC GCE	17	10.3
	NECO GCE	1	.6
	CAMBRIDGE	3	1.8
	Combined results	7	4.2
	Total	165	100.0
CGPA	1.50-2.39	6	3.9
	2.40-3.49	36	23.5
	3.50-4.49	80	52.3
	4.50-5.00	31	20.3
	Total	153	100.0
Level	200 level	50	31.6
	300 level	51	32.3
	400 level	57	36.1
	Total	158	100.0
Monthly allowance	10,000-24,999	69	44.8
	25,000-39,999	60	39.0
	40,000-54,999	25	16.2
	Total	154	100.0
Chapel attendance	3 times in a week	141	86.5
	4 times in a week	18	11.0
	5 times in a week	1	.6
	6 times in a week	3	1.8
	Total	163	100.0

		Math		Eng		Econ		Other1		Other2	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Grades	C6	17	10.9	13	8.3	5	3.2	1	.7	2	1.4
	C5	10	6.4	12	7.6	7	4.5	4	2.8	3	2.2
	C4	25	16.0	32	20.4	27	17.3	18	12.7	13	9.4
	B3	23	14.7	46	29.3	40	25.6	23	16.2	24	17.3
	B2	53	34.0	44	28.0	44	28.2	24	16.9	35	25.2
	A1	28	17.9	10	6.4	33	21.2	72	50.7	62	44.6
	Total	156	100.0	157	100.0	156	100.0	142	100.0	139	100.0

Source: Field survey, 2018

Effect of demographic, academic, financial and religious factors on performance

The first research question is on the effect of DAFR on academic performance. We use two methods to determine the influence of DAFR on academic performance; correlation and regression. Table 2 shows the results and it is evident that only age, gender and religious factors are statistically significant as shown by the correlation probability values, although both age and gender have negative correlation with academic performance, while religious factor has a positive relationship with academic performance.Nine hypotheses were formulated and tested using regression analysis and the results show that hypotheses 3 (r^2=-.007), 4 (r^2=-.005), and 7 (r^2=-.007) had a negative influence on academic performance, while the other six hypotheses had positive influence on academic performance.

These results imply that age, gender, academic level, ordinary level result, attendance have positive, albeit insignificant influence on academic performance. Studies by Keith, Byerly, Floerchinger, Pence and

Thornberg (2006) noted that there is a positive relationship between age and academic performance. Contrarily, Kaur, Chung and Lee (2010) noted that age does not majorly affect students' academic performance.Using all of the factors (demographic, academic, financial and religious), we found that the r^2=.154 (15%). Other issues that may have been left out of our study is the influence of cultural or ethnic inclinations, lecture attendance, quality of lecturers as well as the students' perception of each lecturer, family issues etc. This result differ from another study which used communication, learning facilities, proper guidance and family stress as independent variables and student performance as dependent with an adjusted R-square of 42% (Mushtaq & Khan, 2012). The stated values are the adjusted R square.

Furthermore, the ANOVA output showed that hypotheses 1*(p=.005)*, 2*(p=.000)*, 5*(p=.000)*, 8*(p=.009)*, and 9*(p=.001)* are statistically significant, while hypotheses 3*(p=.901)*, 4*(p=.595)*, 6*(p=.120)*, and 7*(p=.859)* were not statistically significant.

Table 2: Correlation between factors and academic performance

		CGPA
Respondents' gender	Pearson Correlation	-.354**
	Sig. (2-tailed)	.000
	N	151
Respondents' age bracket	Pearson Correlation	-.226**
	Sig. (2-tailed)	.005
	N	153
Respondents' type of entry path	Pearson Correlation	.010
	Sig. (2-tailed)	.901
	N	150
Ordinary level type	Pearson Correlation	-.044
	Sig. (2-tailed)	.595
	N	150
Respondents' level	Pearson Correlation	-.104
	Sig. (2-tailed)	.213
	N	144
Respondents' monthly allowance	Pearson Correlation	.015
	Sig. (2-tailed)	.859
	N	141
Attendance of chapel services	Pearson Correlation	.214**
	Sig. (2-tailed)	.009
	N	148

Variables	R Square	Adjusted R square	ANOVA	
			F	Sig
Age	.051	.045	8.143	.005
Gender	.126	.120	21.398	.000
Entry type	.000	-.007	.016	.901
O'Level type	.002	-.005	.284	.595
Result	.085	.079	13.960	.000

Level	.017	.010	2.440	.120
Financials	.000	-.007	.032	.859
Religion	.046	.039	7.029	.009
All factors	.209	.154	3.804	.001

Source: Field survey, 2018

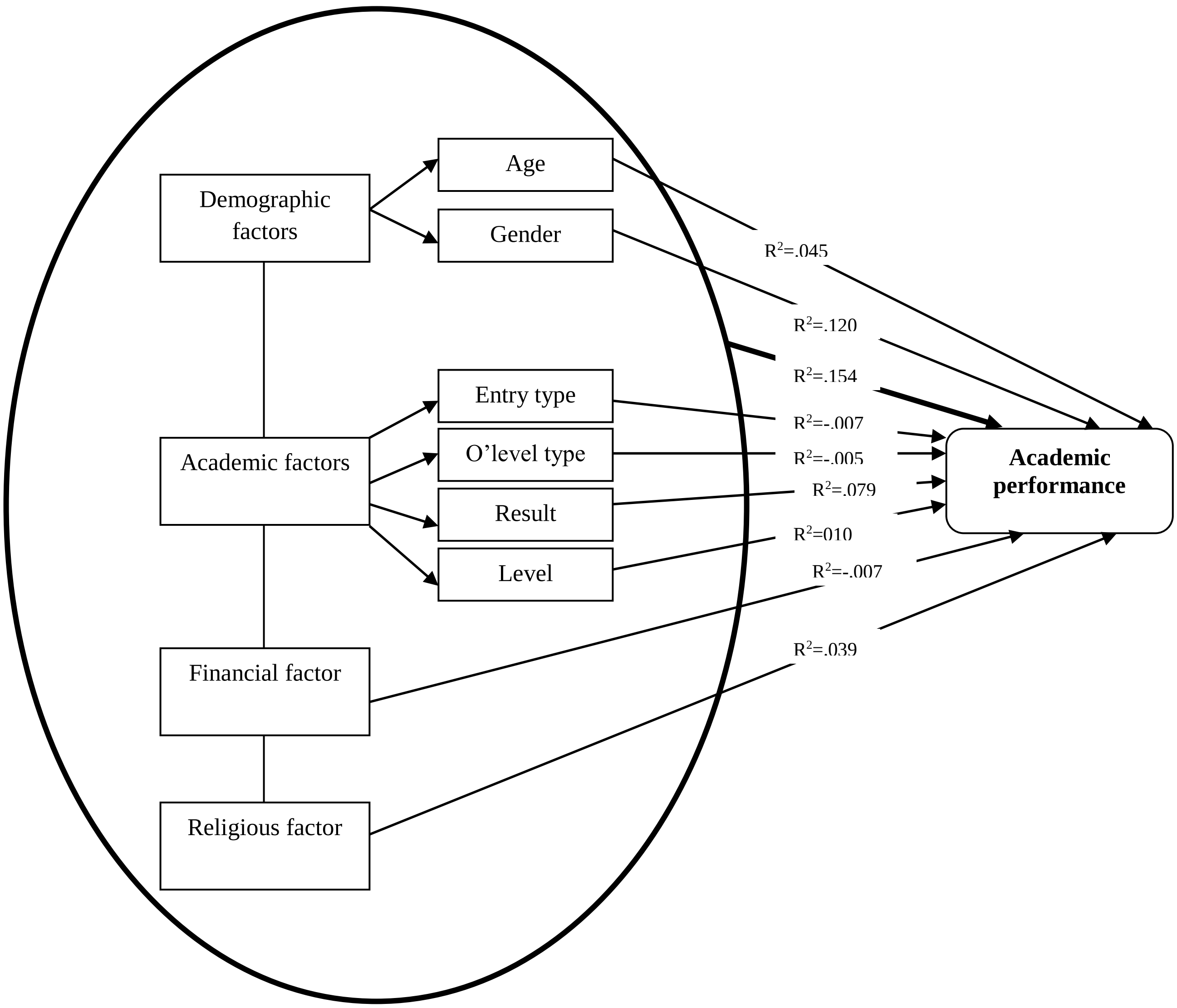

Figure 2:Result of analysis (Hypothesis test result)

Source: Field survey, 2018

Students' perception on factors that affect performance

We asked respondents to identify their level of agreement on eight variables that literature have highlighted affect academic performance of students and we present the result showing frequency and percentage, sum (minimum of 0 for undecided/neutral to 4 for strongly agree), mean and standard deviation (σ^2) in Table 3.

Many of our respondents (62%) agreed that examination is a true test of knowledge hence can be inferred that they agree with examination results as indicative of their knowledge and understanding of the course. About 26% share a divergent view however while 11% chose to remain neutral. The mean score of 2.54/4.00 is a suggestion that many of the respondents agree, however it should be taken with caution, as σ^2 =1.310, which indicates high variation in responses.

Only about 7% strongly agreed that their learning environment is conducive, and another 43% agreed. The number of respondents who chose neutral is very high. The mean score of 1.99 is rather low as well, although results also show very high variations in responses.Poor infrastructure seems to catch respondents' attention as a significant determinant of academic performance. About 65% agreed that infrastructure has significant potential to affect students' academic performance. In the same vein, 76% of respondents agreed that emotional issues significantly affect academic performance.

It is surprising that about 52% of respondents agreed that absolute dependence on external tutorials enhance students' academic performance. This may be due to the mode of tutorials, since past questions are extensively treated. From the results, it seems parental and peer pressure is the most significant factor that affects students' academic performance with a mean score of 2.96 and with the least standard deviation score. This implies that most of the respondents agree that this factor has a significant impact on performance of students, academically.

About 49% of respondents agreed that religious activities, in excess of the "norm" affect students' academic performance and finally, about 44% of respondents believe lecture attendance is still significant in enhancing academic performance. Only about 33% believe personal and self study without lecture attendance can enhance performance. In general, the number of respondents who chose not to respond by choosing neutral is on the high side. A correlation test among the eight variables is shown in Table 4. A cross tab of the variables was carried out with CGPA and the result is presented in Table 5.

Table 3: Perceptive statistics of students

Variables		U/N	SD	D	A	SA	Total *n=169*	Sum	Mean	σ^2
Are examinations a true test of knowledge?	Freq	19	20	24	59	44	166	421	2.54	1.310
	%	11.4	12.0	14.5	35.5	26.5	100.0			
Learning environ is conducive	Freq	40	16	28	72	11	167	332	1.99	1.326
	%	24.0	9.6	16.8	43.1	6.6	100.0			
Poor infrastructure and academic performance	Freq	21	13	25	53	56	168	446	2.65	1.345
	%	12.5	7.7	14.9	31.5	33.3	100.0			
Emotional problems and academic performance	Freq	20	10	10	63	63	166	471	2.84	1.323
	%	12.0	6.0	6.0	38.0	38.0	100.0			
Dependence on tutorials and	Freq	47	6	26	60	27	166	346	2.08	1.479

academic performance	%	28.3	3.6	15.7	36.1	16.3	100.0			
Parent and peer influence on academic performance	Freq	14	7	6	85	56	168	498	2.96	1.137
	%	8.3	4.2	3.6	50.6	33.3	100.0			
Religious activities and academic performance	Freq	40	12	33	39	43	167	407	2.44	1.506
	%	24.0	7.2	19.8	23.4	25.7	100.0			
Personal and self-study without lecture attendance	Freq	39	19	54	25	30	167	372	2.23	1.387
	%	23.4	11.4	32.3	15.0	18.0	100.0			

Source: Field survey, 2018

Table 4: Correlation table for students' perception

Correlations

		Examinations: a true test of knowledge	Learning environ is conducive	Poor infrastructure	Emotional problems	Dependence on tutorials	Parent and peer influence	Religious activities	Personal and self-study without lecture attendance
Examinations: a true test of knowledge	PC	1							
	Sig.								
	N	166							
Learning environ is conducive	PC	.032	1						
	Sig.	.688							
	N	165	167						
Poor infrastructure	PC	.003	.178*	1					
	Sig.	.966	.021						
	N	166	167	168					
Emotional problems	PC	.022	.200**	.463**	1				
	Sig.	.784	.010	.000					
	N	164	165	166	166				
Dependence on tutorials	PC	.014	.093	.027	.108	1			
	Sig.	.855	.233	.727	.167				
	N	164	165	166	164	166			
Parent and peer influence	PC	.035	.244**	.266**	.231**	.063	1		
	Sig.	.650	.001	.000	.003	.419			
	N	166	167	168	166	166	168		
Religious activities	PC	-.059	.015	-.120	-.064	-.029	-.017	1	
	Sig.	.451	.846	.122	.412	.709	.828		
	N	165	166	167	165	165	167	167	
Personal and self-study without lecture attendance	PC	-.044	.013	.084	.123	.113	.010	.040	1
	Sig.	.573	.868	.283	.116	.148	.897	.611	
	N	165	166	167	165	165	167	166	167

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).
PC: Pearson Correlation
The Sig. is 2-tailed

Source: Field survey, 2018

Table 5: Crosstab with CGPA

		CGPA of respondents				Total
		1.50-2.39	2.40-3.49	3.50-4.49	4.50-5.00	
Are examinations a true test of knowledge?	Undecided/Neutral	0	5	11	3	19
	Strongly disagree	1	3	6	6	16
	Disagree	2	4	15	3	24
	Agree	2	11	30	12	55
	Strongly agree	1	12	17	7	37
Total		6	35	79	31	151
Learning environ is conducive	Undecided/Neutral	1	9	20	9	39
	Strongly disagree	1	2	9	3	15
	Disagree	2	4	16	3	25
	Agree	2	18	29	14	63
	Strongly agree	0	3	5	2	10
Total		6	36	79	31	152
Poor infrastructure and academic performance	Undecided/Neutral	0	5	10	2	17
	Strongly disagree	1	2	8	2	13
	Disagree	1	10	7	5	23
	Agree	1	12	28	8	49
	Strongly agree	3	7	27	14	51
Total		6	36	80	31	153
Emotional problems and academic performance	Undecided/Neutral	1	4	7	4	16
	Strongly disagree	1	4	3	2	10
	Disagree	0	3	5	1	9
	Agree	2	15	32	8	57
	Strongly agree	2	10	31	16	59
Total		6	36	78	31	151
Dependence on tutorials and academic performance	Undecided/Neutral	2	10	23	9	44
	Strongly disagree	0	2	4	0	6
	Disagree	0	5	13	5	23
	Agree	4	9	26	13	52
	Strongly agree	0	9	14	3	26
Total		6	35	80	30	151
Parent and peer influence on academic performance	Undecided/Neutral	0	3	7	2	12
	Strongly disagree	1	2	2	1	6
	Disagree	0	2	3	1	6
	Agree	2	19	42	16	79
	Strongly agree	3	10	26	11	50
Total		6	36	80	31	153
Religious activities and academic performance	Undecided/Neutral	2	4	23	7	36
	Strongly disagree	1	2	5	3	11
	Disagree	1	11	8	10	30
	Agree	2	8	20	7	37
	Strongly agree	0	11	24	3	38
Total		6	36	80	30	152
Personal and self-study without lecture attendance	Undecided/Neutral	1	7	20	6	34
	Strongly disagree	1	4	9	3	17
	Disagree	2	10	25	13	50
	Agree	0	4	15	3	22
	Strongly agree	2	11	11	5	29
Total		6	36	80	30	152

Source: Field survey, 2018

Conclusions

This study is limited to only one out of more than 160 universities in Nigeria. However, it provided answers to questions on the issue of factors that affect students' academic performance and adds to existing literature on students' perception of factors that affect students' academic performance. The study found that religious activities (Chapel attendance of 3 times per week) were significant in impacting academic performance. From the study, it shows that age and gender are not significant predictors of academic performance.

An area that university administrators should look into is the conduciveness of the learning environment, which was found to be a significant factor that affects students' academic performance. This will ordinarily include spacious classroom and classroom space should be significant in class allocation, comfortable furniture and air conditioning systems. In addition, universities may begin to wield parental influence and regulate peer pressure to enhance academic performance, since it is found to be significant as well. This could be achieved through periodic feedback on wards' performance to mitigate issues of late determination of students' performance after each semester. Lecture attendance standard must be enforced using technology enhanced system to ensure accurate attendance monitoring, which will then be used as a prerequisite for examination. Furthermore, universities may begin to give some relevance to the inclusion of religious activities as part of normal students' regular weekly activities, since it was found to be significant to academic performance.

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Conference theme 4:

CREATIVE ACCOUNTING, EARNINGS MANAGEMENT AND CORPORATE FAILURE

EARNINGS QUALITY AND FIRMS' PERFORMANCE: A MISSING LINK IN THE LISTED FIRMS IN NIGERIA

[1]Theophilus Anaekenwa Aguguom;
[2]Rafiu Oyesola Salawu
&
[3]Rufus Ishola Akintoye
[1,2,3] Accounting Department, Babcock University, Ilishan Remo, Ogun State, Nigeria
[2]Obafemi Awolowo University, Ile-Ife, Nigeria

Abstract
This paper examined the trend and impact of earnings quality on financial performance of firms from the perspective of accounting information usefulness, aimed at resolving a missing link towards improving managerial decisions of the management, decision usefulness of investors and forecast abilities of the analysts. The study proposed accounting-based earnings quality measures for assessing the effect of accruals quality (AQ), earnings persistence (EPERS), earnings predictability (EPRED) and earnings smoothness (ESMOTH) as proxies of earnings quality on the financial performance of the firms. A sampled of 51 firms listed on the Nigerian Stock Exchange over the period of 2000-2016 were purposively selected. Panel data were extracted from the audited published financial statements. Descriptive and inferential statistics were used for the specified models. The findings revealed that earnings quality proxies jointly have a positive significant effect on the financial performance of the firms. Individual coefficient estimate of each of the variables revealed that AQ, EPRED and ESMOTH each had negative effect on Tobin's Q, while EPERS had a positive significant effect on Tobin's Q. The study recommended that analysts, investors, policy makers and other stakeholders should pay attention to the earnings consistency of time-series behavior of earnings as measured by predictability and persistence as a guide in managerial and investment decisions and forecasting of future earnings.

Keywords: Earnings quality, Financial performance, Accruals quality, Earnings persistence, Earnings smoothness

Introduction

There is high level of apprehension and reservations in the mind of interested stakeholders: investors in making informed investment and resource allocation decisions, analysts for forecast and projections purposes, managers for managerial decision making and growth sustenance, governments, policy makers and other market participants, regarding the quality of earnings and financial report by which they make investment decisions and estimates. Financial reporting evaluations aim at having some characteristics required of relevance, reliability, transparency and clarity, while firms' performances and earnings persistence have been criticized and attributed to subjectivity and the view that the earnings persistence increases the perceived reliability (Richardson, Sloan & Soliman, 2005). The main aim of accounting measurement and financial reporting is to provide high quality financial reporting for decision making (FASB, 1999; IASB, 2008).

The uncertainties inherent to the capital market necessitate the investors to seek appropriate information to reduce the risk of moral hazard and adverse selection associated with resource allocation efficiency and portfolio diversification. The concept of earnings quality seems quite imprecise notwithstanding the various efforts by researchers to make it more accurate and to deliver a theoretical foundation (Dechow, Ge, & Schrand, 2010; Nelson & Skinner, 2013; Francis, Olsson & Schipper, 2006; Perotti & Wagenhofer, 2014; Walker, 2013).
The objective of this paper is to examine the trend and effect of earnings quality on financial performance of the sampled firms. This study adds to the body literature on the usefulness of earnings quality properties using accounting-based measures and its implications in cash and accruals components of earnings as a reflection of the firm performance. The rest of the paper is structured as following: Section two discusses the conceptual, theoretical and related empirical studies. The section that follows, considers the methodology, and next section centers on the data analysis, interpretation of results and discussions. The paper ends with conclusions and recommendation.

Literature Review

Earnings Quality

The concept and definition of earnings quality in literature are still unclear and there is no agreement on its exact definition and proxies of measure. However, its usefulness and properties in accounting literature cannot be ignored. Krishan and Parsons (2008) defines earnings quality as the degree to which reported earnings captures economic reality, in order to appropriately assess a company's financial performance. Francis, Olsson and Schipper (2006) postulate that one of the prime objectives of financial reporting in the capital market is to assist the participants in making judgments and informed investment decisions. In that respect, quality financial information is very critically expected to assist the stakeholders with reliable and quality investment decisions (Ewert & Wagenhofer, 2012). Generally, poor earnings quality, opportunistic earnings and biased financial report create doubts and concern, regarding the credibility of such report for analysts, investors and market participants in making rational investment projections and decisions.

Earnings Persistence

Researchers have shown considerable interest in the measure of earnings quality and have explored the role played by earnings quality and information transparency in market effectiveness, suggesting that financial statements show an accurate and unbiased state of the company, giving a precise, timely, and transparent, persistence and comparable financial information (Dechow & Dichev, 2002). The study of Schipper and Vincent (2003) defines earnings persistence as a measure of earnings quality revealing the sustainability of earnings. Other studies estimate earnings persistence as a regression of the future value of the variable on its current value (Dechow & Schrand, 2004; Oei, Ramsay & Mather, 2008). Earnings persistence shows the reoccurrence of earnings. The study of Prapaporn, (2008) opines that earnings with low earnings persistence may not be an appropriate performance measure for chief executives officers (CEOs) because earnings may not signal their efforts

Finally, we align our study with the argument of Dechow and Dichev (2002), that the concept of earnings quality should be a reflection the underlying economic realities of a firm's overall performance. In this regard, earnings have the features of quality if it can be sustained in the future because investors desire repeatability or stability of performance and earnings. In relation with market share price, earnings persistence shows that the higher ability of a company to predict future earnings shows likely high market share price or higher earnings quality and in other words, the company's poor ability to predict future earnings shows poor earnings quality.

Financial Performance

Tobin's Q as a proxy for financial performance is a theory first postulated by James Tobin in 1969 used in traditional economic theory (Tahir & Razali, 2011). It specifies the percentage of the firm's financial performance as reflected in the market value to the replacement cost of the firm value. Tobin's Q (TQ) was earlier used to measure the performance of the company since it contains a combination of accounting book value and market values information, and seems to be free from managerial manipulation (Hoyt & Liebenberg, 2011). The approximate of Tobin's Q is derived from the product of the firm's share price and the number of common stock shares outstanding plus the firm preference stock plus total net debt divided by the book value of the total assets of the firm. Under Tobin's Q theory, a company is said to create market value if the company's return on investment is greater than the cost of investment.

Therefore, Tobin's Q (TQ) is the reflection of the market anticipations about future profitability against to returns on assets or gross margin basis, which are connected to current profitability. Other previous studies used Tobin's Q as a proxy to measure market (Hoyt & Liebenberg, 2011). A low value of Tobin's Q between 0 and 1 could suggest that the cost to replace the company's assets is greater than value of its stock. Statistically, it could mean that the share is undervalued. On the other land, a higher Tobin's Q (greater than 1 implies that a company's share is more expensive than the replacement cost of its assets, which also could suggest that the share is overvalued.

Empirical Review

Earnings Quality and Financial Performance: Previous studies, Klapper and Love (2002) examined the relation between corporate governance and financial performance employing Tobin's Q as a proxy for financial performance. The study uses data obtained from the Credit Lyonnals Security Asia (CLSA) in the form of implementation of corporate governance ranking for 495 companies in 25 countries, the company's performance in the study was measured using Tobin's Q as a measure market value and return on assets as a measure of operational performance of the company. The study finds a positive relationship between corporate governance and corporate financial performance.

Al-Khouri, Magableh and Aldamen (2004) examined the relationship of managerial holdings with Tobin's Q and Research and development (R& D) expenditure of Japanese firms over the period 2000-2003. The study revealed that Japanese managers engaged in pursuing non-value- maximizing objectives.

Malaysia, Tahir and Razali (2011) examined the relation between enterprise risk management and firm value in the Malaysian public listed companies with Tobin's Q as the measure of firm value. The study was based on 2007 year for 528 companies. The study finds that enterprise risk management is positively related to firm value but it is not significant. The result means that firms which practice enterprise would have a higher Tobin's Q ratio than firms which are not.

Study from Romania, the study of Georgeta and Stefan (2014) examined the relationship between financial intermediaries' ownership and firm value in Romania for a period of 2007-2011, using companies listed on the Bucharest Stock Exchange (BSE) with Tobin's Q as a proxy of firm value as a measure of firm value financial performance. The study finds that there exist a positive influence of Romanian financial investment on firm value but up to an ownership threshold of 2.7%, whereupon the influence becomes negative. The study also finds positive influence of shareholding of all categories of financial intermediaries on firm value when considering the ownership of the investment funds and financial investment services companies but up to an ownership threshold of 50.3 %.

Wiyadi, Noer and Ichwani (2015) investigated the impact of information asymmetry, firm size, leverage, and profitability and employee stock ownership on earnings management. The study employed 191 companies listed in the Jakarta Islamic Index and 226 companies listed in LQ45 for the period of 2004-2013. The study findings indicate that information asymmetry has positive effect on the earnings management in both indexes. That the employee stock ownership has a positive influence on the earnings management. The study seems to support agency theory that can management could manipulate earnings if there is more information gap between principal and agent in the management of companies.

In Indonesian, Sabrin, Sarita, Takdir and Sujono (2016) examined the effect of firm performance through profitability on firm value. The study employed secondary data obtained from a manufacturing companies listed on the floor of the Indonesia Stock Exchange for a period of 6 years 2009-2014. The study finds that profitability as a measure of firm performance using Tobin's Q has positive effect on firm value since. The study further finds that dividend payment as a sign of profitability increases the firm share price.

Tayebe, Jamal and Hamid (2016) examined the effect of firm size and financial leverage on the on the relationship between cost management and the relevance of accounting information on the companies listed on the Tehran Stock Exchange. The study used 101 companies for period of 2004-2013 with Ohlson's pattern in which the relevance of earnings per share and book value per share were examined using market value per share. The study finds that cost management significantly and positively affect share value. Also that cost management negatively influences share value. The study also finds that financial leverage doesn't have a significant impact on the firm value.

Sucuahi and Cambarihan (2016)'s study on the measuring ability of Tobin's Q, they examined the impact of profitability to the firm value of diversified companies in the Philippines. The main objective of the study was to determine if the there is significant influence between the company's profile such as industry, company age and its profitability with the firm value using Tobin's Q model. The study employs 86 diversified companies listed in the Philippines Stock Exchange. The result from the study, reveals that three factors assumed to influence value of the firm using the Tobin's model. That only profitability shows significant positive impact on the firm's value. The study concludes that Tobin's Q is considered as one of the best predictor of market correction and it can also explain the majority of the investment variability.

Akben-Selcuk (2016) in relation to predicting future performance of a firm based on the current performance, the study investigates factors affecting firm competitiveness in the emerging market in Turkey. The study's competitiveness was proxied by the company's financial performance using firms listed on Borsa Istanbul for a period of 9 years (2005-2014). The result shows that Tobin's Q ratio reveal that firm's performance based on good return on assets utilization is positively related to firm size, sales, liquidity and growth. Furthermore, the study reveals that gross profit margin is positively related to size and intentional sales and also negatively related to leverage and research and development expenditure.

The study of Hossein, Kasravi and Fazil (2017) on the impact of the management performance evaluation methods on the quality in accounting, considered firm performance. The study measures using Tobin's Q to measure the firm performance using 112 companies in Tehran Stock Exchange during the period of 4 years 2000-2013. The study finds that that earnings quality has a positive relation to management abilities using Tobin's Q.

Theoretical Framework

Stakeholder theory is accredited to Edward Freeman who states that any identifiable group or individual who can affect the achievement of an organization's objectives, or is affected by the achievement of an organization's objectives is a stakeholder (Freeman & Reed, 1987). Stakeholder implies that it is not only the investors or the shareholders who are affected by the company's objectives. It then means that the achievement and misfortune of the organizations affect all the stakeholders. The stakeholders include (shareholders, employees, creditors, political groups, government, trade unions, communities, and customers). The number of stakeholders tends to have increased since the corporate governance became prominent following the collapsed of some prominent and high profile companies and the belief that firms with good and powerful corporate governance tends to perform better than firms with weak corporate governance.

It then means that the success or failure of firms does not depend on stakeholders with explicit contracts and financial interest but it rather depend on all the stakeholders with explicit and implicit contracts. Stakeholder theory is attributed to Freeman when he introduced stakeholder theory in 1984. Freeman contended that the firm do exits primarily with the aim of serving and synchronizing the collective interest of those who benefit directly or indirectly from the activities of the firm (Schilling, 2000). The going concern and corporate objective of profit maximization and long term sustainability of the firm require managers more sensitive approach to ensure the interest and benefit of all the entire stakeholders (Schilling, 2000).

Therefore, the stakeholder theory is relevant to this study because when the interest of the capital market participants and other stakeholders are protected, conflict of interests and such missing link in both divide between managers and the expected performance is minimalized rather than resulting to opportunistic earnings.

Also, the use of decision usefulness theory could be traced back to 1955 (Eliwa, 2015). The theory assigns particular type of information for specific users on the basis of assumed decision-making need (Deegan & Unerman, 2011) at a time when there were criticisms of financial reporting that it was not giving enough assistance to users in making useful information decision about economic events (Chambers, 1995). Deegan and Unerman (2011) argue that financial reporting should help other groups of users, like lenders and analysts to make useful decisions, as their needs differ from those of the investors. The existing accepted justification of financial reporting is to provide useful accounting information that make available the decision making needs of all stakeholders group of decision (Deegan & Unerman, 2011; Eliwa, 2015).

Accordingly, the IASB adopted the decision usefulness theory as the main criterion of its conceptual Framework in 2010. The Conceptual Framework identifies six qualitative features of useful financial information; these are: relevance and faithful representation, others that enhance the decision usefulness that is already relevant and faithful represented includes: comparability, verifiability, timeliness and understandability (IFRS Foundation, 2010). This theory is relevant to this study basically on the firm value perspective in regards to investors' decision usefulness. The reasons being that accounting information is fundamental for firm valuation determinations, hence guide to investment decisions.

Methodology

The study employed secondary data, which were sourced from the audited annual reports of the sampled firms. The study purposively selected 51 companies out of 173 listed companies for a period of 2000-2016 whose stocks had been actively traded for the period on an 867 firm-year observations. Data were estimated using Unobserved Effects Model (UEM). The UEM can either be fixed effect or random effect depending on the assumption about the distribution of the unobserved components and the error term, and the stochastic process of the time series across i (i.e. unit root processes), as well as the asymptotic properties of t and i with p-value > 0. Series of test were carried out such as normality, multicollinearity, heteroskedasticity, variance inflation factor (VIF), Breusch–Pagan/Cook–Wesberg tests and Hausman test.

Model Specification

Dependent Variable

Financial Performance: In this study, financial performance is measured using Tobin's Q. Tobin's Q is a measure of market valuation premiums, defined as the ratio of market value to replacement value of the firm's assets Gaio and Raposo (2011). A value greater than one indicates that the firm is using its resources effectively and thereby is creating economic value. In this case, Tobin's Q can be interpreted as the market expectation of the economic returns generated by the firm's assets, it can be used as a measure of the market's long-run valuation of the firm (Bitner & Dolan, 1996). In this study, because of the difficulty in estimating the market of debt and replacement costs, the study adopted Gaio and Raposo (2011) model and follow common practice and compute Tobin's Q as:

$$TQ_{it} = \frac{(\mathrm{BVA_{it}} + \mathrm{MVE_{it}} - \mathrm{BVE_{it}})}{\mathrm{BVA_{it}}} \qquad \text{Equation (1)}$$

Where

TQ_{it} = the Tobin's Q value of firm *i* in year *t*;

BVA_{it}= the book value of total assets of firm *i* in year *t;*

MVE_{it}= the market value of common equity of firm *i* (computed as stock price X the number of common shares outstanding in year *t*

BVE_{it}= the book value of equity (total shareholders' fund) of firm *i* in year *t.*

Although Tobin's Q is widely used, it has its limitations and it is not a perfect measure of firm value (Gaio *et al.*, 2011). Gompers, Ishii and Matrick (2003) pointed out several problems with using Tobin's Q in ordinary least square pooled cross-sectional and time series regressions, the study addresses this by our use of panel data and a multi regressions.

Independent Variables

The study adopted accounting-based earnings attributes (Accruals Quality, Earnings Persistence, Earnings Predictability and Earnings Smoothness) as earnings quality is associated with how a company's cash flows have been transformed into reported earnings in line with this study. These proxies demonstrate different angles of earnings quality (Dechow *et al.,* 2010; Francis *et al.,* 2004; Walker, 2013). In particular, accruals quality proxy reflects to what extent working capital accruals map into last period, current, and next-period cash flow from firms operations (Dechow & Dichev, 2002; Eliwa, 2015).

Accruals Quality

The model of Jones and its modified version measured firm's earnings management, though it seems difficult to measure the normal and abnormal components of accruals accurately and precisely. For this reason, the study of Dechow and Dichev (2002) developed another method (DD Model) to measure accrual quality based on whether indeed a firm's accrual relate to its cash holding in the past, current or future. The more closely the firms past, current and future cash relate to its accruals, the higher /lower its accruals quality is. This study calculated accrual quality based on DD model, modified by Francis *et al.* (2005) as the measure of accruals. This considers how well the firm's accruals in the present year t) match its cash in the previous period (year t_{-1}), present period (year *t*), and next period (year t_{+1}):

$$TCA_{it} = \beta_0 + \beta_1 CFO_{it-1} + \beta_2 CFO_{it} + \beta_3 CFO_{it+1} + \beta_4 \Delta REV_{it} + PPE_{it} + \varepsilon_{it} \quad \text{Equt. (2)}$$

Where

$$CFO_{it} = NITE - (\Delta CA_{it} - \Delta Cash_{it}) - (\Delta CL_{it} - \Delta STDBET_{it})$$

TCA_{it} = Total Current Accrual: the firms' accruals in year *t*, which equals the current assets change in year *t* minus current liability changes, minus the changes of cash and cash equivalent changes in year *t* plus change of short-term liability with interest in year *t*,

ΔCA = The change in current assets; $\Delta Cash$ = the change is cash/cash equivalent; ΔCL = the change in current liabilities; $\Delta STDBET$ = the change in short term debt ; CFO_{it} = the firms operating cash flow; REV = the change in revenue; while; PPE_{it} = the property, plant and equipment

The regression residual means unrealized cash flow, which is absolute to the companies' expected accruals. As expected, the standard deviation of residuals of all observation residuals is to measure the companies' accruals quality.

Earnings Persistence

Following the prior literature, the persistence of firms' earnings are measured as the non-constant (slope) coefficient obtained after regressing current earnings before interest and tax (EBIT) on its past value (Francis et al., 2004). In consistent with Francis et al, 2010, earnings persistence is measured as follows:

$$NIBE_{it} = \gamma_{0i} + \gamma_{1i} NIBE_{it-1} + U_{it} \quad \text{Equation (3)}$$

Where;
$NIBE_{it}$ = net income before extraordinary of firm i in year t
$NIBE_{it-1}$ = net income before extraordinary items of firm i in year $t-1$
γ_{0i} = constant (intercept) coefficient; γ_{1i} = the non-constant (slope) coefficient; U_{1i} = the residual (error term). Using maximum likelihood regression estimation techniques and 5 – year rolling windows, the equation above is estimated for each panel. The regression coefficient $\gamma_{1,i}$ indicates the level of earnings

persistence; with a larger $\gamma_{1,i}$ indicate higher earnings persistence. Persistence earnings are seen as higher-quality earnings if they are sustainable (Gaio & Raposo, 2011).

Earnings Predictability

Lipe (1990) provided an earning predictability measure based on the variance of earnings shocks, where higher variance implies lower predictability. This study adopts Gaio and Raposo (2011); Hashem, Hamidreza, Fraydoon, Ghodratollah, and Peyman (2011), and therefore, derive earning predictability measure from equation (3.11) as the square root of the estimated error variance. Earnings Predictability describes the ability of the firm's current earnings to predict its future earnings. Therefore, earnings predictability is measured using the same model as that of earnings persistence. In consistent with Raposo, 2011, the earnings predictability model is specified:

$$EPRED_{it} = \sqrt{\sigma^2(\widehat{U}_{it})} \qquad \text{Equation (4)}$$

The standard deviation of the σ-residual obtained from the regression can be used to measure the prediction error in the companies' earnings, with larger σ-residual indicating poorer earnings predictability or accounting numbers quality. A higher value of EPRED shows a lower of earnings predictability. While EPERS is related to both the level of earnings and the variability of innovation series EPRED is related only to the variability of innovation series (Gaio *et al.,* 2011).

Earnings Smoothness

The study measures earnings smoothness as the percentage of the firm-level standard deviation of earnings and the standard deviation of the operating cash flow as used in (Gaio & Raposo, 2011) study. The study measured earnings smoothness using the following:

$$ESMOTH_{i,t} = \frac{\sigma\left(\frac{NIBE_{it}}{TA_{it-1}}\right)}{\sigma\left(\frac{CFO_{it}}{TA_{it-1}}\right)} \qquad \text{Equation (5)}$$

Where: $NIBE_{it}$ = the firm i's net income before extraordinary items of firm$i$ in year t
CFO_{it} = is cash flow from operation of firm$i$ in year t

TA_{it-1} = is cash total asset of firm$i$ in year $t-1$

Value < 1 implies more variability in operating cash flows than in earnings, meaning the use of accruals to smooth earnings. Therefore, a higher value of smooth indicates less earnings smoothness**.** Since smoothness is desirable attribute of earnings, and therefore lower earnings smoothness implies poorer earnings quality (Leuz *et al*., 2003; Gaio *et al*., 2011).

The panel model for the study is specified thus:

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \varepsilon_{it} \qquad \text{Equation (6)}$$

Where
Y = Dependent Variable

X = Independent Variable
Z = Controlling Variables
β_0 = the regression intercept which is constant
β_1, β_2, = the coefficient of the explanatory variable
ε = the error term of the model
i = cross-sectional variable from 1, 2, 3, …, 51
t = time series variable from 2005, 2006, …,2015

Hypothesis

Resulting from the literature review and arguments as presented in studies (Gaio & Raposo, 2011; Eliwa, 2015) gave a great motivation in this study in bridging the gap of operating environment peculiarities: microeconomics factors, political instability, and corruption perception index profile of the emerging economies like Nigeria differ with that of the advanced economies where some of these studies were carried out. The study therefore, investigates possible missing link among managers and the expected performance reconciled by the quality of earnings. Arising from the identified variables of dependent and independent variables, the hypothesis formulation:

Hypothesis- H_{01}: To investigate the effect of earnings quality on financial performance of quoted companies in Nigeria.

Pooled Regression Models

The starting model is the pooled regression model where it is assumed that any heterogeneity across firms has been averaged out. The pooled estimation models are given as:

Earnings quality and financial performance of quoted companies in Nigeria

$$TQ_{it} = \gamma_0 + \gamma_1 AQ_{it} + \gamma_2 EPERS_{it} + \gamma_3 EPRED_{it} + \gamma_4 ESMOTHit + \varepsilon_{it}$$

Where

TQ = Tobins's Q; AQ = Accruals Quality; EPERS = Earnings Persistence; EPRED = Earnings Predictability; ESMOTH = Earnings Smoothness.

$\delta_0 = Constant$; δ_1, δ_2, δ_3, δ_4 $= models\ coefficients$; $\varepsilon = Error\ term$

The subscript *i* represents the entity of each quoted firm (51 firm), while subscript *t* represents the year, *t* = 2005… 2015. The models for Fixed and Random effects are presented below.

Random Effect Model

The random effect model assumes that the individual heterogeneity is uncorrelated with (or, strongly, statistically independent of) all the observed variables. Going by this assumption the following models are specified:

$$TQ_{it} = \gamma_0 + \gamma_1 AQ_{it} + \gamma_2 EPERS_{it} + \gamma_3 EPRED_{it} + \gamma_4 ESMOTHit + V_{it}$$

Where $V_{it} = \alpha_i + \varepsilon_{i,t}$ is often called the composite error.

Fixed Panel Regression Model

The fixed effect model assumes that individual heterogeneity is captured by the intercept term. This means every individual is assigned its intercept while the slope coefficients are the same, and the heterogeneity is associated with the regressions on the right hand side. In the model also we introduced dummy.

$$TQ_{it} = \gamma_0 + \gamma_1 AQ_{it} + \gamma_2 EPERS_{it} + \gamma_3 EPRED_{it} + \gamma_4 ESMOTHit + \sum_{i=1}^{n-1} D_i + \varepsilon_{it}$$

Results and Discussion

Correlation Matrix

This section presents the results of preliminary correlation analyses among the variables. The results serve two important purposes. The first purpose is to determine whether there are bivariate relationship between each pair of the dependent and independent variables considered in this study. The second is to ensure that the correlations among the explanatory variables are not so high to the extent of posing multicollinearity problems.

Table 1: Correlation Matrix

	MSP	BV	TQ	AQ	EPERS	EPRED	ESMOTH
MSP	1	0.603*	0.524*	-0.068	0.069	0.001	-0.021
BV		1	0.031	-0.053	0.061	-0.128*	-0.059
TQ			1	-0.038	0.079	0.244*	0.086*
AQ				1	-0.061	0.118*	-0.069
EPERS					1	0.017	0.097*
EPRED						1	0.241*
ESMOTH							1

Source: Authors' Computation, underlying data from annual reports of firms listed on NSE. MSP = Market Share Price. BV = Book Value. TQ = Tobin's Q. AQ = Accrual Quality. EPERS = Earning Persistence. EPRED = Earnings Predictability. ESMOTH = Earnings Smoothness. The earnings quality indicators are computed using a 5-year rolling window. * P-value< 0.05

The result in Tables 1 shows that there is no evidence of multi-collinearity among the variables given the fact that the correlations among the independent variables are generally weak. Specifically, the result shows that positive and significant association exists between BV and MSP (r = 0.603). TQ is positively and significantly correlated with MSP (r = 0.524) whereas it is positively but insignificantly correlated with BV (r = 0.031). AQ is negatively and insignificantly associated with MSP, BV and TQ with the correlation coefficients of -0.068, -0.053 and -0.038 respectively. EPERS is positively and insignificantly correlated with MSP, BV and TQ (r = 0.069, 0.061, 0.079). Conversely, negative and insignificant correlation (-0.061) exists between EPERS and AQ. Also, EPRED is positively but insignificantly correlated with MSP (r = 0.001). Nevertheless, it is positively and significantly correlated with TQ (r = 0.244) while it is negatively and significantly correlated with BV (r = - 0.128) at 5% levels of significance.

Variance Inflation Factor

For robustness, the variables considered in this study are subjected to multicollinearity test using variance inflation factor (VIF) and the result is presented in Table 4.4. VIF that is not above 10 and a tolerance value that is approaching 1 indicate no harmful effect of multicollinearity (Field, 2005).

Table 2: Variance Inflation Factor

	Model	
Variable	VIF	1/VIF

EPRED	1.08	0.924
ESMOTH	1.08	0.925
AQ	1.03	0.973
EPERS	1.01	0.988
Mean VIF	1.05	

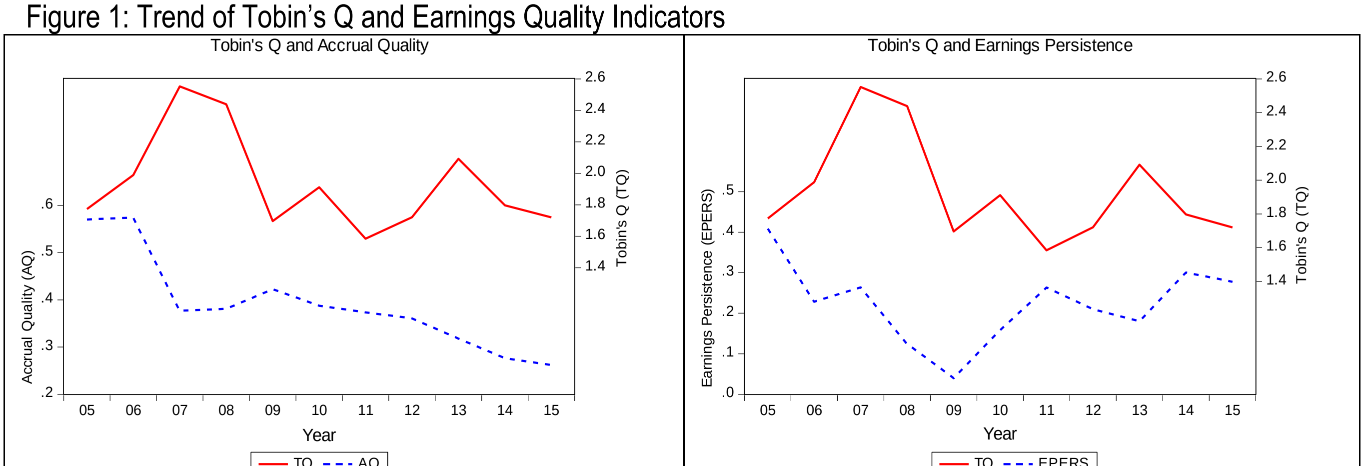
Source: Authors' Computation, 2018, underlying data from annual reports of firms listed on NSE. MSP = Market Share Price. BV = Book Value. TQ = Tobin's Q. AQ = Accrual Quality. EPERS = Earning Persistence. EPRED = Earnings Predictability. ESMOTH = Earnings Smoothness. The earnings quality indicators are computed using a 5-year rolling window

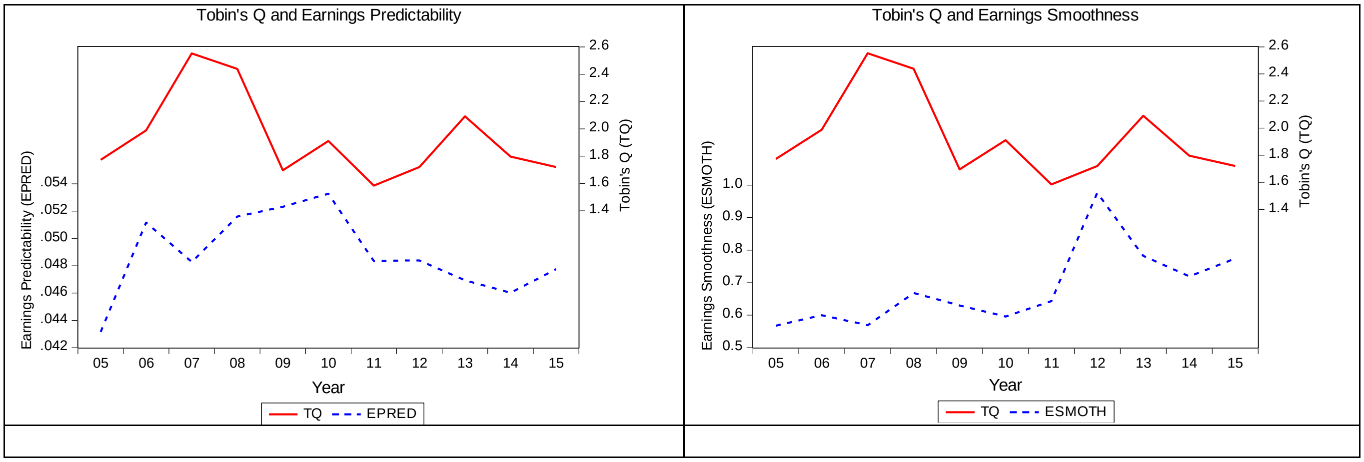
EPRED, ESMOTH, AQ and EPERS have VIF values of 1.08, 1.08, 1.03 and 1.01 in the panel. Also, the corresponding reciprocal of tolerance was close to 1. These indicate that the variables under consideration are not perfect linear combination of each other. The results display none of the VIFs are above three, this further suggests that multicollinearity does not pose a problem to the regression analysis.

Trend of Financial Performance (Tobin's Q) and Earnings Quality Indicators

As evident in in Figure 1, Tobin's Q (TQ) grows by 2.97% between 2005 and 2016. It peaks at 2.55 in 2007. The accrual quality (AQ) and earnings persistence (EPERS) fall by 54.07% and 32.12% respectively between the period while earnings predictability (EPRED) and earnings smoothness (ESMOTH) rise by 10.66% and 36.27% respectively between the period with some fluctuations. These indicate that AQ and EPERS move in the direction of TQ suggesting that the TQ of the companies reduces as the two earnings quality proxies worsen over time. In the growth trend of EPRED and ESMOTH, there could be situations of departure between the trend EPERS, ESMOTH and MSP in recent years. The likely reason for the growth in Financial Performance (Tobin's Q) during the period could be a reflection of the political and economic stability, and gradual effect of various economic polices put in place by the democratic government after a protracted military rule in Nigeria, while the decrease during the period particularly, the Accruals quality and earnings persistence could be due to cash flow variabilities from operations and overheads cost of companies during the period. The impact of some microeconomics variables like interest rates and inflationary fluctuations could also be responsible.

Figure 1: Trend of Tobin's Q and Earnings Quality Indicators





Source: Authors' computations (2018)

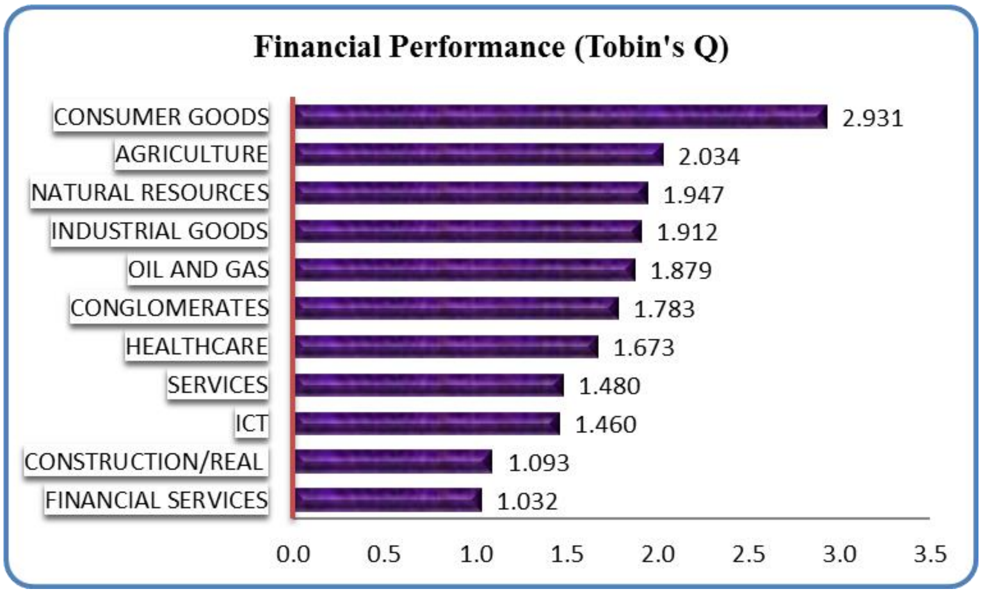


Figure 2: Average Value per sectors of the economy.
Source: Authors' computation (2018)

The study revealed that the consumer goods sectors performed better among the other sectors with 2.931 while the financial services contributed the least with 1.032.

Financial Performance and Earnings Quality Indicators

The post estimation tests' results - Jarque-Bera test for normality 4096.00 (p = 0.000) and Breusch–Pagan/Cook–Wesberg test for heteroskedasticity 84.140 (p = 0.000) for the lead model (in Column 3) showed evidences of no normality and heteroskedasticity. Nevertheless, the panel robust standard error that was employed in this study addresses the heteroscedasticity problem and no normality is ignored.

Table 3: Financial Performance and Earnings Quality Indicators

Main model $TQ_{it} = \gamma_0 + \gamma_1 AQ_{it} + \gamma_2 EPERS_{it} + \gamma_3 EPRED_{it} + \gamma_4 ESMOTHit + \varepsilon_{it}$ *(1)*

$Randon\ Effect\ model{:}\ TQ_{it} = \gamma_0 + \gamma_1 AQ_{it} + \gamma_2 EPERS_{it} + \gamma_3 EPRED_{it} + \gamma_4 ESMOTHit + V_{it}$ *(2)*

$Fixed\ Effect\ model{:}\ TQ_{it} = \gamma_0 + \gamma_1 AQ_{it} + \gamma_2 EPERS_{it} + \gamma_3 EPRED_{it} + \gamma_4 ESMOTHit + \sum_{i=1}^{n-1} D_i + \varepsilon_{it}$ *(3)*

Variables	(1) OLS			(2) RE			(3) FE		
	Coeff.	t – stat	p – value	Coeff.	t - stat	p – value	Coeff.	t - stat	p – value
AQ	-0.102***	-3.05	0.002	-0.039	-1.34	0.180	-0.029	-0.94	0.352
EPERS	0.136*	1.92	0.055	0.068	1.24	0.215	0.054	1.01	0.316
EPRED	7.958***	4.07	0.000	-1.775	-0.82	0.410	-3.499	-1.41	0.164
ESMOTH	-0.029	0.38	0.708	-0.013***	-3.48	0.001	-0.014***	-3.74	0.000
Constant	1.535***	17.72	0.000	2.032***	9.37	0.000	2.116***	17.89	0.000
Observations		561			561			561	
R-squared		0.070			0.018			0.020	
Adj.R-squared		0.063			0.010			0.013	
Year Effect		NO			NO			NO	
F-test		7.26			20.71			5.472	
Prob > F		0.000			0.000			0.001	
Hausman [Prob.]						31.26 [0.000]			
LM Test [Prob.]		714.890 [0.000]							
			Post Estimation Test						
Jarque-Bera Normality Test [Prob.]								4096.00 [0.000]	
Breusch-Pagan test Heteroskedasticity[Prob.]							84.140 [0.000]		

*Source: Authors' Computation, 2018. Underlying data from annual reports of firms listed on NSE. MSP = Market Share Price. BV = Book Value. TQ = Tobin's Q. AQ = Accrual Quality. EPERS = Earning Persistence. EPRED = Earnings Predictability. ESMOTH = Earnings Smoothness. The earnings quality indicators are computed using a 5-year rolling window. The dependent variable is the Tobin's Q (TQ). *** P-value<0.01, ** P-value< 0.05, * P-value <0.1*

Tobin's Q = 2.116 - 0.029AQ + 0.054EPERS - 3.499EPRED – 0.014ESMOTH

The coefficient estimated for Accruals quality (AQ) Earnings predictability (EPRED) and Earnings smoothness (ESMOTH) as measures of earnings quality each has negative effect on financial performance (TQ), Earnings persistence (EPERS) has a positive effect on financial performance of Nigerian quoted companies. These are indicated by the sign of their respective coefficients (δ_1= -0.029; δ_3 = -0.3.499; δ_4 = -0.014) < 0; while δ_2 = 0.054 > 0. Thus, AQ, EPRED and ESMOTH are not in tandem with expectation, while EPERS is consistent with a priori expectation.

Based on the coefficient of the variables, the result of this study further reveals that an increase in earnings persistence will lead to an increase of 0.054 on financial performance (Tobin's Q) while increase in accruals quality, earnings predictability and earnings smoothness will lead to a decrease of 0.029, 3.499 and 0.014 respectively in financial performance of the companies.

On the basis of Breusch and Pagan Lagrangian multiplier test for random effects result which is 714.89 (p = 0.000), the study fails to accept the null hypothesis of "no panel effect", thus accepts the alternative hypothesis and concludes that random effect is better. However, based on the Hausman – statistics, the initial hypothesis that the individual-level effects are adequately modeled by a random-effects model is resoundingly rejected. Hence, fixed effect (FE) model becomes the lead model.

Consequently, the value of F-statistics (5.472; p = 0.000) associated with the lead model indicates the significance of the model at 1% level of significance.

In other word, it implies that all the independent variables are jointly and statistically significant in affecting TQ. The coefficient of determination (0.020) indicates that about 2.0% of changes in TQ are explained by the independent variables. As evident from the result, negative and insignificant relationships exist between accrual quality (AQ), earnings predictability (EPRED) and Tobin's Q (TQ). However, positive but insignificant relationship exists between earnings persistence and TQ. Apparently, the coefficient estimate of earnings smoothness (ESMOTH) is negative and significant at the confidence level of 99%. The negative and significant relationship is consistent with the result obtained in Table 4.5. This also indicates that the firms with high Tobin's Q have low earnings smoothness (ESMOTH).

Post Estimation Tests

The post estimation tests - Jarque-Bera test for normality 4260.00 (p = 0.000) and Breusch–Pagan/Cook–Wesberg test for heteroskedasticity 0.030 (p = 0.860) - suggest that the lead model (in Column 2) passed heteroskedasticity test but fails normality test. Nevertheless, this did not represent much of a problem since we are dealing with a sufficiently large sample of data (Oscar, 2007). This implies that the there is no evidence of heteroskedasticity.

Normality Test

Table 4: Normality Test

Regression	Models	Jarque-Bera normality test
MSP and EQI	I	4260.000 [0.000]
	II	0.988 [0.610]
BV and EQI	I	1314.000 [0.000]
	II	14.640 [0.000]
TQ and EQI	I	4096.000 [0.000]
	II	8884.000 [0.000]

Source: Authors' Computation 2018, underlying data from annual reports of firms listed on NSE. MSP = Market Share Price. BV = Book Value. TQ = Tobin's Q. EQI = Earnings Quality Indicator. The figures in brackets are probability values and Chi2 are outside the bracket. The figures in brackets are probability values.

One of the assumptions of the regression model that guarantee the validity of p-values, t-tests or F-tests is that the regression error term behave 'normal'. In other words, normality assumption assures the validity of all tests. This study uses Jarque-Bera test to assess the normality in the error terms (residuals) of the models. The null hypothesis is 'normality' and if this is rejected, it indicates 'non-normality'. The results as presented in Table 4 show no indication of normality except for the model II of MSP and EQI. Nevertheless, this does not represent much of a problem since we are dealing with a sufficiently large sample of data (Oscar, 2007).

Heteroskedasticity Test
Table 5: Heteroskedasticity Tests

Regressions	Model	Breusch-Pagan test for heteroskedasticity
MSP and EQI	I	0.030 [0.860]
	II	10.040 [0.002]
BV and EQI	I	9.88 [0.002]
	II	135.60 [0.000]
TQ and EQI	I	84.140 [0.000]
	II	50.790 [0.000]

Source: Authors' Computation 2018, underlying data from annual reports of firms listed on NSE. MSP = Market Share Price. BV = Book Value. TQ = Tobin's Q. EQI = Earnings Quality Indicator. The figures in brackets are probability values and Chi2 are outside the bracket. The figures in brackets are probability values.

This study used Breusch–Pagan/Cook–Wesberg test to assess the variance in the error terms (residuals) of the models, and the results as presented in Table 5 indicates that all the models except for model I of MSP and EQI regression suffer from heteroskedasticity. As a result of this, panel robust standard error was employed to control the heteroscedasticity.

Basically, the outcome of the empirical analysis in this category is that earnings quality significantly impact on the financial performance of quoted companies in Nigeria. Specifically, negative and insignificant relationships exist between accrual quality (AQ), earnings predictability (EPRED) and Tobin's Q (TQ). Apparently, the coefficient estimate of earnings smoothness (ESMOTH) is negative and significant at the confidence level of 99%. The negative and significant relationship is consistent with the result obtained in Table 3. This also indicates that the firms with high Tobin's Q have low earnings smoothness (ESMOTH).

Consistent with our findings, Hossein, Kasravi and Fazil (2017) found that earnings quality has a positive relationship with Tobin's. Also Nikoumaram *et al.* (2014) find that accounting information quality has positive relationship with Tobin's Q. Also, empirical studies of (Collins & Kothari, 1989; Lipe 1986; Penman & Zhang, 2002, Chan et al. 2006., Huang et al., 2009) suggest that earnings are associated to firm performance. Specifically, Lipe (1990) examines the relationship between earnings quality components and firm performance. The study finds that firm performance is positively associated with earnings persistence, while Sloan 1996) finds that firms with comparatively high earnings quality experience high performance. Similarly, Huang et al. (2009) find that firm performance decreases with lower earnings quality.

Furthermore, consistent with Meyers *et al*. (2007) find that companies with positive persistence with TQ, and also persistently meet previous earnings target or market analysts expectation are rewarded with higher market share price, however in contrast, Petroni *et al*. (2000) in a study of discretionary and nondiscretionary revision of loss reserves by property –causality insurers, differential implications for future profitability, risk and market values, found out that companies managers who engage in earnings management in order to achieve results ends up not being rewarded as they experience lower market share price.

Given that the study found that earnings quality significantly impacts market value, and since earnings is one of the benchmarks to evaluate the performance of companies, and managers, it imply that investors, market analysts, and other stakeholders would give Nigerian companies market share price more value and attracts more investments. On earnings smoothing, this study found a negative but significant with market share price and financial performance except book value that revealed a positive significant. This is in consistent with Hejazi *et al.* (2014) found that firms' performance is not influenced by income smoothing, that there is no significant different in performance of the smoothers and no smoother companies. This could mean that earnings smoothing activities if they do exist, do not affect the market share price of quoted companies in Nigerian. From the study, it equally implies that the performance of companies would as well increase earnings quality of companies in quoted companies sin Nigeria

Conclusion

The results obtained indicated that all the earnings quality proxies are jointly significant in influencing market value. The findings of the study revealed that the quality of the time –series behaviors of earnings as measured by earnings predictability and earnings persistence have more predictive weight than that of cash flow as measured by accruals quality and smoothness. The result of the study further showed that earnings predictability is negatively signed in all market values properties.

Based on the findings and conclusion of this study, the following recommendations are made which may be useful to the management, investors, market analysts, policy makers, financial standard regulators: The study recommends that analysts pay greater attention of earnings quality properties especially, the magnitude signs exhibited by earnings persistence, earnings predictability and earnings smoothness. Their ability to forecaster lies largely on them. The investors and their advisers should understand the dynamics of earnings quality proxies as a guide in making informed investment decisions and portfolios diversifications strategies particularly in time of investment uncertainties. This paper also contributes to the body literature on the behavioral and attitudinal aspect of paradigm shift of performance theory, curbing manager's opportunistic behavior, putting a workable governance structure that could enable an effective monitoring and assessment of the actual behavioral tendencies of managers. For further studies, Generalized Method of Moments (GMM), panel Autoregressive Distributed Lag (ARDL) and Fully Modified OLS (FMOL) models could be estimated to establish the relationship between earnings quality and firm performance.

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CREATIVE ACCOUNTING PRACTICES AND INVESTMENT IN NIGERIAN PUBLIC COMPANIES: IMPLICATIONS FOR THE SHAREHOLDERS

Uwah, Uwem Etim[1]
Akpan, Dorathy Christopher [2]
Department of Accounting, Akwa Ibom State University, P.M.B.1167, Uyo[1]Email: uwemuwah@gmail.com (Corresponding author).

Abstract

This study examined the relationship existingbetween creative accounting and investment decisions by shareholders inNigerian public companies. The contemporary viewpoint of financial consultants, firm of auditors and academicians about the relationship was considered.It was premised on the fact that the respondents would have in-depth information of the subject-matter. The survey research design was adopted and questionnaires were administered and responded by 61 professionals comprising chartered accountants, company secretaries, financial consultants/analysts, and seasoned academicians in the accounting profession. Data were analysed, using what the researcher adjudged as the best psychometric response, a five pointLikert scale.Factor analysis was conducted to shape the research questions and answer the purpose of the research, relying on the factors formed. Five hypotheses at 5% significance level were tested, while Correlation and Pearson product-moment correlation was used to measure the degree of association between creative accounting and investment in quoted companies.Thefindings revealed that creative accounting has significant relationship with investment decision of the investors.It was concluded that most investments in quoted companies are made as a result of the creative accounting practicesinherent in financial reports.It was recommended that the Financial Reporting Council (FRC) of Nigeria and every stakeholder should act to ensure that corporate governance practice is actually achieved for a soundfinancial reporting practice. The expectation gap in auditingshould be stemmed, hence external auditors have a duty to sensitize the public to know that auditors can overcome management's influence and issue qualified audit report, where necessary.

*Keywords:*Creative accounting, Investment decision, financial reporting, corporate governance, shareholders

Introduction

The term 'Creative Accounting', which is the deviation from accounting standards and taking advantage of loopholes in accounting standards, to manipulate accounting figures can be defined in a number of ways. According to Griffiths (1986), companies fiddle its profits as shown in published accounts to deceive the investing public, as a perfect good taste, totally legitimate, but based on books which have been gently cooked or "completely roasted". Aside from the use of creative accounting to fill loopholes by management of companies, accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business, so as to lure investors into investing in the business (Nasser, 1993).Background and baseline financial statements are bound by laws and accounting standards. To break these is an offence and enforced as such. In legal matters, Judges enforce the letter of the law and where there are loopholes, the law may be changed. However, accounting and finance are too complicated to have a set of water-tight rules hence the quest for creative accounting by directors of companies (Investopedia, 2009).

An annual report provides information on the financial position of a company. It is a snapshot of the company's situation, as well as a history of change. Most often, the message the report gives is taken to be about the future position of the company, showing a going-concern status. Investors and the capital market will base their decisions on the results to date and the prognosis for the future. The investment decision of the shareholder and market reaction is related more and more to managers' actions and directors are increasingly judged on profit, growth and earnings per share. So companies' directors want to use the report to present the message they want investors to see, and at times, this needs creative accounting. There may be one-off events which so distort the figures that the underlying health of the company is obscured. Accounting techniques may be used to produce more meaningful figures which serve as bait to investors, and avoid unjustified market pessimism. In such cases, the changes may be clearly indicated into the 'notes to the accounts'.

On the other hand, Wikipedia encyclopedia, defines investment or investing as "the active redirecting of resources from being consumed today so that they may create benefits in the future. It may also mean the use of assets to earn income or profit." Sullivan (2003) wrote that investment decision is one of the fundamental decisions of business management.Yadav, (2014) maintained that an investment is the choice by an individual to risk his savings with the hope to gain. Rather than store the good produced, or its money equivalent, the investor chooses to use that good either to create a durable consumer or producer good, or to lend the originally saved good to another in exchange for either interest or a share of the profits. In economics, investment is often modeled as a function of income and interest rates. An increase in income encourages higher investment, whereas a higher interest rate may discourage investment as it become more costly to borrow money. Overall, investors can be institutional or private.

In Nigeria today, both institutional and private investors actively redirect their resources and invest to create benefits in the future, only to fall into the trap of creative accounting, with the attendant problems it poses for the continuity of the company. Investment creates wealth to the investor, but where decision to invest is made as a result of books of accounts that are 'cooked' to make the company attractive, the company may not perform as expected and may eventually 'sink' with the investor's funds. The practice of creative accounting is by no means rare or new in the business world (Yadav, 2014).At its best, creative accounting is any accounting method that does not conform to generally accepted practice or prescribed standards and guidelines. At its worst, it is the process of adjusting the accounts of a business so that they present the most acceptable and favourable view of its operations to shareholders, investors and other interested parties. Creative accounting is any accounting method that presents a desired rather than a factual state of the affairs of the company.

The objective of the study was to find out the relationship between creative accounting inherent in published annual accounts and the investment made by shareholders in quoted companies, as a result of the financial reports. Another objective was to find out if a relationship exists between creative accounting practices and corporate governance. The study also wanted to find out if the ethics of professionals, such as the independent auditors, lawyers and accounting academicians can abate creative accounting.The study was also toexamine the adequacy of provisions made by regulators to checkmate creative accounting in companies.The problem identified in this study shows that listed companies on the Nigerian Stock Exchange (NSE) are publicly owned and are run with funds provided by private and institutional investors. Investment in these companies is at risk, and the investors are mostly guided by professionals in finance and accounting, who are in academics, audit or consultants in firms. Creative accounting, if not detected by these professionals may affect the investment decisions of their clients. Creative accounting practice may arise from poor corporate governance, unethical conduct by these professionals,and inadequacy in the laws relating to financial reporting, or a compromise by financial reporting standard regulators.The Nigerian government established the Securities and Exchange Commission (SEC) to oversee the financial markets. The basic policy of the SEC has been to promote transparency in corporate finance by requiring companies to make full disclosure of their financial performance to their shareholders and bondholders. Among the devices used to create the concept of full disclosure are the legal requirements for public companies to issue quarterly financial statements, by independent auditors, and annual financial statements subject to compulsory audits. That is the requirements of the Company and Allied Matters Act (CAMA 1990).

Under the full disclosure approach, independent auditors, corporate directors (especially independent directors), and the SEC are key players that serve as checks and balances on corrupt top managements. In recent years independent auditors, corporate directors (especially independent directors) and the SEC have sometimes failed to play their important roles, and many corporate top managements have become dominant and unrestrained.This slack in the regulation process gives rise to creative accounting which is the manipulation of figures or arrangement of affairs at the end of accounting period, to make the account look better and attractive to investors. The attendant problems which the researcher identifies in this practice are: dishonest accounting practices and deviation from accounting reporting standards, failure of the role of audit committee on corporate governance in public quoted companies, and loss on investment by investors.

Literature Review

Accounting value and economic value of investments in companies

In his assertion, Smith (2006) wrote that value is calculated by forecasting future earnings, and earnings are measured using accounting methods, yet a firm's value cannot be affected by the accounting method it uses because Generally Accepted Accounting Principles (GAAP), constrain the way that firms can account for their businesses. He however, opined that within GAAP, firms have some latitude in choosing accounting methods. These choices can affect the book values and earnings they report.

Confirming this assertion, Penman (2007) maintained that these choices can affect the future earnings and book values that must be forecasted for valuation purposes. According to him, if a firm uses LIFO rather than FIFO for inventory measurement, the forecasts of residual earnings or abnormal earnings growth will differ. Valuations derived from these forecasts will differ, and the price-to-book (P/B) ratios and price earnings (P/E) ratios will be affected. If a firm uses an accelerated depreciation method, capital leases, or expenses costs of intangible assets, there will be the different effects on residual earnings, earnings growth, valuations and P/B and P/E ratios. Penman (2007) therefore suggested that discounted cash flow valuations remove the effect of accounting methods (and rather focus on cash flows) under the suspicion that valuations can be distorted by accounting methods.

The various authors on this subject matter generally agreed that a firm can use accounting methods to have a high rate of return and high residual earnings that would attract investments. The firm can also make itself look more profitable than it really is. A firm's accounting records can be made to produce high earnings growth. These points were reflected in the works of Sweeny (1994); Trombey (2003); and Williams (2010). However, they all accepted the fact that residual earnings and earnings growth created by accounting methods do not affect the valuation of a firm. Merchant and Rocknes (1994) assert that residual earnings and earnings growth can be created by real factors and by accounting methods, but it is only the real factors that add economic value. Nasser (1993) concluded that appropriate use of valuation methods distinguishes real value added from the accounting methods used to measure value added, and so yields valuations that affect real factors only.

Detecting creative accounting practices in companies

Assets and liabilities may be misstated, giving an altered impression of a firm's financial results and position. Mulford & Comiskey (2009) stated that operations-related assets and liabilities are often misstated by companies with the intent of playing the financial numbers game. This provides guidance on detecting misreported amounts in the financial statements.
Key issues raised in detecting creative accounting practices according to Mulford & Comiskey (2009) include: A direct link between the balance sheet and the income statements, misreported assets and liabilities, which would result in a misstatement of net income and shareholders' equity. Closely related to that is the fact that accounts receivable may be overvalued due to the recognition of premature or fictitious revenue or as a result of an improper assessment of future collectibles.

Mulford & Comiskey (2009) also stipulate that inventory may be misreported through an overstatement of a physical count, an overvaluation of actual inventory on hand, or through a postponement of a needed write-down for value-impaired goods that are obsolete or slow-moving. According to them, there are special issues to consider for firms reporting inventory on the last-in, first-out (LIFO) method. The fourth quarter results for LIFO firms may include material catch-up adjustments for inflation effects not accounted for earlier in the year. In addition, LIFO liquidations may boost reported results temporarily by charging older, lower-cost purchases, to cost of goods sold. In their work, Sanyaolu &Job-Olatunji(2017) maintained that creative accounting practices employed in the reporting of investments in debt and equity securities may result from the manner in which investments are classified as trading, held to maturity, or available for sale, in order to determine whether a decline in market value occurs as a result of accounting for gains and losses on sale.

Amat and Blake (1999) explained that operating expenses which are underreported lead to understated expenses payable. In these wise, future earnings will be subject to higher than normal expenses levels when an under-accrued liability is increased or when a payment is made to settle an obligation for which no liability had been accrued. Similarly, an understatement of accounts payable typically is tied to an understatement of inventory purchases and cost of goods sold. Potential evidence of a below-normal income tax accrued will be suggested by a below-normal effective income tax rate, while contingent liabilities are accrued when it is probable that an obligation has been incurred and the amount of the obligation can be reasonably estimated. Footnote disclosure is then made for these contingencies (Baker, 1993).

In practice, Penman (2007), opined that assets have lower book values when R&D investments are expensed, when promotion and advertising that create bad-name assets are expensed, when assets are written down excessively. He further asserted that firms can also maintain low asset values for assets on the balance sheet by using accelerated depreciation for property, plant and equipment, accelerated amortization of intangibles, and maintaining high provision for bad debts for receivables. Liabilities can be overstated with high estimates for deferred revenue, accrued liabilities and pension liabilities.These practices, according to the author create higher subsequent rates of return. Therefore, firms with large successful R&D programs generate high return on net operating assets and return on capital employed (ROCE) in subsequent years when R&D pays off. This happens because subsequently, earnings from R&D are compared to low book values.

The practices of understating book values, according to McConnel (2008) are called conservative accounting, but just as future return on net operating assets (RNOA) and ROCE can be increased by writing down net assets, they can also be decreased by writing up assets. As opined by him, writing up assets (or failing to write them down when they are impaired is referred to as liberal accounting. Therefore, both conservative accounting and liberal accounting which come up as a negation of international accounting standards (IAS) form the company's creative accounting practices. In his submission, Jameson (1988)said a benchmark that draws the line between conservative and liberal accounting is neutral accounting.This is accounting that yields an expected return on equity, equal to the cost of capital, and thus, zero residual income, for investments that do not add value.

Gutman (2007) wrote that conservative and liberal accounting in contrast, yield profitability that is different from the required return when there is no value added. He observed that conservative accounting produces higher future profitability than the required return, while liberal accounting lowers future profitability. In their assertion Fischer & Rosenzweig (1995) did say that because accounting standards leave a lot of room for interpretation, creative accounting does not necessarily have to be illegal accounting. In this case, the problem is not the type of interpretation, but rather the fact that this interpretation and its impact on a company's financial statements might not be sufficiently explicit in the annual report. Mulford (2009) then made comments that the improvement of regulations governing the information to be presented in financial statements would be an important step towards avoiding nasty surprises in financial reporting.

Analyzing the financial statements

According to Soyode (1982) and buttressed by Penman (2007); Amat and Blake (1999) and others, quality analysts advise clients, on the integrity of the accounting in representing the underlying performance of the firm. Accounting methods can be used to package the firm, to make it look better than it is. Quality analysts expose the package, and if accounting shenanigans are being used to obscure, they issue warnings. Auditors on their part would then issue qualified reports, to alert potential investors. An accounting quality analysis is imperative because of the reversal property of accounting.

Earnings induced by accounting methods always reverse in the future. So if current bad debts estimate are too low (and earning too high), bad debt expense must be higher in the future (and income lower). If the current depreciation charge is too low, then depreciation must be higher in the future or firm must impair assets or report a loss on the sale of an assets. If a restructuring charge is too high, it must be bled back to income in the future. This feature of accounting can be said to define earnings quality. Earnings are of good quality if they do not reverse (Conner,1986).

Penman (2009) maintained that if low earnings are detected, forecasts can be adjusted to anticipate the reversals. If left undetected, low quality accounting leads to low-quality forecasts and low quality valuations. Undetected low quality accounting exposes the investor to an ill-wind, which shows off in a drop in share price. These manipulations, according to Baldo (1995) are often referred to (politely) as earnings management.

Livingstone (2007) wrote that any manipulation that inflates current income is referred to as borrowing income from the future, and it always involves either increase in sales or decrease in expenses, with the reverse in the future. He said manipulation that reduces current operating income is called saving and banking income for the future, which always involves either a decrease in sale or an increase in expenses, again with the reverse in the future. Livingstone (2007) concluded that companies' management get involved in these manipulations because they want to make profitability look better than it really is.

Saving income for the future might arise when manager’s bonuses are tied to future earnings. An extreme version is called “taking a big bath” whereby a new management writes off a lot of expenses and attributes the lower income (or loss) to the old management it has replaced, and generates more future income on which it will be rewarded. This inter-temporal shifting of income, the hallmark of manipulation, means that earnings quality is not only doubtful in the year of the manipulation, but also in subsequent years when the borrowing or saving of income “comes home to roost” (Osteryoung, 1980).

Audit quality of financial statements

Penman (2007) noted that, in analyzing the quality of accounting, the analyst would seek to find out if forecasts are based on GAAP statements, and if GAAP does not capture all the value, it means that relevant aspects of the firm’s valuations will be deficient. He therefore advised that the auditor must be close to know the details of the business, because audit quality rests on the auditor based on the board of directors’ audit committee. Adedeji (2009) then noted that the analyst typically relies on the audit but he needs to be sensitive to the possibility of audit failure or to situations where an auditor with a conflict of interest might be generous to management in drawing a line through a gray area. This is an ethical consideration of the auditor.

Considering the generally accepted accounting principles, these may restrict the accounting methods that a firm can use, but permits some choice among methods. That choice can be taken as a license to manipulate the numbers to achieve a desired effect, and with approval of auditors. Looking at the transaction quality, Adedeji (2009) asserted that a firm manipulates its business to accommodate accounting. This would arise when a firm may employ GAAP faithfully, but then arrange transactions around the accounting to achieve desired results. This is manipulation of the business, not the accounting, but it exploits features of the accounting. It takes two, forms, i.e. transaction timing and timing structuring. Transaction timing is said to control timing of transactions, to effect income. The both of revenue timing and expenditure timing can be involved. Revenue timing, according to this author, is sometimes known as channel stuffing, which enhances transactions around revenue recognition rules.

Typically GAAP requires revenue to be recognized when goods and services are delivered to customers, but firms might ship in a lot of goods prior to the end of the period to increase profits for the period or delay shipping when they wish to defer profits. On the other hand, Penman (2007) stipulates that expenditure timing causes expenditure to go straight to the bottom line in order to manipulate income. According to Penman (2007), to defer R&D and advertising figures to the next period increase income, for instance whereas advancing them to the current period decreases income. Transaction structuring creates form over substance, as business arrangements are structured to take a form that receives the desired accounting treatment, but investigation of the substance of the transaction reveals a sorry state.

Disclosure quality is concerned with disclosures that are adequate to analyse the business. Disclosures are made within the financial statements, in the footnotes, and in the management discussion and analysis. Penman (2007) said four types of disclosures are particularly important for valuation. These are: (i) Disclosures that distinguish operating items from financial items in the statements. (ii) Disclosures that distinguish core operating profitability from unusual items. (iii) Disclosures that reveal the drives of core profitability. (iv) Disclosures that explain the accounting method used, so the analyst can investigate the quality of the application of GAAP. It was concluded that without adequate disclosures, it would be difficult to make forecast from a good measure of current core operating income. Therefore, low quality disclosures lead to low-quality valuations.

Investment-related creative accounting practices

Amat and Blake (1999) wrote that companies generally prefer to report a steady trend of growth in profit rather than to show volatile profits with a series of dramatic rises and falls. This is achieved by making unnecessarily high provisions for liabilities and against asset values in good years so that these provision can be reduced, thereby improving reported profits in bad years. Advocates of this approach argue that it is a measure against the 'short-termism' of judging an investment on the basis of the yields achieved in the immediate following years. They maintain that it avoids raising expectations so high in good years that the company is unable to deliver what is required subsequently. This type of creative accounting is termed 'income smoothing'. It was pointed out that if the trading conditions of a business are in fact volatile then investors have a right to know this.

In their submission, Merchant & Rocknes (1994) believe that income smoothing may conceal long-term changes in the profit trend, and as such, this type of creative accounting is prevalent in countries with highly conservative accounting system. The 'income smoothing' effect is particularly pronounced because of the high level of provisions that accumulate over time. Another creative accounting practice, according to Nasser (1993) is called 'big bath' accounting. This arises where a company making a bad loss seeks to maximize the reported loss in those years so that future years will appear better.

Accounting policy change, according to Livingstone (2007) is a creative accounting practice where company directors may keep an income-boosting accounting policy change in hand to distract attention from unwelcome news. Another area of creative accounting by companies is share price boosting, by reducing the apparent levels borrowing to make the company appear to have less risk, and create the appearance of a good profit trend. This would help the company to raise capital from new share issues, offer their own share in takeover bids, and resist takeover by other companies (Revsine, 1991).

In his submission, Schwartz (1982) had observed that if the directors engage in 'insider dealing' in their company's shares, they can use creative accounting to delay the release of information for the market, thereby enhancing their opportunity to benefit from inside knowledge. While Amat and Blake (1999) put it that, in an efficient market, analysts will not be fooled by cosmetic accounting changes, rather the alert analyst will see income-boosting accounting changes as a possible indicator of weakness. Dharan and Lev (1993) report on the study showing poor share price performance in the years following income-increasing accounting changes. Sullivan and Sheffrin (2003) report that another set of reason for creative accounting, which applies to all companies, arises because companies are subject to various forms of contractual rights, obligation and constraints based on the amount reported in the accounts.

Ethical perspective of creative accounting

Revsine (1991)offers a discussion of the 'selective financial misrepresentation hypothesis' which can be seen as offering some defense for the practice of creative accounting in the private sector, drawing heavily on the literature on agency theory and positive accounting theory. He considers the problem in relation to both managers and shareholders and argues that each can draw benefits from 'loose' accounting standards that provide managers with latitude in timing the reporting of income. He maintained that managers get their benefits by being able to manipulate income between years so as to maximize their bonus entitlements, but argues that sometimes, the managers may feel they are not properly remunerated and as such, they tend to look for avenues to make up their pay through short term practices.

Trombey (2003) subsequently blame the shareholders, saying they also benefit from the fact that managers can manipulate reported earnings to 'smooth' income since this may decrease the apparent volatility of earnings and so increase the value of their shares. He spotted other management actions, such as avoiding default on loan agreements, which can also benefit shareholders.Revsine's (1991) analysis summarises that the prime role of accounting is as a mechanism for monitoring contract between managers and other groups providing finance. So, market mechanisms will operate efficiently, identifying the prospect of accounting manipulation and reflecting this appropriately in pricing and contracting decisions. The literature on the ethics of bias in accounting policy choice is reviewed at the 'macro' level of the accounting regulator. This literature can similarly be applied to the bias in accounting policy choice at the 'micro' level of the management of individual companies that is implicit in creative accounting. A Study by two authors, Ruland (1984) and Resvine (1991) on the subject matter revealed that while the former distinguished between the deontological view whereby moral rules apply to actual action and the teleological view that an action should be judged on the basis of the moral worth of the outcome, the latter appears to take a teleological view of accounting in the private sector, allowing managers to choose between the alternatives permitted in 'loose' standard to achieve their desired end, but to take a deontological view of accounting in the public sector where he calls for tighter standard to prevent such manipulation.

To the professional accountant, creative accounting is generally regarded as ethically dubious. Conner (1986) noted that the three ethical problems cited most frequently by professional accountants are: conflict of interest, clients' proposal to manipulate accounts, and clients' proposal for tax evasion.In their work, Merchant & Rockness (1994) found out that professional accountants were more critical of abuse of accounting rules than of manipulation of transactions, when presented with scenarios of creative accounting. Fischers and Rosenzweig (1995) offer two possible explanations for accountants' attitudes that:

a. Accountants may take a rule-based approach to ethics, rather on the impact on users of the accounts.
b. Accountants may see abuse of accounting rules as falling within their domain, and therefore demanding their ethical judgement, while the manipulation of transactions falls within the domain of management and so is not subject to the same ethical code.

Merchant and Rocknes (1994) also found a difference in accountants' attitudes to creative accounting depending on the motivation of management. Creative accounting based on explicit motives of self-interest attracted more disapproval than where the motivation was to promote the company.

Fraudulent financial reporting and disclosure regulation

Trombey (2003) opined that the issue of fraudulent financial reporting relates to the deliberate information distortion by corporate top management that evade its obligations to shareholders, employees, creditors, government, and the general public in order to enrich itself. Top management is supposed to be the faithful agent of its principal, the shareholders, who own the enterprise. But a corrupt agent neglects its duty to its principal in favor of its own selfish interest. Lawyers refer to this same problem as a ''conflict of interest.' Ethicists see the problem as deviation from moral conduct. But whatever terminology is used, the problem remains that the management agency is not faithful to its duty to the owners and to the other stakeholders (employees, creditors, government, and the general public).

Writing on this issue, Livingstone (2007) further stressed that auditors have a clear and compelling duty to report honestly, and to resist management pressure to close their eyes to fraudulent financial reporting. If ethical consideration is thrown to the wind, auditors would be buckled under or even worse, actually facilitate fraudulent financial reporting.
By applying accounting standards and disclosure rules, companies present their business and financial conditioning based on current knowledge and expectations for the future. There should be accurate reports of companies operating results and cash flows and also it must be noted that false financial statements can distort economic and business reality. Capital will be deployed sub-optimally; resources will be misallocated; investors will pay a huge opportunity cost by investing in companies with unrealistic, inflated values; and better investments will get bypassed. Customers and suppliers would make important business and strategic decisions based on a flawed picture of economic reality. Lenders would not be able to price loans consistent with the real risk assumed. Competitors would strive to achieve unrealistic goals. Employees would make career, retirement and investment decisions based on a false picture of their employer's financial prospects. This parade of horrible should sound familiar; these were the very painful consequences of the Enron scandal (Conner 1986).

Jameson (1988) maintained that whether financial statements are inaccurate because of fraud or complex financial standards, the result would show an erosion of confidence in the disclosure that fosters investment, and adverse effects on the economy and people's financial wellbeing. He therefore indicated that the current prescriptive accounting rules have contributed to a lack of transparency in financial reporting. According to him, reducing accounting complexity and migrating to a more principle-based accounting system would encourage more accurate and complete financial disclosure. He suggested that standard setters and regulators should consider how accounting standards and disclosure rules can be re-designed to elicit information that is complete, clear and concise, and thus, more useful to investors.

Griffiths (1986) and Jameson (1988) maintained that, the current question about the ability of our accounting and reporting framework to communicate meaning information to investors arise, in part, because the economies continue to evolve at a rapid pace while reporting standards and mechanisms are trying to catch up. He asserted that as the business world has become more complex, so have financial reporting accounting standards.

Mulford and Comiskey (2009) also recorded that prescriptive accounting rules can create legal problem for preparers and issuers. Bright-line tests and various exceptions to the principles underlying accounting standards may facilitate overly aggressive or even unscrupulous accounting, encouraging companies to take advantage of the complexity to provide misleading disclosure. Griffiths (1986*)* observed that this could result in securities law violations and be potentially devastating to shareholders' value. But this complexity could also cause the well-intentioned people who run the majority of public companies to make honest mistakes, and get tripped up with restatements and possible securities law violations.

Accounting value and economic value of investments in companies

In his assertion, Smith (2006) wrote that value is calculated by forecasting future earnings, and earnings are measured using accounting methods, yet a firm's value cannot be affected by the accounting method it uses because Generally Accepted Accounting Principles (GAAP), constrain the way that firms can account for their businesses. He however, opined that within GAAP, firms have some latitude in choosing accounting methods. These choices can affect the book values and earnings they report.

Confirming this assertion, Penman (2007) maintained that these choices can affect the future earnings and book values that must be forecasted for valuation purposes. According to him, if a firm uses LIFO rather than FIFO for inventory measurement, the forecasts of residual earnings or abnormal earnings growth will differ. Valuations derived from these forecasts will differ, and the price-to-book (P/B) ratios and price earnings (P/E) ratios will be affected. If a firm uses an accelerated depreciation method, capital leases, or expenses costs of intangible assets, there will be the different effects on residual earnings, earnings growth, valuations and P/B and P/E ratios. Penman (2007) therefore suggested that discounted cash flow valuations remove the effect of accounting methods (and rather focus on cash flows) under the suspicion that valuations can be distorted by accounting methods.

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Theoretical Review

The agency theory is the framework used in this research. The theory states that the shareholders are the owners of the company and the managers are the agents appointed by the shareholders to manage and achieve the organization's stated goals. The expectation is that the agents (managers) would act in the best interest of the shareholders who appointed them. The conflict of interest between the management and the shareholders becomes an albatross, as managers' interest may be to look for short-term gains, which may result in 'window-dressing' the books of account to favour their motive and to the detriment of the shareholders (investors).

Investment decision by individuals and organizations are sometimes made as a result of the prospects and profits seen in the investee's financial statements. But more often than not, the investors are deceived because these investee's books of account are 'cooked' to show an inviting status for investors. The theoretical framework reveals the accounting shenanigans adopted by some companies to show a true and fair view of the state of affairs of the company, when this may not be the case. However, there is often a fine line between creativity for the development of accounting practice and outright fraud. This arises because even though accounting standards and legislations exist to protect investors and owners of businesses in many ways, creative accounting still abounds owing to the evolvement of more sophisticated business methods.

Methodology

In this study, a survey research design was used to investigate the magnitude and direction or nature ofthe relationship that exists between the independent and dependent variables. Facts weregathered from existing literature on the subject matter. An instrument tagged 'Influence of Companies Annual Reports on Investors' (ICARI) was designed by the researcher. Factor analysis was conducted to shape the research questions and answer the purpose of the research, relying on the factors formed. 100 questionnaires were distributed to various professionals in academic, firm of consultants/financial analysts, chartered accountants and company executives. The spread of the questionnaire for the academic professionals covered institutions of learning in the South-South, South-East, North-Central and North-West geopolitical regions of Nigeria. For the accounting firms, the questionnaires were sent to two of the big four, and the rest to the medium scale firms. The collected data were analyzed using what was adjudged the best psychometric response, a five-point Likert scale.

Sample size

Creative accounting and investment are specialized functions which are handled by professionals and the investors depend on their advice. Giving a thought to this, the researcher considered distributing the questionnaire to Chartered Accountants, Company Secretaries, investment analysts and accounting academicianswho are all known to have immense understanding of the various accounting methods and investment analysis.These form the sample size of 100 of which 61 responded.

Development of model

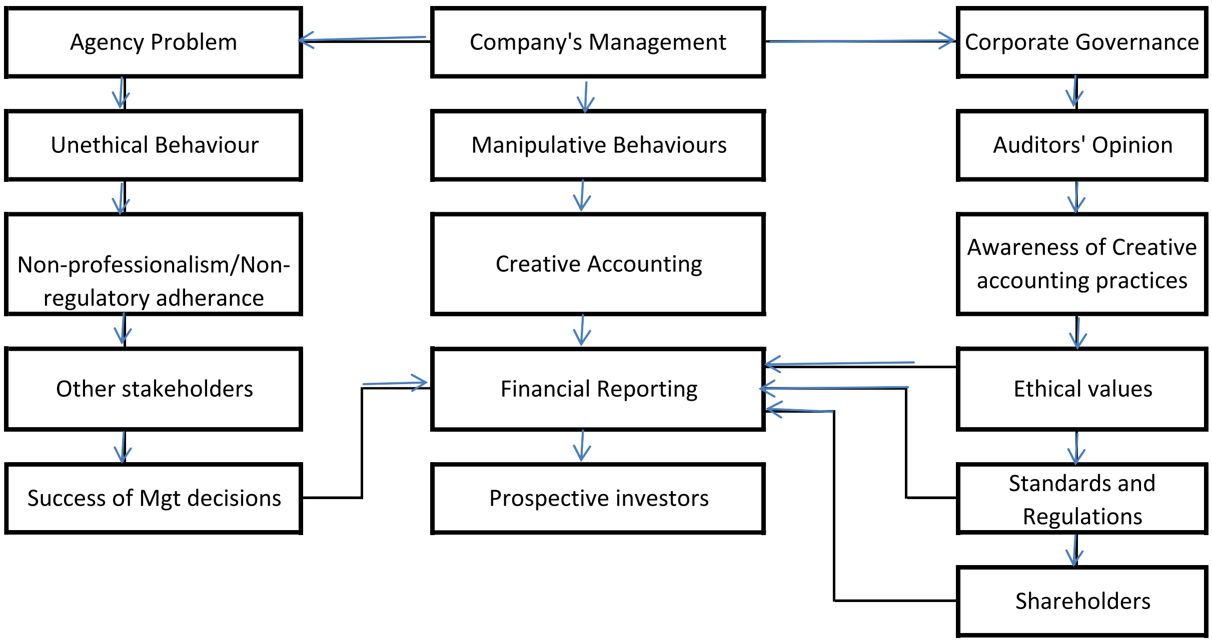

Figure 1: Conceptual model

Formulation of hypotheses

The hypotheses for this study were developed as follows:

*Hypothesis 1:*There is no significant relationship between inconsistency of use of accounting policy and methods and investment decision.
*Hypothesis 2:*There is no significant relationship between abuse of professional judgement and investment decision.
*Hypothesis 3:*There is no significant relationship between artificial transactions and investment decision.
Hypothesis 4: There is no significant relationship between timing of genuine transactions and investment decision.
*Hypothesis 5:*There is no significant joint relationship between inconsistencies of use of accounting policies and methods, abuse of professional judgement, artificial transactions, timing of genuine transactions and investment in quoted companies.

Model specification

The model used by the researcher was a bivariate statistical analysis, the correlation coefficient, to find out the effect of creative accounting on investments in Nigerian companies. The hypotheses were tested using the data gathered from the primary sources. Having established that a causal relationship existed between the data gathered, it was worthwhile to test for evidence of good correlation. The correlation method was used to test the variables, by use of Pearson Moment Correlation Coefficient to analyze the relationship between creative accounting practices and the investment decision made by shareholders in quoted companies in Nigeria. Creative accounting as independent variable which has proxies as: i) inconsistency of use of accounting policy and methods; ii) Abuse of professional judgement; iii) Artificial transactions; iv) timing of genuine transactions,is regressed against investment decisions.

The general equation for regression is given as Y = f(X), which means Y depends on X and the equation can bewritten as: Y =$\alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \mu$
Where, α is the intercept, and $\beta_1, \beta_2, \beta_3, \beta_4$are the coefficients of the variablesrespectively, which show the kind of relationship between dependent and independent variables and $\mu$is knownas the error term. Therefore,

Y = Dependent variable, which is investment decision.
X = Independent variable, which is creative accounting and indicated by inconsistency of use of accounting policy and methods; abuse of professional judgement; artificial transactions; and timing of genuine transactions.For this study, we adapted the formula as follows:

Investment decision in companies, ID = ʄ(Creative accounting practices, CAP).
i.e. ID = ʄ(CAP)

So, ID = $a_0 + \beta_1 APM + \beta_2 APJ + \beta_3 AT + \beta_4 TT + \mu$
Where, APM = Inconsistency of use of accounting policy and methods.
AP = Abuse of professional judgement.

AT = Artificial transactions

TT = Timing of genuine transactions.

Testing of hypotheses and analysis
Hypotheses one to four were tested using SPSS V.20. Investment in quoted companies, as thedependent variable was used against the proxies of creative accounting, the independent variable. A confidence interval of 95% was taken and the decision rule was to reject the null hypothesis if the calculated value, p, is less than the alpha value of 0.05($p < 0.05$) and to accept, if otherwise.

Table 1: Correlation analysis showing the relationship between creative accounting sub-variables and investment

Pearson Correlation		Investment	APM	APJ	AT	TT
	Investment	1.000	0.770	0.156	0.843	0.747
	APM	0.770	1.000	0.082	0.734	0.754
	APJ	0.156	0.082	1.000	-0.096	0.333
	AT	0.843	0.734	-0.096	1.000	0.516
	TT	0.747	0.754	0.333	0.516	1.000
Sig. (1-tailed)	Investment		0.000	0.115	0.000	0.000
	APM	0.000	.	0.265	0.000	0.000
	APJ	0.115	0.265	.	0.230	0.004
	AT	0.000	0.000	0.230	.	0.000
	TT	0.000	0.000	0.004	0.000	.
N	Investment	61	61	61	61	61
	APM	61	61	61	61	61
	APJ	61	61	61	61	61
	AT	61	61	61	61	61
	TT	61	61	61	61	61

Source:Field work results.

The data are presented with tables and analysed, using SPSS Package, V.20. In table 1, the entire pair wise correlation coefficients indicate the actual significance level for each correlation. The table reveals that 'investment' and 'accounting policy methods' (APM) has r of 0.77 which shows a high correlation level, about 77% of relationship. The table also reveals that the p-value is less than the alpha level ($p < 0.05$). This was significant at 0.000. Using our decision rule, the null *hypothesis 1* was rejected, and the alternate accepted. This means that investment in quoted companies relate significantly with the inconsistencies in the use of accounting policy and methods, as done by management.

Hypothesis 2 on 'abuse of professional judgement' (APJ) and investment was tested. It has r of 0.16, an insignificant relationship of a paltry 16%. However, the table reveals that the calculated p is greater than the alpha level ($p > 0.05$). Therefore, using our decision rule, null hypothesis 2 which says there is no significant relationship between abuse of professional judgement and investment decision is accepted.

In another circumstance, *hypothesis 3*on 'artificial transactions' (AT) and investment,when tested has r of 0.84, a significant correlation of about 84%. With table 1 showing the calculated p-value being less than the alpha value ($p < 0.05$), the null hypothesis was rejected, using our decision rule.This means there is significant relationship between artificial transactions and investment decision.

Hypothesis 4 is on 'timing of genuine transactions' (TT) and investment. It has a beta value of 0.75, a significant relationship, but had a p-value of 0.000, indicating almost a 0% relationship. Since this value is less than the alpha value ($p < 0.05$), the null hypothesis 4 is rejected. This means that there is significant relationship between timing of genuine transactions and investment decision.

Table 2: Analysis of Variance (ANOVA) associated with multiple regressions on the joint relationship between variables of Creative Accounting and Investment

Model		Sum of Squares	df	Mean Square	F	R	R^2	Adjusted R^2	Sig.	Result
	Regression	59.262	4	14.816						
	Residual	10.475	56	0.187						
	Total	69.738	60		79.203	0.922**	0.850	0.839	0.000	Significant

**Dependent variable: Investment. *Independent variable: TT, APJ, AT APM
Source: SPSS V.20 Field Data Analysis.

Table 3: Coefficients of the joint relationship between variables of Creative Accounting and Investment

Model	Unstardized Coefficients		Standardized Coefficients	95% confidence interval for B			
	B	Std.Error	Beta	Lower bound	Upper bound	t	Sig.
(Constant)	-1.025	0.224		-1.474	-.576	-4.573	0.000
APM	-0.013	0.093	-0.014	-.199	.173	-0.138	0.890
APJ	0.085	0.053	0.094	-.021	.190	1.609	0.113
AT	0.680	0.080	0.665	.520	.841	8.483	0.000
TT	0.480	0.109	0.382	.262	.697	4.415	0.000

Source: SPSS V.20 Field Data Analysis

Table 2 shows analysis of variance (ANOVA) which indicates that when the multiple correlation is converted to F, it shows an F ratio of 79.20 that is significant at 0.000. This depicts that all the sub-variables of creative accounting in this study when jointly regressed against investment had a lower p-value than the alpha value ($p < 0.05$). A multiple correlation coefficient, R of 0.922 was also realized, indicating a very high correlation. The R^2 value of 0.850 indicates that all the independent variables combined contribute about 85% to investors' decision, from the financial statementsthey have access to. Therefore, with a lower p-value of 0.000 which is lower than the 0.05 value, the null *hypothesis 5* was rejected. This implies that there is significant joint relationship between inconsistencies of use of accounting policies and methods, abuse of professional judgement, artificial transactions, timing of genuine transactions and investment in quoted companies.

Table 3 is the coefficients which show the unstandardized multiple regression of -0.013 for APM, 0.085 for APJ, 0.680 for AT and 0.480 for TT. The standardized regression coefficients, Beta were also tested for significance. The Beta for APM is -0.014 (not significant, $p > 0.05$), 0.094 for APJ (not significant, $p > 0.05$); 0.665 for AT (significant, $p < 0.05$); and 0.382 for TT (significant, $p < 0.05$). This table has also shown the 95% confidence intervals for the contribution of each variable into the prediction.

Conclusions

This study was conducted to examine the relationship existing between creative accounting practices and investment in Nigerian quoted companies and its implication to the new and existing shareholders.The results show that creative accounting practices indicated by: inconsistency in the use of accounting policy and methods, abuse of professional judgement, artificial transactions, and timing of genuine transactions by managementhas significant relationship with investment in these companies. Before arriving at this multiple correlations result between the independent dependent variables, the nullhypothesis 2 was earlier accepted. This means though one variable, the abuse of professional judgement by auditors and other professionals does not significantly relate with investment made in quoted companies, it cannot affect the entire results of the correlation. This is in line with an empirical study conducted by Yadav (2014) on creative accounting and corporate governance in companies. In any case, the study conducted by Sanyaolu and Job-Olatunji(2017) on the effect of earnings management on shareholders wealth maximization from Nigerian listed firmsgave a different result from what we have arrived at.The non-significant relationship, according to them was as a result of strong corporate governance mechanism and internal control which were the variables used in the study.

1. In order to improve the quality of financial reporting, quoted companies in Nigeria must adhere to the guidelines of accounting standards globally and must subject to the rules of the game as set by the Financial Reporting Council (FRC) of Nigeria. This is to ensure that corporate governance practice is actually achieved for sound financial reporting practice.
2. It was recommended that ethical considerations be applied by external auditors in every sphere of the audit undertaking to achieve the required results.
3. It was also recommended that the expectation gap in auditing should be stemmed; hence external auditors have a duty to sensitize the public to know that auditors can overcome management's influence and issue qualified audit report, where necessary.

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CREATIVE ACCOUNTING AND NIGERIAN CORPORATE ENTITIES

OLAYINKA, Segun Wale
DEPARTMENT OF ACCOUNTANCY,
THE POLYTECHNIC, IBADAN.
E-mail: walesamuel52@yahoo.com ,
walesamuel052@gmail.com

Abstract

The study examines the practice of creative accounting as it affects corporate entities in Nigeria. This is with the view to providing empirical evidence on whether creative accounting contributes to corporate failure in Nigeria. Primary source of data collection was employed in this study through a well structured questionnaire administered to randomly selected practicing auditors and accounting instructors in tertiary institutions. Analysis of Variance (ANOVA) and chart analysis were used to analyse the data. The results showed that off-balance sheet finance coupled with profit smoothing are the most used creative accounting techniques and that the desire to understate profits to reduce tax liabilities is the major reason for engaging in creative accounting in Nigeria. Also, it was observed that creative accounting has significant impact on corporate failure in Nigeria. Based on the above findings, the study concluded that creative accounting is unethical and offers a formidable challenge to both the quality of financial reporting and going concern of corporate entities in Nigeria. Hence, it was recommended that code of corporate governance and ethics should be enforced among corporate entities in Nigeria to curb these cankerworms seen as necessary evils.

Keywords: Creative Accounting, Corporate Failure, Financial Reporting

Introduction

Over the years, there have been several cases of accounting and business scandals around the world which had attracted criticism on the quality of information provided by the corporate entities. Even if, there are existing strong accounting standards (GAAP and IAS) to guide financial accounting activities, sometimes it becomes impossible to prevent the manipulative behavior of financial statement preparers, who wants to effect the decisions of the users of financial statement in favor of their companies. These manipulative behaviors of figures in accounting reporting are often called “creative accounting”. In reality, financial accounting reports are produced to show the true and fair state of financial statements of an entity in order to help stakeholders in making appropriate decisions, however, current accounting practices which allow different policies and professional judgments are being manipulated to boost the companies’ present image at the expense of the information provided to the users and the future of the corporate entities.

In fact, “doctoring of financial information” has now become a severe menace globally and it is so endemic that it is gradually becoming a normal way of life. As a result of this, the initial decades of the new millennia has been marked by some highly publicized corporate failure and even more cases of financial fraud and deceit. The public has witnessed a number of well-known examples of accounting scandals and bankruptcy in both developed and developing countries involving large and prominent companies such as Sunbeam, Kmart, Enron, Global Crossing (USA), BCCI, Maxwell, Polly Peck (UK), HIH Insurance (Australia) PT Bank Bali, and Sinar Mas Group (Indonesia), Bangkok Bank of Commerce (Thailand), United Engineers Bhd (Malaysia), Samsung Electronics and Hyundai (Korea) etc.

Particularly in Nigeria, the cases of creative accounting are on the increase as more corporate bodies in Nigeria are being investigated. The recent change of board members in Cadbury Plc, Nigeria was as a result of doctoring of accounts to cover up certain inadequacies and unscrupulous deals perpetuated by the management. Likewise, the corporate failures of most Nigerian bank Chief Executive Officers and investigations into their activities by the Anti- graft agency, Economic and Financial Crimes Commission (EFCC) are largely due to fraudulent financial reporting. In 2009, the Central bank of Nigeria (CBN) sacked five (5) Bank managing directors and Executive Directors for mismanagement and alleged fraud. This has affected the stability and growth of the Nigerian financial system since some of the said banks are no longer operational; Intercontinental bank, Oceanic Bank, and Fin Bank. It is therefore arguable that the practice of creative accounting is inimical to the continual growth of the Nigerian financial system.

In 2013, the House of Representatives Committee on Finance accused commercial banks in the country of sundry sharp practices, including tax evasion, non remittance of government revenue and outright falsification of their accounts. In a report released on the 25th of August 2013, the committee said it had uncovered a lot of discrepancies in the data submitted to it by the banks including the outright refusal to present documentary evidence of revenue remittances, blank violations of existing laws, self exemption from existing rules, false declaration and manipulation of financial information. Preliminary findings showed that the published audited accounts of some banks were at variance with the figures the banks submitted to the committee during investigation (Ijeoma, 2014).These events have certainly served to help erode the public's confidence in the financial reporting of corporate entities in Nigeria and raised the question of whether or not creative accounting has higher probability to cause serious corporate failure; hence, this study.Other sections of this paper include the literature review, methodology, data analysis and findings, conclusion and recommendations.

Literature Review

Conceptual review

The term "Creative Accounting" was first originated with the movie "The Producers" by Mel Brooks in 1968. Since then, different definitions have emerged from different authors to express their views about what creative accounting means to them. According to Griffiths, creative accounting represents the means by which management manipulate accounting figures to achieve a deviation in an accounts of a financial statement, which are nothing other than approximations, which have their bases in the transactions and events of the year under review and the original starting point (Belkaoui, 2004). In academic sense, Naser (1993) defined it as the process of transforming financial accounting numbers to the figures desired by the preparers from what they actually represent by taking advantage of the existing rules, while ignoring other accounting rules. Shah (1998) explained it, as the active exploitation of gaps or ambiguities in accounting rules by management in order to portray their own preferred picture of financial performance.

(Ali, S., Butt & Tariq, 2011) explained Creative Accounting as the use of accounting knowledge to influence the reported figures, while remaining within the jurisdiction of accounting rules and laws, so that instead of showing the actual performance or position of the company, they reflect what the management wants to tell the stakeholders. It refers to accounting techniques in which financial information is distorted and manipulated in order to present a better financial picture by either increasing or decreasing the profit as the case may be, by giving a misleading appearance of the capital size or structure and by concealing relevant information from existing and potential investors (Idris, A., Kehinde, Ajemunigbohun & Gabriel, 2012). On his part, (Alam, 1988) associates creative accounting with any or a combination of the following actions: creation of data, dressing up of documents, cooking up of accounts. Creative accounting is therefore the transformation of financial accounting figures from what they actually are to what the preparer desires by taking advantage of the existing rules and/or ignoring some or all of them (Naser, 1993). Creative accounting refers to the aggressive use of choices available under accounting rules, to present the most fattening view of a company possibly in its financial statement (Ijeoma and Aronu, 2013). According to them, it involves the pushing of accounting principles to the limits of their flexibility or even beyond so as to improve their annual statements.

According to (Haruna, N &Emmanuel, 2017), Creative accounting is also known as "Earning management" and could be referred to in accounting practices as the acts that follows the letter of rules of standard accounting practices but certainly deviate from the spirit of those rules. Creative accounting practices are different from fraudulent accounting practices and thus are not illegal but immoral in terms of misguiding investors. The practices, which are followed in manipulating the books, are duly authorized by accounting system and thus cannot be considered as violation of any rule or regulations. It is characterized by excessive compliance and the use of novel ways of characterizing income, assets, or liabilities and the intent to influence readers towards the interpretations of desired results.

Theinquisitiveness to proffer lasting panacea to the ever-skyrocketing corporate scandals and provision of misleading information to users has given spur to increasing the debate on whether or not creative accounting contributes to corporate failure in Nigeria. This is viewed in the perspectives of the developed and developing countries. Gherai and Balaciu (2011) asserted in their literature, they submitted that, enterprise stake is at risk when it indulges in practices of creative accounting. Because these practices give a firm only short term benefits. At the end, enterprises are bound to be surrounded with scandals. So there is really a need of close governance to financial reporting. And finally concluded that management should try to find out, all those causes which may provoke practices of creative accounting. Also, the findings of Beneish, M. (1997) suggested that there was a high probability of accounting manipulation in Enron's financial statements for several years preceding its bankruptcy. It also stated that the manipulation covered-up the considerable evidence existing that could have led analysts, sophisticated investors, and regulators to question Enron's financial results and soaring stock price. As Efiok and Eton, (2012) deeply explained about the macro manipulation effect. According to them, manipulation of accounts, may affect the price of the share and it capital market environment as a firm. Macro manipulation increases the risk of the investor which may cause loss. They suggested that company should fill the loophole of the regulatory and management decisions, they must be based on actual financial report. Corporate governance plays pivotal role in any firm's financial decision making. Corporate governance works like top management that manages and controls company performance. Corporate governance evaluates things like "An Eye."

More so, Beshiru & Prince (2014) clarified that creative accounting practices have a significant effect on commercial banks distress in Nigeria and by implication adversely affect users of accounting information. Gaara et al. (2015) light that the misuse of creative accounting techniques leads the users of accounting information care continuously concern about creative accounting. Gherai and Balaciu (2011) found that most techniques of creative accounting designed for misleading financial statements and condense on self-interest. Gabar (2015) concluded that creative accounting technique has effect on the reliability of financial statements. Alomery and Alameen (2014) exclaimed that there is a negative effect of creative accounting techniques on the quality of financial reporting, especially with regard to profit manipulation. Khamangy and Sadeeg (2015) concluded that the aim of financial information manipulation is to mislead the users of financial reporting through providing information that affects their decisions. Osaze and Henry (2012) noted that the statistical evidence revealed that creative accounting positively affects firm's value, this being the case, it implies that most investors are not able to see through the financial illusion of creative accounting. In a study carried out by Osisioma and Enahoro (2006), it was discovered that creative accounting has definitely affected information users. Hence, in Nigeria it is believed that the practice of creative accounting is constructive to the benefit of the manipulator of accounts. Also, the authors found out that the genuinely positive aspect of the corporation is presented to the fullest proportion to the public, while the area of weakness is played down reporting in anticipation of correcting the weakness.

The work of Parviz Saeidi (2012) titled "The relationship between income smoothing, income tax and profitability ratios in Iran stock" is as well of brilliant findings. His work is an empirical paper which shows the relationship between income tax and income smoothing practices. The hypothesis testing in his paper proved that, there is significant relationship between the two, which is the taxable income and income smoothing followers comparable to that of non-followers of income smoothing and it is also concluded by Parvez that there is significant relationship existing between profitability ratio and income smoothing. Yadav (2013) found that involvement of outside directors could reduce the practices of creative accounting. And the more, the outside users, the less creative accounting practices. He further stated that, involvement of professionals in financials decision can build a trust of stakeholders in the enterprise. Finally concluded that, qualified accountants could help companies in the use of creative accounting techniques effectively. It also suggested that corporate governance is a best way to reduce these practices. Kassem (2012) argued that the ethical practices of creative accounting in existence are there basically to help the external auditors to increase their efficiency and accuracy in finding any fraudulent act. It is difficult for people to differentiate between creative accounting and fraud but not to an external auditor, it is necessary to be able to differentiate the minor hair line differences between the two. External auditors could do the job to investigate whether it is a fraud or financial error resulting in losses.

In another study carried out by Amat, Blake and Dowds (1999), titled "The Ethics of creative accounting", showed that accountants accept the ethical challenge that creative accounting raises need to be aware of the scope for both abuse of accounting policy choice and manipulation of transactions. Still in a study carried out by Sen and Inagnga (2005), titled "Creative Accounting in Banglasesh and global perspectives" found that creative accounting include: conceal financial risk, circumvent borrowing restrictions, escape shareholder control, boost, reported profits/ minimize reported losses, manipulate key ratios used in market analysis, enhance management performance and gain access to finance, would otherwise be impossible to raise. They also found out that if creative accounting is practiced by any organization there is plenty of scope of maneuvering and manipulation of accounting information such manipulation might leave the shareholder, public, the government and any interested party absolutely confused as to what is and what is not real and true in connection with a published set of accounting statements.

All the above studies provide a solid base and give idea regarding the effect of creative accounting and earnings management on corporate entities in Nigeria. Also, they provide the results and conclusions of those researches already conducted on the same area for different countries and environment from different aspects. On the basis of these researches done in different countries, the methodology for this research work was developed.

Theoretical Review

The need to anchor the concepts of creative accounting in Nigerian entities within the framework of certain theory cannot be over emphasized. The theory upon which this study was anchored was restricted to "Ethical theory".

Ethical theory as it were, is a build-up on the concept of ethics in general. The term ethics comes from the Greek ethos meaning something like morals. It is defined as the systematic reflection on what is moral. By this simple submission, morality is the whole of opinions, decisions and actions with which people express what they think is good or right.Hence, one of the major cardinal thrusts of ethical theory is utilitarianism. It implies, as widely cited from the popular work of Jeremy Bentham (1748-1832) by Schofield (2006) that ethical theory sometimes focuses not on actions but majorly on consequences. The name utilitarianism is derived from the Latin “Utilis” meaning “useful”. Therefore, in utilitarianism, the consequences of actions are measured against values. These values can be happiness, welfare, high productivity, expansion etc. By way of emphasis, the cardinal point in this theory is that, it is essential to give the greatest happiness to the greatest number of people. If we consider the position taken by Ruland (1984) and compare it to Ravine’s analysis, we note that Ruland distinguishes between the deontological view, whereby moral rules apply to actual actions, and the teleological view that an action should be judged on the basis of the moral worth of the outcome. Revsine (1991) appears to take a teleological view of accounting in the private sector, allowing managers to choose between the alternatives permitted in “loose” standards to achieve their desired end, but to make a deontological view of accounting in the public sector where he calls for tighter standards to prevent such manipulation. We might ask whether the presence or absence of market discipline justifies such ethical inconsistency. Ruland also discusses the distinction between a ‘positive’ responsibility, which here would be the duty to present unbiased accounts and a negative responsibility, where managers would be responsible for states of affairs they fail to prevent. Thus, Ruland gives priority to the positive.

The relevance of this theory to this study is that for all the stakeholders’ interest to be protected, practical application of utilitarianism is a core requirement. That is, even though creative accounting is seen as not illegal but the moral side of it should be considered. The utility of the shareholders and other stakeholders should be paramount in the minds of the corporate managers and not just their own self-interest. The agents should make all efforts to ensure that principals have satisfactory values with regards to their investment without misleading the other parties who have economic interest in the entities.In a nutshell, it should be known that the actions of the agents will be adjudged morally right in the process of running the corporations if the interest of all the stakeholders is well taken care-off whereas it will be adjudged wrong if their actions inflict pain on the interest of any of the stakeholder.

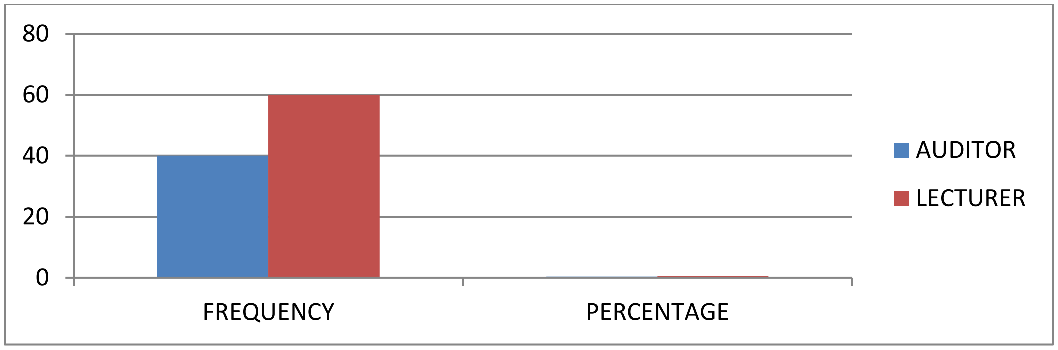
Methodology

This study is exploratory in nature and built on the analysis of discourses within the range of archival evidence, experiences of other countries and examination of major publications and documentary materials. Also, primary data was gathered through the use of questionnaire to capture the view of intellectuals about the subject matter.One hundred questionnaires were administered to randomly selected practicing auditors and accounting instructors in tertiary institutions within Ibadan. The questions were on the five point likert-type questions, with a choice of strongly agree to strongly disagree. Furthermore, the reliability test of the research instrument was carried out through the use of Cronbach’s alpha. Twenty copies of the questionnaires were distributed for this process and the result indicated that the instrument is reliable since the Cronbach’s alpha of the scales ranged from 0.703 to 0.928. Analysis of Variance (ANOVA) and chart analysis were used to analyse the data.

Data analysis and discussion of results

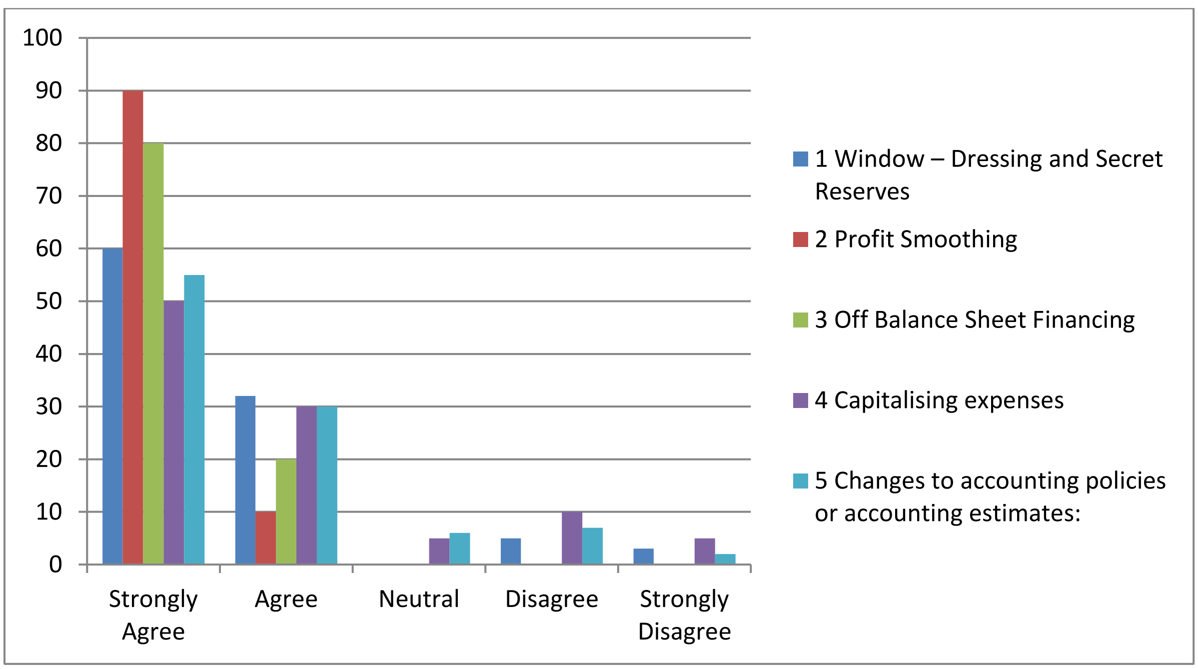
Section A: Demographic Data

Fig. 1: Area of Specialty



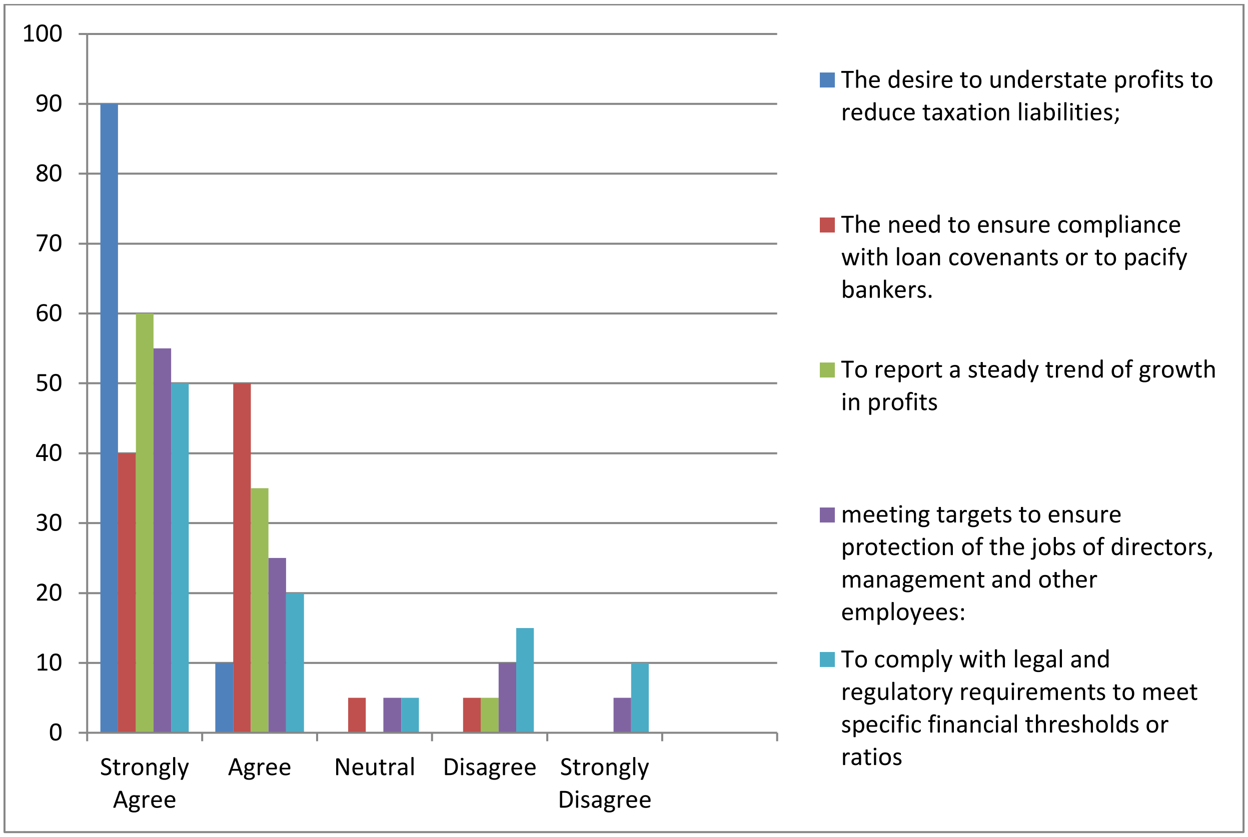
It could be observed from fig.1 above that 60% of the respondents are lecturers in tertiary institutions in Nigeria while 40% are practicing auditors.

Fig. 2: Most Used Creative Accounting Practice in Nigeria



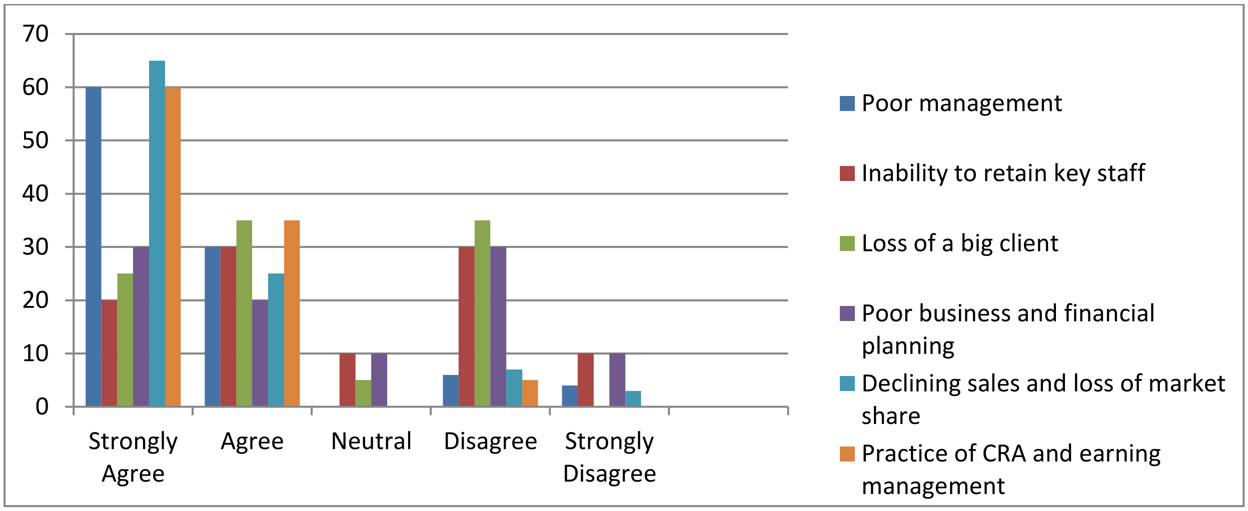
The graphical expression in Fig. 2 showed that greater percentage of the respondents with not less than 50% strongly agreed that;Window-dressing and Secret Reserves, Profit Smoothing, Off Balance Sheet Financing, Capitalising expenses and Changes to accounting policies or accounting estimates are the methods of creative accounting practice in Nigeria.

Fig. 3: Reasons for the Practice of Creative Accounting



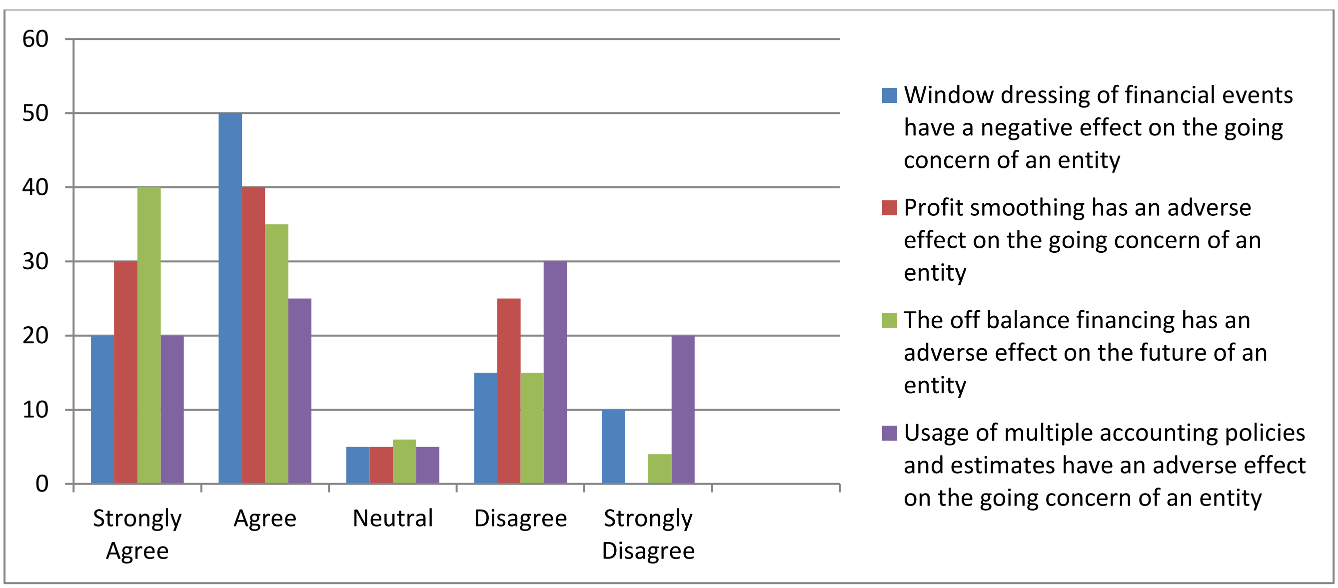
It was observed that majority of the respondents not less than 50% in Fig. 3 strongly agreed that the reasons for creative accounting practice are to: understate profits to reduce taxation liabilities, report a steady trend of growth in profits, meet targets to ensure protection of the jobs of directors, management and other employees and comply with legal and regulatory requirements to meet specific financial thresholds or ratios. However, the major reason as stated by the respondents with 90% is to understate profits to reduce tax liabilities.

Fig. 4: Factors Responsible for Corporate Failure in Nigeria



It became very clear from the studies that the major factors responsible for corporate failure in Nigeria are; declining sales and loss of market share, poor management, practice of creative accounting and earnings management.

Fig. 5: Effect of Creative Accounting and Earnings Management on Corporate Entities



It was revealed from the studies that the majority of the respondents agreed that different methods of creative accounting and earnings management practiced by entities in Nigeria has effect on such entities.

Table 1: ANOVA Analysis of the Effect of CRA & Earnings Management on Corporate Entities

Source of Variation	Sum of Square	DF	Mean of Square	F-Ratio	F-Critical
Btw Group	2855.5	4	713.875	10.75	3.06
Within Group	996.5	15	66.4333		

Source: Field Survey by Author

This part of the study examined the effect of creative accounting and earnings management on corporate entities using ANOVA.

The result of the analysis in table 1 above revealed that creative accounting has significant effect on corporate entities in Nigeria since F-calculated value of 10.75 is greater than the F-tabulated of 3.06. This implied that even though creative accounting is not out-rightly illegal but its practice has great negative implication on the entities in the long run. This result is in conformity with the studies of Efiok and Eton (2012), Alomery and Alameen (2014), Khamangy and Sadeeg (2015), Gherai and Balaciu (2011), Beshiru and Prince (2014) and Gabar (2015) who concluded that there is a negative effect of creative accounting techniques on corporate entities in terms of their going concern and the quality of financial reporting, especially with regard to profit manipulation.

Conclusions

From the indications acknowledged in the primary data analysis and empirical studies above, this study concludes that off-balance sheet finance coupled with profit smoothing are the most used creative accounting techniques and that the desire to understate profits to reduce tax liabilities is the major reason for engaging in creative accounting and earnings management in Nigeria.

Also, the study concludes that creative accounting and earnings management is unethical and offers a formidable challenge to both the quality of financial reporting and going concern of corporate entities in Nigeria. Therefore, creative accounting and earnings management has significant impact on corporate failure in Nigeria.

Based on the above, this study recommends that:

- Accounting bodies and other regulatory authorities should adopt strict measures to stop these practices and duly punish the offenders;
- Accounting experts should adhere to high ethical standards and maintain integrity in all their professional dealings.
- Code of corporate governance and ethics should be enforced among corporate entities in Nigeria to curb these cankerworms seen as necessary evils.
- Practicing Accountants should give themselves to research and educational activities to update their knowledge and develop their inventiveness so as to be able to deal with challenging and growing business environment.
- Professional body should intensify on practice monitoring to enhance ethical practice.
- Nigerian accounting regulatory bodies should develop techniques to reduce the use of judgment in the treatment of certain items in the financial reporting.

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DETERMINANTS OF CORPORATE FAILURES IN NIGERIA: PREPARERS AND USERS PERSPECTIVE

EMIASO, D.

NnamdiAzikiwe University, Awka.

demiaso@yahoo.com

and

OKAFOR, G. O.

NnamdiAzikiwe University, Awka.

go.okafor@unizik.edu.ng

Abstract

This study seeks to examine the factors responsible for corporate failure in Nigeria. The study adopted a survey research design, data were drawn from primary sources. The population of the study consisted of all preparers and users of financial reports made up of external auditors, company management, tax administrators and investors in Delta and Rivers states, Nigeria. Using convenience and simple random sampling techniques, a total of 194 respondents were administered questionnaire in the area of study. The data from the instruments were analyzed using the one-way analysis of variance (ANOVA) at 0.05 level of significance. The findings revealed that most corporate failure are due to management inefficiency, weak corporate governance and auditors' negligence and incompetence. The study further revealed that most accounting reports do not show signals to corporate failure. It recommends amongst others that auditors should devote a special section of the annual reports of companies to explore the going concern position of the companies audited so as to enable stakeholders make informed decisions on audited reports.

*Keywords:*Corporate failure, Quality Audit Report, Auditors' Negligence, Corporate Governance, Financial Scandals

Introduction

Corporate failures and business collapse are on the increase in spite of unqualified audit reports. It has become a source of concern to the stakeholders of most companies over the incidence of unqualified audit reports giving a clean bill of health to companies only for such firms to be rocked a few weeks later by serious financial scandals and crisis leading sometimes to liquidation. The failure of statutory audit to prevent and reduce fraudulent activities in corporate governance had brought a lot of public outcry (Akpan&Adebisi, 2014). The collapse of Enron, WorldCom, Tyco, Adelphia, where over $460 billion was said to have been lost in spite of unqualified audit reports was attributed to corporate fraud.(Cotton, 2003). The increase in corporate collapses in recent times has led to more scrutiny of deficiencies in the financial reporting process and corporate disclosure requirements of corporate organizations.

Weak corporate governance and reduced audit quality are perhaps the most important factors blamed for corporate failures and corporate financial scandals. There is much that can be done to improve the integrity of audit reports through greater accountability, the restoration of resources devoted to audit function, and better corporate governance policies (Saudagaran, 2003). Quality audit reports are essential for ensuring the integrity and reliability of financial information. It is for this reason that the canons of many countries require the attestation of financial statements by external auditors. Sad to note that, there are a lot of criticisms of the auditor from which opinions have emerged over the years as a result of companies that have failed after being given a clean bill of health.

Some studies such as Obiamaka, 2008; Nwete, 2006; Ossisioma and Enahoro, 2006 and Nwaogu, 2006, note that there are questions about the, competence, negligence and independence of the auditors which are lowering the quality of audits. The auditors are expected to be independent of the management of the company being audited. However, a number of factors like familiarity, threat of replacement of an auditor and the provision of management advisory services appear to impair auditor's independence. Concerns have been expressed about the conflict of interest between the statutory role of the auditor and the other services it may undertake for a client.

This study is motivated by the interest surrounding the responsibility of external auditors, company management and effectiveness of corporate governance code in Nigeria in response to the corporate failures, global best practice and their implied efficacy in the face of significant implementation and audit quality. We therefore investigate empirically the relationship between corporate failure and corporate governance and audit reporting attributes. Hence, the broad objective of this study is to examine the factors responsible for corporate failure in Nigeria. More specifically, the objectives are to:

1. determine the extent to which auditors' negligence and incompetence lead to corporate failure;
2. ascertain the relationship between weak corporate governance and corporate failure; and
3. examine the extent to which accounting reports show signals to corporate failure.

The remainder of this study is organized as: section 2 addressed empirical evidence on corporate failure. Section 3 presented methodological issues with emphasis on data and model specification and estimation techniques. Section 4 focused on presentation and analysis. Section 5 highlighted the summary, conclusion and recommendations.

Literature Review

Corporate Failure

Altman (2004), states that there is no generally accepted definition of corporate failure. He posits possible definitions to range from failure to earn an economic rate of return on invested capital, to legal bankruptcy, followed by liquidation of the firm's assets. Continuing, he opined that corporate failure refers to companies ceasing operations following its inability to make profit and bring in enough revenue to cover its expenses. This can occur as a result of poor management skills, inability to compete or even insufficient marketing and marketing strategies. However, this may represent the end of a period of financial decline, characterized by a series of losses and reducing liquidity. Sheng and Bibeault (2009) further maintain that some companies never have a reason to exist in the first place. According to them, in a lot of markets, there is room for two or three companies and no more. Many organizations that either refuse or lack the resources to adapt in an atmosphere of growing competition and immeasurably increasing sophistication end up being edged out of business.

Bibeault (1999), identifies corporate failure from four stand points namely, social, economic, legal and managerial. The social standpoint he argues is in terms of its impact. That is, the human suffering that such a phenomenon usually brings, it affects almost everyone: the owners, employees, government, customers, investors, suppliers, creditors and the society in general. However, not everyone agrees that the longer-range social impact of corporate failure is negative. The economic standpoint viewed failure as a situation whereby the realized rate of return on investment capital is significantly and continually lower than prevailing rates on similar investments. In fact, a company could be an economic failure for years and yet, in the absence of legally enforceable debt, be able to meet its current obligations. This view of failure is however subjective, and there are very few data available on industry or company incidence of economic failure. Legally, a company is declared as a failure if it is not able to meet its current obligations and settling its outstanding debts (Mellahi, 2005 and Juan, 1999). However, Benston (2006) and Crowther and Jatana (2005) agree that most corporate failure is synonymous with insolvency and bankruptcy. A business can also be a failure from a managerial standpoint before it is an economic failure and certainly long before a legal failure. Managerial failure is measure by a long period of decline and leading to large write-offs and to losses at the bottom line, which culminate into intense pressure for a change in management. There is therefore a considerable degree of consensus that the quality of management makes the difference between sound and unsound organizations.

According to Sheppard and Chowdhury (2005), most of the corporate failures that result in different organizations are as a result of mismanagement of resources and virtually every aspect of mismanagement of resources comes as a result of non-compliance to policies and every aspect of the organization's regulations. According to Sheth and Sisodia (2005), corporate life expectancy across major European economics has declined in recent years. They believed that much of this is because of merger and acquisition, arguing that many of the acquisitions are prompted by corporate failure or distressed selling rather than strategic buying. Companies succeed because they have a chance to match the opportunities in the environment at that particular time. As such, they can just as easily fail if they prove unable or unwilling to change their culture, processes, system and structure. Other reasons for failure include changes to the environment. Many organizations consider technology and globalization as key issues for changes as they affect regulations and capital market competition which have the most impact upon a company's ability to survive or fail. Corporate failure is not about the environment or the organization per-se, but rather about a failure of alignment between the organization and its environmental realities.

Corporate Failures and Perceived Auditors' and Management Responsibility

The deepening financial crisis brings increased awareness of corporate collapses and bailouts that plunder the taxpayers' pockets at an unprecedented scale. Innocent people are losing jobs, homes, pensions and investments. Each collapse shows that highly paid directors had little idea of the value of company assets, liabilities, income, costs, profits and financial health. This has been accompanied by one constant factor: the argument about silence of the auditors. Saudagaran (2003) complains that many of the distressed companies have been on a diet of toxic debts, off balance sheet accounting, dubious asset values and questionable business models. All these have had a negative and cumulative impact on the way informed opinion views financial reporting by corporate management and auditors' responsibility.

According to Smith (2002), there has been great apprehension regarding the fairness of the operation of a market system where investors such as shareholders, debenture holders, creditors, and other stakeholders (excluding management) have lost large sums, while managers and directors of companies (management), and seen as responsible for those losses, have enriched themselves as the businesses got liquidated.

Despite the presence of several regulatory initiatives, the challenges of ensuring credibility in financial and audit reports with regards to the going concern certainty of companies are still prevalent. It therefore becomes pertinent to investigate the factors responsible for corporate failure in order to enhance the relevance and reliability of audit reports and how corporate governance mechanism will impact on going concern challenges of the firm.

Corporate Governance and Corporate Failure

Mactosh, Francis and Ongocho (2010) state that in the past decade, the auditing profession has had to deal with a lot of challenges than it has done in its lengthy history which spans over one hundred years. Corporate failures in which lack of accurate financial reporting and corporate disclosure have figured prominently are not a new phenomenon. The past ten years has been characterized by series of company collapse, ethical negligence and accounting scandals both in developed and developing economies. Publicized cases of the recent past, such as Satyam, Enron, WorldCom, Global Crossing, Adelphia Communications, HIH, Tyco, and Vivendi, Royal Ahold and HealthSouth are evidences of corporate failure in the advanced economies of the world (Norwani, Mohamad &Chek, 2011). A host of Nigerian companies such as, Cadbury Nigeria Plc, Afribank Nigeria Plc, Intercontinental Bank Plc, and Oceanic Bank International plc etc have also experienced financial scandals bordering on corporate survival and thus drawn increasing attention to the corporate financial reporting.

In advanced economies such as the United States of America, United Kingdom and France, regulatory initiatives have been put in place to deal with the poignant erosion of ethical standards in corporate governance, financial reporting and auditing standards. For example, in the United States of America, the Sarbanes Oxley Act was passed into law in 2002. The International Federation of Accountants (IFAC) has also supported the formulation of auditing guidelines to enhance the reliability of corporate financial statements. The International Accounting Standards Board has consistently stressed the need for global adoption of the International Financial Reporting Standards (IFRS). All these are efforts geared towards maintaining credibility of the financial statement so as to make them useful for informed decision making by stakeholders.

Suffice to say that, in developing economies, including Nigeria, there have been little or no efforts in positively addressing the challenges posed by poor corporate governance principles and auditors' ethical guidelines as regards negligence and responsibility. Bakre (2007) reported that investors in Nigeria have lost several billions of naira through the collusion of accountants and external auditors with companies' management and directors to falsify and deliberately overstate companies' accounts.

Methodology

Data and Model Specification

We employed a survey research design using primary data (questionnaire designed to examine the opinion of preparers and users of companies' financial reports on matters relating to audit reports, corporate governance, auditors' negligence and competence as they relate to corporate failure and financial scandals).The respondents were 50 each from ICAN register of members, corporate offices, investors at the NSE and Tax offices of two hundred respondents in Delta and Rivers states of Nigeria, using convenient random sampling technique to ensure equal representation and to enhance a broad spectrum generalization of the study results.

For purpose of the study, the one-way analysis of variance (ANOVA) at 5% level of significance, with the aid of Statistical Package for Social Sciences (SPSS) software.

Data analysis and discussion of results

Table 4.1: Summary of Questionnaire Administered.

Delta	N	%	Rivers	N	%
Total Questionnaire Distributed	100	100	Total Questionnaire Distributed	100	100
Total Questionnaire Retrieved	98	98	Total Questionnaire Retrieved	100	100
Total Questionnaire Rejected	2	2	Total Questionnaire Rejected	2	2
Total Questionnaire Used	96	96	Total Questionnaire Used	98	98

Source: Researchers Computation (2018)

Table 4.1 highlights the response rate of the questionnaire distributed to Delta and Rivers states in the course of the study. As indicated above a total of one hundred (100) copies of questionnaire were distributed to Delta state out of which ninety eight copies were retrieved representing 98%. Two of the questionnaires were rejected due to the fact that large portion of the questionnaire was left unfilled hence ninety retrieved questionnaires were considered suitable for use. On the other hand, one hundred (100) questionnaires were also sent and retrieved from respondents in Rivers state. However, the researcher was able to use ninety eight copies due to mutilation and blank questionnaires not filled. The response rate for Rivers is 98%.

Table 4.2: Responses from Question 2: Management inefficiency largely responsible for corporate failure

	Opinion					
Stakeholder	SA	A	UD	D	SD	MIS
Ext. Auditor	23	12	0	10	5	3.76
Management	14	11	6	9	9	3.25
Tax Admin	29	14	2	1	1	4.47
Investors	26	8	0	10	4	3.87
Total	92	45	8	30	19	

Source: Researchers Computation (2018)

From the table, it is observed that most of the respondents believe that management inefficiency is largely responsible for corporate failure with 137 respondents affirming the statement while 49 disagree with mean item score of above 2.5 for all stakeholders.

Table 4.3: Responses from Question 6: Most corporate failures are due to weak corporate governance

	Opinion					
Stakeholder	SA	A	UD	D	SD	MIS
Ext. Auditor	18	28	0	2	2	4.16
Management	5	19	2	23	0	3.03
Tax Admin	20	21	0	4	2	4.12
Investors	32	14	1	1	0	4.60
Total	75	82	3	30	4	

Source:Researchers Computation (2018)

The above table shows the response of stakeholders about the statement that most corporate failures are due to weak corporate governance. It can be observed that most of the respondents agree to the statement with 157 affirming while 34 disagree. The MIS of the stakeholders responses are well above 2.5.

Table 4.4.Responses from Question 10: Accounting reports show signals to corporate failure in organization

	Opinion					
Stakeholder	SA	A	UD	D	SD	MIS
Ext. Auditor	8	9	5	24	4	2.86
Management	5	6	0	21	17	2.20
Tax Admin	6	7	1	30	3	2.63
Investors	2	8	2	27	9	2.31
Total	21	30	8	102	33	

Source:Researchers Computation (2018)

Table 4.4 shows the responses of stakeholders on the statement that accounting reports show signals to corporate failure. It is evident from the table that most respondents disagree to the statement with 135 giving a disagreed opinion while 51 respondents agree. The mean item score for management and investors are 2.2 and 2.31 respectively showing their disagreement with the statement. However, external auditors and tax administrators with mean item scores of 2.86 and 2.63 which are more than 2.5, shows that they have a contrary opinion even though they have a weak opinion about the statement.

Table 4.5: Responses from Question17: Auditors negligence and incompetence are largely responsible for corporate failures

	Opinion					
Stakeholder	SA	A	UD	D	SD	MIS
Ext. Auditor	0	15	0	23	12	2.56
Management	9	13	5	21	1	3.16
Tax Admin	7	11	1	18	10	2.72
Investors	18	9	1	20	0	3.52
Total	34	48	7	82	23	

Source:Researchers Computation (2018)

Table 4.5 indicates the opinion of respondents about the statement that auditors' negligence and incompetence are largely responsible for corporate failure. 82 of the respondents agree while 105 disagree. The agreement in opinion is further buttressed by mean item score of more than 2.5 for all the stakeholders.

Test of Hypotheses

The hypotheses will be restated before presenting the result analyses. The decision rule is to reject the null hypothesis and accept the alternative if P<0.05 otherwise accept the null hypothesis if p>0.05.

Hypothesis One:There is no significant difference in the opinion of audit stakeholders on the extent to which auditors' negligence and incompetence lead to corporate failure.

Table 4.6: ANOVA Statistics for Question 17: Auditors' negligence and incompetence are largely responsible for corporate failure in Nigeria.

	SS	DF	MS	F	Sig.
Between Groups	13.301	3	4.434	5.660	.201
Within Groups	148.828190	.783			

Total	162.129	193			

Source:Researchers Computation (2018) Using SPSS 20

To test this hypothesis, we subjected statement 17 on the questionnaire to empirical test. The result of the hypothesis is presented in table 4.6. There are indications from this table that the statement used (Statement 17) is not significant with p-value greater than 0.05. In essence, there is no significant difference in the opinion of auditors, management, tax administrators and investors on the extent to which auditors' negligence and incompetence lead to corporate failure.(F 5.660 (3, 190) = p=.201, p-value > 0.05).

Hypothesis Two: There is no significant difference between the opinions of audit stakeholders on weak corporate governance as a factor responsible for corporate failure.

Table 4.7: ANOVA Statistics for Question 6: Most corporate failures are due to weak corporate governance.

	SS	DF	MS	F	Sig.
Between Groups	7.299	3	2.433	2.956	.341
Within Groups	156.371	190	.823		
Total	163.670	193			

Source:Researchers Computation (2018) Using SPSS 20

Item 6 on questionnaire was used in testing this hypothesis. Results as shown in table 4.7 shows F 2.956 (3, 190) p= 0.341, p>0.05. We therefore accept the null hypothesis that there is no significant difference between the opinion of auditors, management, tax officials and investors on weak corporate governance as a factor responsible for corporate failure.

Hypothesis Three: There is no significant difference between the opinions of audit stakeholders on the extent to which accounting reports show signals to corporate failure.

Table 4.8: ANOVA Statistics for Question 10: Accounting reports do not show signals to corporate failure in organization

	SS	DF	MS	F	Sig.
Between Groups	11.018	3	3.673	4.653	.004
Within Groups	149.976	190	.789		

Total	160.995193

Source:Researchers Computation (2018) Using SPSS 20

To test hypothesis three, item 10 on the research instrument was subjected to empirical test. Asindicated from table 4.8, F 4.673 (3,190), p=0.004, p<0.05. Consistent with our decision rule, we therefore reject the null hypothesis and accept the alternative hypothesis. This implies that there is a significant difference in the opinion of auditors, management, tax administrator and investors on the extent to which accounting reports show signals to corporate failure.

Discussion of Findings

The findings of the study revealed that most corporate failure are due to management inefficiency and weak corporate governance. It was discovered that there is no significant difference in agreement of opinions from respondents about the statements credited to management inefficiency and lack of proper corporate governance in firms. Sequel to this, the study found that stakeholders believe that management should not be free from any indictment when corporate failure occurs. Stakeholders such as the investors believe that financial and corporate scandals have overtime highlighted the problems of weak corporate governance in Nigeria. On the issue of going concern reporting, the study discovered that attention should be paid to it since it is a framework that can promote corporate stability. In line with going concern reporting, the stakeholders also through their opinion agree that the time period to assess whether an entity will continue as a going concern should be more than twelve months from date of financial statement.

The study further revealed that accounting reports do not show signals to corporate failure. However, this is a significant difference in opinion of stakeholders with regards to this, it is observed that stakeholders such as tax administrators and investors do not support the statement that audit reports show signals to corporate failure. In line with this, the study also found out that contemporary audit reports do not provide sufficient information about going concern of companies. As a result of this, the study finds that stakeholders want the auditor to have an additional responsibility for communicating whether a company is likely to go bankrupt/insolvent in the near future. However, based on survey responses, the study findings do not support the statement that auditors' negligence and incompetence are largely responsible for corporate failures. The study also did not find any significant difference in opinion among the stakeholders with regards to this statement. The study also observed that disclosure of going concern concept is critical to investors and tax administrators' decision making.

Conclusion

The aim of this research was to empirically examine the factors responsible for corporate failures in Nigeria. In achieving this aim, the study obtained data through survey on variables which were believed to have relationship with corporate failures. The factors this study focused on are responsibility of company management, external auditors, going concern certainty of companies as highlighted by audit reports and reliability on audited accounts for tax and investments decisions. The study found that management inefficiency; weak corporate governance and auditors' incompetence and negligence are major causes responsible for corporate failure in Nigeria and conclude that contemporary accounting reports do not provide information that will give signals to failure of corporate organization.

1. There is no significant difference in the opinion of audit stakeholders on the extent to which auditors' negligence and incompetence lead to corporate failure (F 5.660 (3, 190) = p=.201, p-value > 0.05).

2. There is no significant difference between the opinion of audit stakeholders on weak corporate governance as a factor responsible for corporate failure (F 2.956 (3, 190) p= 0.341, p>0.05).

3. There is a significant difference between the opinions of audit stakeholders on the extent to which accounting reports show signals to corporate failure (F 4.673 (3,190), p=0.004, p<0.05).

In line with the findings of this study, the following recommendations have been drawn:

1. Since management inefficiency largely contributes to corporate failure, it is expedient for management to put in place adequate accounting and internal control measures to check accounting frauds and unprofitable business decisions
2. Companies need to adopt and implement the corporate governance mechanism to the letter so as to be able to check fraudulent corporate accounting practices that are inimical to corporate growth. This can be done through audit committees, separation of chairman from the chief executive officer and getting members with financial literacy in the board of directors.
3. Government authorities should be able to impose stiffer sanctions on both management of companies and their external auditors who collude to window dress accounts with a bid to misleading audit stakeholders.

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Conference theme 5:

AGRICULTURE, SOLID MINERAL AND PETROLEUM ACCOUNTING

IMPACT OF AGRICULTURE AND TAXATION ON ECONOMIC GROWTH IN NIGERIA

OLADIPO Olufemi Adebayo[1*]

NWANJI Tony Ikechukwu[2]

AJAYI Samuel Abiodun[3],

ELUYELADamilola Felix[4]

and FABOYEDE Samuel[5]

[1,2,3,4]Department of Accounting & Finance, Landmark University, Omu-Aran, Kwara, Nigeria

[5]Department of Accounting, Covenant University, Ota, Ogun State, Nigeria

*Email: oladipo.olufemi@lmu.edu.ng;

Abstract

The responsibility of the government of any economy cannot be overemphasized and the economic growth of any nation depends on the amount of resources generated and its ability to finance its infrastructural needs, meet its expenditure and enhance standard of living of its citizens. Over the past years, Nigeria has been depending on oil as its major source of revenue generation. Due to the fall in the value of naira coupled with the inability of the oil sector to generate sufficient revenue, there is need for other sources of revenue. The main objective of the study is to examine the impact of Agricultural revenue and Total tax revenue on the economic growth (GDP) of Nigeria over the period of 2000-2015. To achieve this objective, relevant secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service (FIRS). The ordinary least square (OLS) regression analysis was adopted to examine the relationship between the GDP (the dependent variable) and Total tax revenue (TTR) and Agricultural revenue (AGR) over a period of 16 years. The regression result indicated that Agricultural revenue has a strong positive and significant effect on GDP.The study examined the relationship between taxation, agriculture and economic growth and it was discovered that agriculture contributed higher percentage to GDP compared to total tax revenue. The study recommends that government should provide special grants and soft loans with little or no interest to farmers in order to encourage agricultural activities in Nigeria.

Keywords: Agriculture, Taxation, Economic Growth

Introduction

The government of any economy is saddled with the responsibility of increasing the welfare and standard of living of its citizens, protection of lives and properties, provision of social welfare service, maintenance of law and order and the promotion of economic development amongst others. The economic growth of any nation depends on the amount of resources generated and its ability to finance its infrastructural need and meet its expenditure. The revenue needed is believed however to be generated externally and internally through a structured tax system (Nwadialor & Ekezie 2016).

Taxation is an authentic and sustainable source of revenue for government and a tool for fiscal policy and macro-economic management. Nwadialor, et al (2016) described it as a probable tool for economic and social reform as it permeates every facet in the economy; individuals and corporation, citizens and foreigners. As an economic tool, Marshal (1992) as cited in Nwadialor, et al (2016) equates its efficiency to power to destroy. Taxation is a fiscal instrument employed to redistribute wealth in the nation and to generate the revenue needed for socio-economic growth (Aguda 1999). Economists see it as an instrument for macroeconomic policy and revenue generation to finance government spending. It is believed that the extent of government surplus or deficit is the key statistical measure of the effect of government fiscal policy on an economy (Siegel, 1979). Countries that derive a significant amount of revenue from tax and have affected their economic growth through the revenue generated from tax are: Canada, U.S.A, the U.K and Netherland (Oluba 2008) as cited in Worlu and Nkoro (2012).

Agriculture is seen as the bed rock of any economy especially in Africa. Solid rock economies are built on its ability to explore its potentials and opportunities using Natural resources, except in technologically developed countries like Japan. Omawale and Rodriguez (1975) opined that for most developing countries, agriculture plays a significant role in national development. To them, agriculture is seen as a means of reducing the country's dependence on some particular importations, maintaining food prices, enhancing foreign exchange, absorbing many new entrants to the labour market and increasing farm incomes at times of severe unemployment and rural poverty.

According to Anyanwu (1997), Agriculture plays an important role in transforming both the social and economic structure of an economy. It serves as a reliable source of food and raw materials for industries, it also creates more employment opportunities, it can significantly decrease the level of poverty in the economy and also improve income distribution in the economy. In all, it is a gainful employer of labour through which a country can feed its people, provide the nation's industries with local raw materials and also serves as a reliable source of government revenue (Anyawu, 1997). Advanced countries I.e. France, Germany, Italy, China, Indonesia, United Kingdom, Brazil and Canada had at the onset embraced agro-economy through which they have improved their national income generation. These countries saddled themselves with responsibility of producing specific agricultural commodities from which the governments derives revenue (Abubakar, 2012)

In 1960, agriculture accounted for about 70% of Nigeria's exports; it fell to 40% in the 70's and finally crashed to less than 2% in the late 90's. Today, agriculture has been neglected by the government and even the public. Agriculture is only practiced in small scale in rural societies of the country. Although Nigeria has been described as one of the top countries endowed with natural resources and massive land area, only 40% of its land area is cultivated and used for agricultural purposes. There is lack of motivation amongst the farmers due to lack/poor financing, poor transportation due to bad roads and also lack of market (people rather import foods i.e. rice).

Taxation is also one of the major sources of revenue in the country but due to mismanagement, leakages and corruption in the system, the revenue generated annually is affected. Although taxation contributes a significant amount to the country's GDP, Nigeria's tax contribution is seen as the lowest compared to that of other countries. PricewaterhouseCoopers (PwC) stated that Nigeria's tax contribution to GDP is the lowest in the world when compared to other nations. The highest value of tax to GDP is 5.46% in 2008 while the lowest value is 0.91%.

A lot of literature exist on Taxation and Agriculture as tools for Economic Growth (Omorogiwa, Zivkovic & Ademoh, 2006; Simeon & Marinos, 2009; Worlu & Emeka, 2012; Afuberoh & Okoye, 2014) but what the scholars have failed to do is examine how both Taxation and Agriculture can be improved to generate revenue for the government in order to enhance the economic growth of the country. Also, most of the above literatures have made use of primary sources of data. For examining subject matters like this, secondary data should be collected due to the fact that they cannot be manipulated and also they are more reliable and can be used to generate a better result. This study therefore made use of the Multiple Regression Analysis for analyzing the secondary data collected.Against this backdrop, the objective of this study is to examine how tax and agricultural revenue can enhance the economic growth in Nigeria, judging its impact on relationship between revenue generation and economic growth. For the purpose of this study, the following hypotheses will be stated in null form.

$H_0$1: There is no significant relationship between Total tax revenue and the economic growth of Nigeria

$H_0$2: There is no significant relationship between Agricultural revenue and the economic growth of Nigeria

Literature Review

According to Hugh Dalton (as cited in Gaurav, 2010), a tax is a compulsory levy imposed by the public authority, irrespective of the exact amount of service rendered to the taxpayer in return, and not imposed as penalty for any legal offense. Tax is a compulsory contribution of the income of a person corporation for the services rendered to the public. Taxes are obligatory proportional contributions from persons and property levied by Government of the state by virtue of its authority for the support of the government expenditure and all public needs. In general sense, it is any contribution imposed by the government upon individuals for the use and service of the state, whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid or supply. (Modan, 2016).

The theory that underlies taxation is that charges are imposed to support the government in exchange for the general advantages and protection afforded by the government to the taxpayer and his or her property. The existence of government is a compulsion that cannot operate efficiently lacking funds to finance its expenditures. Consequently, the government has the authority to oblige all individuals and property in its territory to share its expenses. The state and federal governments both have the power to enforce taxes upon their citizens.

Taxation In Nigeria

Prior to the amalgamation of the protectorates of Nigeria in 1914, taxation had been in existence. It was first introduced in the Northern part of Nigeria. The administration of taxes were done under the emirate system and it was further spread to the western and eastern regions after the amalgamation of the northern and southern protectorates. Today, Nigeria's tax system is operated under two legal bodies called the Joint tax board (JTB) and the Federal Inland Revenue Services (FIRS). While the Joint Tax Board is primarily responsible for advising the Federal Government in respect of double taxation arrangement, the Federal Board of Inland Revenue is assigned the management of the taxation of profit of incorporated companies to FIRS which is the operational arm of FBIR. Under the present Nigerian law, taxation is imposed by the 3 tiers of government, i.e. federal, state, and local governments, each having its scope clearly indicated.

Agriculture

Agriculture includes farming in all branches and, among other things, includes the cultivation and tillage of soil, dairying, the production, cultivation, growing and harvesting of any agricultural and horticultural commodities, the raising of livestock or poultry, and any practices performed by a farmer on a farm as an incident to or in conjunction with such farming operations, but does not include the manufacturing or processing of sugar, coconuts, tobacco, pineapple or other farm products. Agriculture is also defined as the science of cultivating the soil, harvesting crops, and raising livestock and also as the science or art of the production of plants and animals useful to man and in varying degrees the preparation of such products for man's use and their disposal.(Black HC, 1990).

Agriculture is seen as the back bone of any solid rock economy in the Africa. Not only does it provide employment regardless the field, it increases the standard of living of the people (i.e. crops are sold at cheaper rates), it generates revenue for the government and it also enhances economic growth of the country. In the 1960s, before the discovery of oil, Nigeria was one of the most promising agricultural producers in the world. Between 1962 and 1968, export crops were Nigeria’s major sources of foreign exchange. The country was number one globally in palm oil and cocoa exports, well ahead of Malaysia and Indonesia, and exported 47% of all groundnuts, putting it ahead of the US and Argentina. But its status as an agricultural exporter has declined ever since. While Nigeria once provided 18% of the global production of cocoa, second in the world in the 1960s, that figure is now down to 8%. And while the country produces 65% of tomatoes in West Africa, it is now the largest importer of tomato paste.

Laffer Curve Theory

The Laffer curve is a theory developed by American economist Laffer B. Arthur. He propounded the idea that lowering tax rates would result in higher revenue thereby boosting economic growth.

The Laffer curve shows the supposed relationship between economic activity and the rate of taxation which suggests that there is an optimum tax rate which maximizes tax revenue. It assumes that no tax revenue will be raised at the extreme tax rates of 0% and 100% and that there must be at least one rate which maximizes government taxation revenue. The Laffer curve is typically represented as a graph which starts at 0% tax with zero revenue, rises to a maximum rate of revenue at an intermediate rate of taxation, and then falls again to zero revenue at a 100% tax rate. (Laffer curve, 2016).

Graphical illustrations often show the optimal rate at 50% but in reality, the optimal rate can be at any point from 0%-100%.

Figure 1 below shows the graphical illustration of the concept and assumptions of the Laffer curve

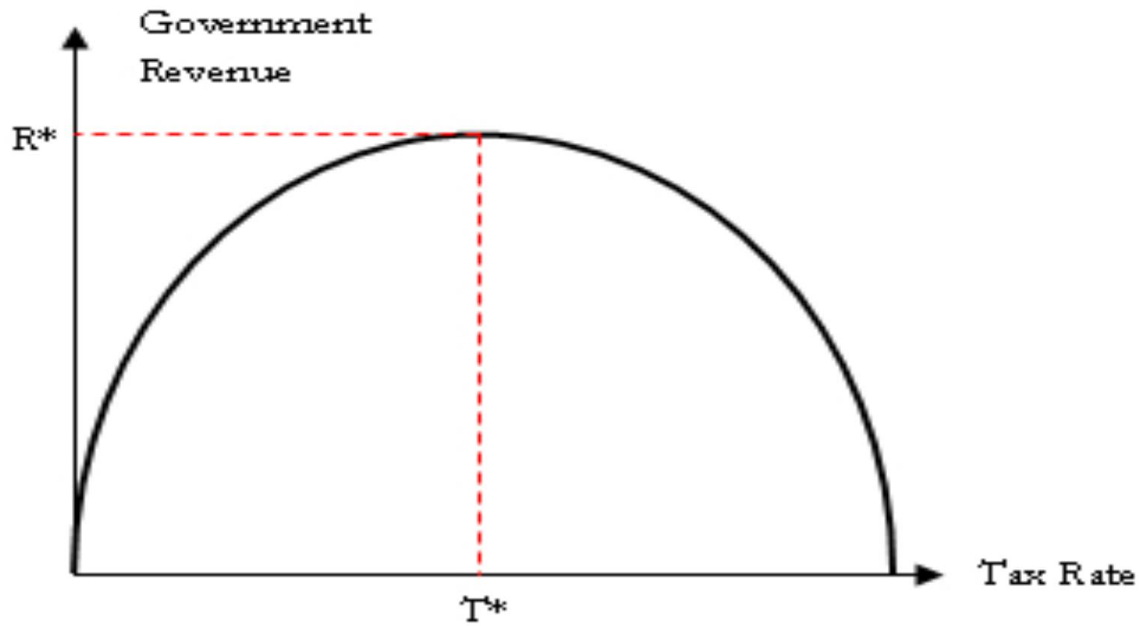

Fig 1.

Source: (Investing Answers, 2016)

T* represents the rate of taxation at which maximal revenue (R*) is generated.

The Laffer curve proposes that as tax rates increase, tax revenue generated by the government also increases. It also shows if that tax rates increases after a certain point (T*) it would cause people not to work as hard or not work at all, thereby reducing tax revenue. Ultimately, if a tax rate reaches 100%, as shown at the far right on the curve, everyone would choose not to work because everything they earn goes to the government. Governments like to be at point T*, because it is the point at which the government collects maximum amount of tax revenue while people continue to work hard (Laffer curve, 2016). The curve illustrates how taxable income will change in response to the increased tax rates but doesn't say whether a tax cut will raise or lower revenue.

Laffer explains the model in terms of two interacting effects of taxation: the arithmetic effect and the economic effect. The arithmetic effect assumes that tax revenue raised is the tax rate multiplied by the tax base. Thus;

R= T × B

Where: R= Revenue

T= Tax rate

B= Tax base

At a 0% tax rate, the model assumes that no tax revenue is raised.

The economic effect assumes that the tax rate will affect the tax base itself. At the extreme of a 100% tax rate, the government theoretically collects zero revenue because taxpayers change their behavior in response to the tax rate because its either they lose motivation to work, or they find a way to avoid tax. Thus, the economic effect of a 100% tax rate is to decrease the tax base to zero. If this is the case, then somewhere between 0% and 100% lays a tax rate that will maximize revenue generated (Laffer curve, 2016).

Revenue responses to changes in tax rate depends on the tax system in place, the time period being considered, the level of tax rates already in place and the tendencies of the productive factors. If the present tax rate is too high then a tax cut would result in increased tax returns. The economic effect of the tax cut would offset the arithmetic effect of the tax cut. (The Laffer curve: Past, Present, and Future, 2016)

The effect of changes in tax can be cased in relations to elasticity, where the optimal elasticity of the tax base with respect to the tax equals 1. This is done by differentiating *R* with respect to *t* and grouping terms to reveal that the rate of change of *R* with respect to *t* is equal to the sum of elasticity of the tax base plus one all multiplied by the tax base. Thus, as elasticity surpasses one absolute value, revenues begin to fall. The problem is similar to that of the monopolist who must under no circumstances increase prices beyond the point at which the elasticity of demand exceeds one in absolute value. (Laffer curve, 2016).

Many scholars have provided different revelations, opinions and explanations of taxes and Agriculture and its relationship with the economic growth of the country. While there are lots of studies which have been conducted to examine how taxation affects economic growth, only a few literatures relating to agriculture and economic growth exists.

Worlu and Emeka (2012) carried out a study on Tax Revenue and Economic Development in Nigeria: A Macro econometric Approach. The study used a three stage least square estimation technique. The results showed that tax revenue stimulates economic growth through infrastructural development. Afuberoh and Okoye (2014) examined the impact of Taxation on Revenue Generation in Nigeria using FCT and selected states as case study. The study adopted regression analysis to observed the strength of the relationship between taxation and revenue generation. The study findings revealed that taxation has a significant contribution to revenue generation and taxation has a significant contribution on Gross Domestic Product (GDP). This was in consistent with the work of Worlu and Emeka (2012).

Onwuchekwa and Aruwa (2014) investigated the impact of value added tax on the economic growth of Nigeria. The study used the ordinary least square (OLS) technique. The result shows that VAT contributes significantly to the total tax revenue of government and by extension the economic growth of Nigeria. Adegbie and Fakile (2011) carried out a work on company income tax and Nigeria's economic development. Chi-square and multiple regression analysis was used for this study. The findings show that there is a significant relationship between company income tax and Nigeria's economic development and that tax evasion and avoidance are major hindrances to revenue generation.

Nwadialor and Ekezie (2015) observed the effect of tax policy on economic growth in Nigeria. The study observed 19 years data from 1994-2013. Ordinary least square regression analysis was used to analysed the study data. The findings revealed that tax has a significant effect on the Economic growth in Nigeria. Tolulope and Chinonso (2013) used granger causality test to observed the contribution of Agriculture to economic growth in Nigeria. They discovered that the agricultural sector has contributed positively and consistently to economic growth in Nigeria, reaffirming the sector's importance in the economy. Simeon and Marinos (2009) used simulations model to examined the role of Agriculture in Nigeria's economic growth. The result shows that some subsectors in the agricultural sectors outperform some of the oil and manufacturing sectors in terms to return in investments. Omorogiwa, Zivkovic and Ademoh (2006) assessed the role of Agriculture in the economic development of Nigeria. The study used trend analysis. Results from the findings revealed that it is plausible for Nigeria to diversify into the agriculture market in their effort to become more self-sustainable and a world economic power.

Methodology

This work is a quantitative research predicated on ex-post facto research design. Ex-post facto design will be used because of the nature and types of data (the required data cannot be manipulated). The Total Tax Revenue data for 16 years (2000-2015) was extracted from the Federal Inland Revenue service annual report and data on GDP and Agricultural revenue was extracted from the CBN statistical bulletin reports.The population used for this research work is the whole of Nigeria. This is in order to ensure that the result of the research work is dependable. The analytical tool that was used to analyze data in this study is the multiple regression analysis. Multiple Regression is a quantitative research method which is used when the study involves modeling and analyzing several variables, where the relationship includes a dependent variable and one or more independent variables. One of the main occasions where such analysis is used is to understand the relationship between independent variables and a dependent variable.

Apriori Expectations

TTR: It is expected that Total Tax Revenue will have a positive impact on the gross domestic product of Nigeria. The higher the TTR, the better the economy performs. In other words, it is expected that;

$\beta 1>0$

AGR: It is expected that Agricultural revenue will have a positive impact on the gross domestic product in Nigeria. The higher the AGR, the better the economy performs. In other words, it is expected that;

$\beta 1>0$.

Model Specification

The chosen economic growth indicator, as the dependent variable, was the Real Gross Domestic Product (RGDP) while the independent variables were Total Tax Revenue (TTR) and Agricultural Revenue (AGR). In order to examine the impact of Tax and Agricultural Revenue on Nigeria's economic growth, the following functional relationship is expressed as follows:

RGDP = *f* (TTR + AGR)……….……. (1)

Rewriting the function in a linear form, we obtain:

$RGDP= \alpha_0 + \beta_1 TTR + \beta_2 AGR + \mu$……………….…… (1)

Where:

μ = Stochastic Error terms

α = Intercept

β = Unknown parameters

TTR = Total Tax Revenue

AGR = Agricultural Revenue

RGDP = Real Gross Domestic Product

Decision rule: where t-calculated value is higher than the 0.05 level of significance, we reject H0 and accept H1 and vice versa

Data analysis and discussion of results

This section focuses on the presentation and analysis of data and also the interpretation of the result obtained from the quantitative analysis of our research data through the results of the relationship between the gross domestic product (GDP) as dependent variable and Taxation and Agricultural revenue as Independent variables. The results obtained for the periods are then used to determine whether there is and significant effect of taxation on the growth of Nigerian economy.

4.1 RESULT OF STATIONARY TEST (UNIT ROOT TEST)

VARIABLES	ADF STATISTICS	CRITICAL VALUES	ORDER OF INTERGRATION
GDP	-4.164263 (0.0075)	1% -4.004425 5% -3.098896 10% -2.690439	Stationary at second difference
TTR	-4.318265 (0.0073)	1% -4.121990 5% -3.144920 10% -2.713751	Stationary at first difference
AGR	-4.953909 (0.0019)	1% -4.004425 5% -3.098896 10% -2.690439	Stationary at first difference

Multiple Regression Test Result

After running the Augmented Dickey Fuller test to determine the stationarity of the data presented above, a new model is hereby stated following the stationarity result. It is presented as follows:

$DGDP = \alpha + \beta_1 D(TAX)t + \beta_2 D(TAGR)t + ECM$

Where:

DGDP = Gross Domestic Product at 2nd difference

DTAX = Tax Revenue at 1st difference

DTAGR = Total Agricultural Revenue at 1st difference

ECM = Residual result after running residual test

Least Square Results (With Unit Root Test)

Dependent Variable: GDP(1)

Method: Least Squares

Date: 03/30/17 Time: 22:58

Sample (adjusted): 2000 2013

Included observations: 14 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2536.581	3845.146	0.659684	0.5230
TTR(2)	2.072980	1.058117	1.959122	0.0759
AGR(1)	3.352079	0.553945	6.051288	0.0001

R-squared	0.966018	Mean dependent var	42645.26
Adjusted R-squared	0.959839	S.D. dependent var	13100.38
S.E. of regression	2625.336	Akaike info criterion	18.77122
Sum squared resid	75816308	Schwarz criterion	18.90816
Log likelihood	-128.3985	Hannan-Quinn criter.	18.75854
F-statistic	156.3494	Durbin-Watson stat	1.085522
Prob(F-statistic)	0.000000		

Source: E views output 7.00 SV (see Appendix).

GDP = 2536.581 + 2.072980*TTR + 3.352079AGR + e_i ----------- regression equation

Adjusted R-squared = .96

The above result shows that the t-statistic probability for TTR is more than 0.05 which is unacceptable. Therefore, another multiple regression analysis was conducted without the unit root test result in order to generate a better result

Least Square Results:

Dependent Variable: GDP

Method: Least Squares

Date: 04/06/17 Time: 13:58

Sample: 2000 2015

Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4892.527	2926.059	1.672054	0.1184
TTR	2.545057	0.880475	2.890548	0.0126
AGR	3.122785	0.420291	7.430046	0.0000

R-squared	0.976149	Mean dependent var	45825.65
Adjusted R-squared	0.972479	S.D. dependent var	14979.26
S.E. of regression	2484.958	Akaike info criterion	18.64126
Sum squared resid	80275217	Schwarz criterion	18.78612
Log likelihood	-146.1301	Hannan-Quinn criter.	18.64868
F-statistic	266.0235	Durbin-Watson stat	1.047883
Prob(F-statistic)	0.000000		

GDP = 4892.527+ 2.545057*TTR + 3.122785AGR + e_i ----------- regression equation

Adjusted R-squared = .97
GDP = dependent variable
TTR & AGR = independent variable

The above analysis shows that Total tax revenue and Agricultural revenue met the Apriori expectation of this research.

Test Of Hypothesis
Hypothesis One:

$H0_{1:}$ There is no significant relationship between Total tax revenue and the economic growth of Nigeria

In testing this hypothesis we use the t-statistics calculated in table 4.3 above.

T–statistics value (calc) 2.890548
Probability (t-statistics) 0.0126.

Consequently we reject the null hypothesis at 5% level of significance; since the probability of (F statistics) is less than 0.05 and assert that Total Tax revenue has a positive impact on the GDP of Nigeria.

Hypothesis Two:
$H0_{2:}$ There is no significant relationship between Agricultural revenue and the economic growth of Nigeria

In testing this hypothesis we use the t-statistics calculated in table 4.3 above.

T–statistics value (calc) 7.430046
Probability (t-statistics) 0.0000

Consequently we reject the null hypothesis at 5% level of significance; since the probability of T-statistics is less than 0.05 and assert that Agricultural revenue has a significant impact on the GDP of Nigeria.

Data analysis and discussion of results
The analysis reveals that Agricultural revenue has a positive and significant effect on GDP. Every unit of AGR adds 3.122785 units to the GDP. That is, the GDP increases by only 312.2% for every percentage increase in AGR.The co-efficient of 2.545057 suggests that a unit increase in Total Tax revenue will increase GDP by 2.545057 units. That is, the GDP increases by only 254.5% for every percentage increase in TTR.

R squared value of 0.976149 indicates that 98% relationship exists between taxation, agriculture and economic growth while adjusted R squared value 0.972479 shows that the explanatory variables (Total tax revenue and Agricultural revenue) accounts for 97% of the total variation in the economic growth of Nigeria for the period under review. Leaving 3% variation to other variables not explained in the model. Durbin Watson statistics value of 1.047883 confirms the absence of auto correlation in the model. The explanatory variables Agricultural Revenue and Total tax revenue with a T statistics value of 2.890548 (0.0126) and 7.430046 (0.0000) respectively are statistically significant in explaining the variation in the model. The f-statistics of 266.0235 shows the overall significance of the regression model

Conclusions
The conclusion drawn from this study is that Nigeria still faces administrative challenges as regards taxation and societal challenges as regards agriculture. Before the fall of the Nigerian Naira, the Nigerian economy was heavily dependent on crude oil export receipts. Therefore the potentials of taxes and agriculture as a major source of revenue for the economy has not been exploited. The need to expand the tax revenue by improving tax system and administration has become a major economic issue. Furthermore, the study considered the various bottlenecks of tax and agricultural development in Nigeria such as lack of personnel, lack of facilities, multiple taxes, cumbersome process of payment and lack of government participation, high transportation cost, lack of technical knowledge respectively.

The study recommends the following;

1. Training: There should be proper staff training annually. This is to ensure they are up to date with the latest technology and issues in taxation. Tax officials and inspectors can be trained in countries where the tax system and structure is effective i.e. UK, USA, Japan, etc. Good professional training and good remuneration will encourage good and effective tax administration which will enhance tax income generation.
2. Tax laws: The tax laws should make provisions for punishments and these punishments should be made enforceable by the law enforcers. Also, the public can be educated on how it is their civic duty

and responsibility to pay taxes. This would eliminate any misconceptions about taxes. These tax laws should also be incorporated in the criminal of Nigeria.
3. Human resource development: Motivation is a necessary management tool to achieve staff efficiency. Motivational tools such as incentives and bonuses, timely payments, etc. should be made available to the workers.
4. Feedbacks: There should be communication between the taxpayers and the Inland Revenue boards. This is in order to take into consideration, the complaints, recommendations and other feedbacks from tax payers. A portal should be created and this would enable better them build a better system.
5. In order to show their support, the Government should provide special grants and soft loans with little or no interest to farmers in order to encourage the agricultural activities.
6. In order to enhance the agricultural knowledge of the farmers, agricultural programs can be held in order. This would enable the farmers to adapt new methods of agriculture and improve their outputs.
7. In order to improve youth interest and participation, agriculture can be included into to the course outlines and taught in Nigerian institutions.
8. In order to provide better storage facilities and avoid wastages and spoilages, the power supply can be made constant or regular.

A research of this nature cannot effectively cover every area or issue of concern considering the time, the inadequate resources, etc.

The following are the researchers suggested area for further studies:

1. Future research work should cover a wider scope of the study by using increasing the years under study.
2. The technique used in data analysis is unit root test and ordinary least squares analysis but other tests like granger causality, correlation and Johansens co-intergration test.
3. Also, instead of covering a large geo-political area like this study, future research works can examine individual states instead of the whole of Nigeria as used in this study.
4. Future research works can also deal with how individual taxes (i.e. PAYE, PPT, etc.) or individual agricultural outputs (i.e. crop production, fishing, etc.) can enhance economic growth instead of examining them as aggregates.
5. The independent variables can also be independently examined on how to enhance economic growth in Nigeria.

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Appendix
Table 1:

Real GDP and Federal Government Collected Tax Revenue and Agricultural Revenue

YEAR	GDP (N'BILLION)	TTR (N'BILLION)	AGR (N' BILLION)
2000	23,688	455.3	4,840.98
2001	25,268	586.6	5,024.54
2002	28,958	433.9	7817.09
2003	31,709	703.1	8,364.83
2004	35,021	1194.8	8,888.58

2005	37,475	1741.8	9,517.00
2006	39,996	1846.9	10,222.47
2007	42,922	1846.9	10,958.47
2008	46,013	2974.2	11,645.37
2009	49,856	2197.6	13,230.33
2010	55,469.00	2839.3	13,003.89
2011	57,511	4628.5	13,429.37
2012	59,929.89	5007.7	14,329.70
2013	63,218.72	4805.64	14,750.52
2014	67152.79	4714.56	15,380.39
2015	69023.93	3,741.80	15,952.22

Source: FEDERAL INLAND REVENUE SERVICE (FIRS) & CBN Statistical Bulletin (2015)

INFLUENCE OF SELECTED MACROECONOMIC VARIABLES ON AGRICULTURAL PRODUCTIVITY IN NIGERIA: EVIDENCE FROM ARDL MODEL

OKOH, JOHNSON IFEANYI

Department of Financial Studies, National Open University of Nigeria. Email: okohjohnson1@gmail.com

&

EKE, ROBERT IKE

Department of Accounting and Finance, Wellspring University, Benin , Edo State.Email: robbyeke19@yahoo.com

Abstract

Investment in the agricultural sector hasbeenidentifiedas a major driver of sustainable economic growth and therefore requires policy boost for enhanced economic performance. The macroeconomic uncertainties such as consumer price index, exchange rate, interest rates etc however have bedeviled most developing economies, Nigeria inclusive and this has constituted a serious concern to economic researchers and policy makers. This study is an attempt to empirically examine the influence of selected macroeconomic variables on agricultural productivity in Nigeria. The study made use of secondary data which includes Consumer Price Index (CPI), Exchange rate, Trade Openness, Interest rate, Gross fixed capital formation and Balance of trade sourced from the Central Bank of Nigeria statistical bulletin covering the period from 1980-2015. The data being time series in nature were subjected to various diagnostic and stability tests and certified fit for empirical use. The Auto Regressive Distributed Lag (ARDL) model was adopted for the data analysis. The overall regression result as depicted by the F- statistics result and the attendant probability values proved that the selected macroeconomic variables exert a strong statistical influence on agricultural productivity in Nigeria. Specifically, interest rate signed negative and significant to agricultural productivity in Nigeria. The study recommended that Interest rate should be consciously reviewed downward for agricultural sector borrowings from banks to enhance agricultural sector productivity especially in the face of dwindling oil resources in the economy.

Keywords: Macroeconomic variables, Agricultural Productivity, Nigeria

Introduction

Agriculture is the most important economic sector in terms of its contribution to the GDP, after oil in Nigeria. The sector contributes about 41% of the country's GDP, employs about 65% of the total population and provides employment to about 80% of the rural population. The statistics equally show that agriculture is the major source of food and meat production. Agricultural sector contributes to the development of an economy in four major ways-product contribution, factor contribution, market contribution and foreign exchange contribution (World Bank, 2007). Enoma (2010) corroborated using a three stage least square estimation technique that agricultural export growth has been encouraging and exerts significant impact on economic growth in Nigeria.

Nigeria is endowed with huge expanse of fertile land, rivers, streams, lakes, forests and grasslands, as well as a large active population that can sustain highly productive and profitable agricultural sector. Ironically, the reverse is the case.This is one of the key reasons why the country still has one of the highest poverty rates in the world. CBN (2010) noted from 1970 to 2000, that the sector's productivity grew at 1.7 percent per annum, very low when compared with the country's population growth rate of about 2.7 percent per annum. The slow growth of agricultural production has generated some issues, among them are, the role of agriculture in providing food for the population; its role in supplying adequate raw materials to a growing industrial sector, its roles as a major source of foreign exchange earner (Udih , 2014). Several factors account for the poor performance of the agricultural sector in Nigeria; these include virtual neglect of the sector, poor access to modern inputs and technology, lack of optimum credit supply and macroeconomic uncertainties. Macroeconomic policy changes often dramatically impact on agricultural production.

The agricultural industry is extremely vulnerable to risk and uncertainty. Farmers and agribusiness operators closely monitor changing weather patterns, farm programmes, prices, sales, storage processes etc. to reduce their exposure to risk and uncertainty. More recently farmers has to contend with the issue of Headsmen destroying their farms and produce. The sector requires necessary strategies for transformation to enhance performance and ensure sustainability. Although policymakers try to design policies to improve the national economy, these policies often have unintended and harmful effects on the agricultural productivity, hence, farmers, agribusiness operators and policymakers must understand the policy process and the impact that changing macroeconomic policies can have on agriculture. Changing macroeconomic policies affect national income, prices, interest rates and exchange rates all of which influence the agricultural economy. This knowledge no doubt would put the stakeholders in a better position to react strategically or anticipate changes in the macro economy. Given the present condition of the Nigerian economy, whereby the economy is witnessing diminishing oil price, there is a need to accelerate agricultural productivity.

The main objective of this study is therefore to examine the effect of major macroeconomic variables on agricultural productivity in Nigeria. Specifically the study examines the influence of consumer price index, trade openness, exchange rate, interest rate, balance of trade, Gross fixed capital formation on agricultural productivity in Nigeria. In order to achieve these objectives, we applied econometric model pioneered by Pesaran, Shih, and Smith (2001), the autoregressive distributed lag (ARDL) co integration test with error correction model (ECM). The ARDL model lies in its flexibility that it can be applied when the variables are of a different order of integration (Pesaran & Pesaran, 1997). The remainder of the paper is organized as follows: section 2 lays out the Literature review, Section 3 discusses the methodology of the work; section 4 presents and interprets the empirical results of the study; and, finally section 5 provides conclusion and recommendations.

Literature Review

Endogenous growth Theory

Endogenous growth theory was developed by Arrow, Romen and Lucas as a reaction to omissions and deficiencies in the Solow-Swan neoclassical model. It is a new theory which explains the long-run growth rate of an economy on the basis of endogenous factors as against exogenous factors of the neoclassical growth theory. The Solow-Swan (1956) neoclassical growth model explains the long run growth rate of output based on two exogenous variables; the rate of population growth and the rate of technological progress that is independent of saving rate. The theory implies that economies will conditionally converge to the same level of income, given that they have the same rates of savings, depreciation, labour force growth and productivity growth. The theory remains the essential starting point to any discussion of economic growth (Snowdown & Vane, 2005). This study adopts the endogenous growth theory as its theoretical underpinning. The theory has proved to be essential for modern macroeconomic analysis operating within the economy and how they can affect output in general and in this context agricultural output.

Empirical researches related to macroeconomic variables and Agricultural productivity had been documented in finance literature by both local and international scholars. Conceptually, macroeconomic policy refers tothose policies ofGovernmentaimedattheaggregate economy,usuallyto promote themacrogoals offullemployment,stability,andgrowth. Macroeconomic policiescould be fiscal or monetary.Fiscalpolicyis themacroeconomic policy where the government makes changes in government spendingor tax to stimulate economicgrowthwhilemonetarypolicydealswithchangesinmoneysupplyorchangeswith the parametersthataffectthesupply ofmoneyin theeconomy.Agriculture has been defined as the production of food and livestock, and the purposeful tendering of plants and animals, (Ahmed, 1993). Agricultural sector is the most important sector of the Nigerian economy which holds a lot of potentials for the future economic development of the nation. The rest of the section reviews some of the previous studies to provide an empirical insight into the current study.

Cristea, Marcu and Meghnisan (2015) examined the influence of macroeconomic variables on the Romanian Agriculture. The study ANOVA statistical method to analyse the 20years data collected. The results showed that the relationship between Agriculture in GDP and the main macroeconomic variables that is the consumption price index and the consumption price index for food , the exchange rate, the interest rate for credits and the interest rate for deposits . The result confirmed that while exchange rate has indirect influence on agricultural output, both interest rate for credit and interest rate for deposit exerted direct influences on agricultural productivity.

Kadir and Tunggal (2015) examined the impact of macroeconomic variables toward agricultural productivity in Malaysia using annual data spanning the period 1980 to 2014. Through the Autoregressive-Distributed Lag (ARDL) approach, the results showed that there is a long- run relationship between agricultural productivity and macroeconomic variables, namely net export, inflation rate, interest rate, nominal exchange rate, government expenditure and money supply. However, only nominal exchange rate shows significant impact on agricultural productivity in the long run while the other variables do not have a significant impact upon agricultural productivity in the long run. In addition, net export, government expenditure, and inflation rate seem to influence agricultural productivity in the short run.

Arorioede and Ogunbadejo (2014) examined the impact of macroeconomic policy on agricultural growth in Nigeria using VAR Model. The results showed that Gross Domestic Product (GDP), Credit Loan to Agriculture (CLA) and exchange rates were significant and exerts positive influences. Income elasticity of agricultural growth was low at 0.939 percent indicating the income inelastic nature of agricultural commodities. There is a positive relationship between the dependent variable (Agricultural Output) and the independent variable (GDP). On the other hand, money supply has an inverse relationship (negative influence) on agricultural production which is contrary to expectations. The interest rate is positive but insignificant which can be explained by the restrictive monetary policies. Equally, a restrictive monetary policy can cause farm incomes to fall.

Obilor (2013) investigated the impact of Commercial Banks' Credit to Agriculture on Agricultural Development in Nigeria using the Ordinary Least Square (OLS) on a time series data within the periods under review. The study empirically examined the impact of Agricultural Credit Guarantee Scheme Fund, agricultural product prices, government fund allocation and commercial banks' credit to agricultural sector on agricultural productivity. The result reveals that Agricultural Credit Guarantee Scheme Fund and Government fund allocation to agriculture produced a significant positive effect on agricultural productivity, while the other variables produced a significant negative effect.

Eyo (2008) examined empirically the relationship between between the macroeconomic environment and agricultural sector growth in Nigeria. The study utilized secondary data on exchange rate, interest rate, world prices, credit to agricultural sector , government expenditure on agriculture, inflation rate and foreign private investment in agriculture from 1970 to 2005. The data collected were analysed using the Ordinary Least square procedure. The result showed that exchange rate regime did not in any way encourage agricultural output. The result further revealed that although credit to the sector had no significant effect on the agricultural output growth yet its availability largely depended on how high the nominal interest rate is.

Hashemi (2014) conducted an empirical analysis on the effect of macroeconomic variables on the agricultural sector with focus on Iran. The period covered was from 1981 to 2011. The study applied vector auto regression (VAR) model analysing the data generated. The results showed that long term relationship exist between the variables considered as confirmed through the Johanssen convergence tests. According to the instantaneous reaction model, an inflationary shock to the economy of Iran can have significant positive effect on the prices of four causes especially to the first period but the effect on employment was not significant .

Brownson, Vincent, Emmanuel and Etim (2012) studied the empirical relationship between value of agricultural GDP as the ratio of total GDP (proxy as agricultural productivity) and some key macroeconomic variables in Nigeria. The short-run and long-run elasticity of the agricultural productivity with respect to some key macro-economic variables were determined using the techniques of co-integration and error correction models. The empirical results revealed that in the short and long run periods, the coefficients of real total exports, external reserves, inflation rate and external debt have significant negative relationship with the agricultural productivity in the country; whereas industry's capacity utilization rate and nominal exchange rate have positive association with agricultural productivity in both periods. However, per capita real GDP influence on the agricultural productivity was positive and significant only in the ECM model. The empirical results were further substantiated by the variance decomposition and impulse response analysis of the dependent variable with respect to changes in the explanatory variables. Results obtained were in line with economic theory.

Most of the previous studies reviewed did not adopt ARDL model except Kadir and Tunggal (2015) whose study was on Malaysian economy. Also, none of the previous studies on macroeconomic variables and Agricultural productivity captured variables such as trade openness, balance of trade and Gross fixed capital formation which were succinctly included in this present study. This study therefore fills the void

Methodology

The study utilized the Ordinary Least Square (OLS) method of estimation while conducting the econometrics test. The OLS method has been used in a wide range of economic relationships with satisfactory result. This study is carried out using secondary data sourced from Central Bank of Nigeria (CBN) statistical bulletin. The work which is centered on the impact of macroeconomic variables on Agricultural productivity in Nigeria utilized data on agricultural productivity as dependent variable while Consumer price index, Exchange rate , Openness, Interest rate , Gross fixed capital formation and balance of trade serve as independent variables. The period covered is from 1980-2015. In order to empirically analyse the long-run relationships and short-run relationship between the selected macroeconomic variables and agricultural productivity, this study apply the autoregressive distributed lag (ARDL) cointegration technique as a general vector autoregressive (VAR).

Model specification

The Agricultural output growth rate is the dependent variable, while consumer price index, exchange rate, trade openness, Interest rate, gross fixed capital formation and balance of trade are the independent variables. The model for the effect of macroeconomic variables on Agricultural productivity in Nigeria could be stated as follows:

AGRIC = (CPI_1, EXCH, OPEN, INTEREST, GFCF_1, BOT_1)

where

AGRIC = Agricultural output

CPI_1 = consumer price index

EXCH = exchange rate

OPEN = trade openness

INTEREST= Interest rate

GFCF_1 = gross fixed capital formation

BOT_1 = balance of trade

Assuming a linear relationship between the dependent variable and independent variables, and using the econometrics model can be specified as follows:

$$\text{AGRIC} = \alpha_0 + \alpha_1\text{CPI\_1} + \alpha_2\text{EXCH} + \alpha_3\text{OPEN} + \alpha_4\text{INTEREST} + \alpha_5\text{GFCF\_1} + \alpha_6\text{BOT\_1} + \mu_t$$

where μ_t = Error term

α_0 = the constant term

α 's = the parameters to be estimated

The apriori expectations are that $\alpha_{1,}\ \alpha_{2,}\ \alpha_{4,} < 0$ while $\alpha_{3,}\ \alpha_{s,}\ \alpha_6 > 0$

Diagnostic test

Unit root test:In time series analysis, before running the cointegration test the variables must be tested for stationarity. For this purpose, we use the conventional ADF tests. The ARDL bounds test is based on the assumption that the variables are I(0) or I(1). Therefore, before applying this test, we determine the order of integration of all variables using unit root tests by testing for null hypothesis $Ho{:}\beta=0$ (i.e β has a unit root), and the alternative hypothesis is $H1{:}\beta<0$. The objective is all variables should not be I(2) so as to avoid spurious results. In the presence of variables integrated of order two we cannot interpret the values of F statistics provided by Pesaran, Shin and Smith (2001) or it will go boasted.

This study applies the autoregressive distributed lag (ARDL) cointegration technique as a general vector autoregressive (VAR). The ARDL cointegration approach was developed by Pesaran et al. (2001). This approach enjoys several advantages over the traditional cointegration technique documented by (Johansen and Juseline, 1990). The ARDL model is written as follow:

$$\Delta AGRIC_t = \beta_0 + \sum_{i=1}^{n} \beta_{1i} \Delta AGRIC_{t-1} + \sum_{i=0}^{n} \beta_{2i} \Delta CPI\_1_{1t-1} + \sum_{i=0}^{n} \beta_{3i} \Delta EXCH_{2t-1} + \sum_{i=0}^{n} \beta_{4i} \Delta OPEN_{3t-1} + \sum_{i=0}^{n} \beta_{5i} \Delta INTEREST_{4t-1} + \sum_{i=0}^{n} \beta_{6i} \Delta GFCF\_1_{5t-1} + \sum_{i=0}^{n} \beta_{7i} \Delta BOT\_1_{6t-1} + \beta_8 AGRIC_{t-1} + \beta_9 CPI\_1_{t-1} + \beta_{10} EXCH_{t-1} + \beta_{11} OPEN_{t-1} + \beta_{12} INTEREST_{t-1} + \beta_{13} GFCF\_1_{t-1} + \beta_{14} BOT\_1_{t-1} + \varepsilon_t$$

Where Δ is the difference operator while εt is white noise or error term. The bounds test is mainly based on the joint F-statistic whose asymptotic distribution is non-standard under the null hypothesis of no cointegration. The first step in the ARDL bounds approach is to estimate the six equations (6) by ordinary least squares (OLS). The estimation of this equation tests for the existence of a long-run relationship among the variables by conducting an F-test for the joint significance of the coefficients of the lagged levels of the variables. The null hypothesis of no co-integration and the alternative hypothesis which are presented in (Table) below as thus:

null hypothesis of no co-integration	alternative hypothesis	Equation
$\beta_8 = \beta_9 = \beta_{10} = \beta_{11} = \beta_{12} = \beta_{13} = \beta_{14} = 0$	$\beta_8 \neq \beta_9 \neq \beta_{10} \neq \beta_{11} \neq \beta_{12} \neq \beta_{13} \neq \beta_{14} \neq 0$	6

Two sets of critical values for a given significance level can be determined. The first level is calculated on the assumption that all variables included in the ARDL model are integrated of order zero, while the second one is calculated on the assumption that the variables are integrated of order one. The null hypothesis of no cointegration is rejected when the value of the test statistic exceeds the upper critical bounds value, while it is not rejected if the F-statistic is lower than the lower bounds value. Otherwise, the cointegration test is inconclusive. In line with Odhiambo (2008), the study obtained the short-run dynamic parameters by estimating an error correction model associated with the long-run estimates. The equation, where the null hypothesis of no cointegration is rejected, is estimated with an error-correction. The vector error correction model is specified as follows:

$$\Delta AGRIC_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i} AGRIC_{t-1} + \sum_{i=0}^{n} \alpha_{2i} \Delta CPI\_1_{1t-1} + \sum_{i=0}^{n} \alpha_{3i} \Delta EXCH_{2t-1} + \sum_{i=0}^{n} \alpha_{4i} \Delta OPEN_{3t-1} + \sum_{i=0}^{n} \alpha_{5i} \Delta INTEREST_{4t-1} + \sum_{i=0}^{n} \alpha_{6i} \Delta GFCF\_1_{5t-1} + \sum_{i=0}^{n} \alpha_{7i} \Delta BOT\_1_{6t-1} + \lambda ECM(-1) + \mu_t$$

$ECMt$−1 is the error correction term obtained from the cointegration model. The error coefficients ($\lambda 1$) indicates the rate at which the cointegration model corrects its previous period's disequilibrium or speed of adjustment to restore the long run equilibrium relationship. A negative and significant $ECMt$−1 coefficient implies that any short run movement between the dependent and explanatory variables will converge back to the long run relationship.

Data analysis and discussion of results

Unit root /Staionarity test result

The results of the Augmented Dickey Fuller (ADF) test obtained are as follow:

The Unit root test Result

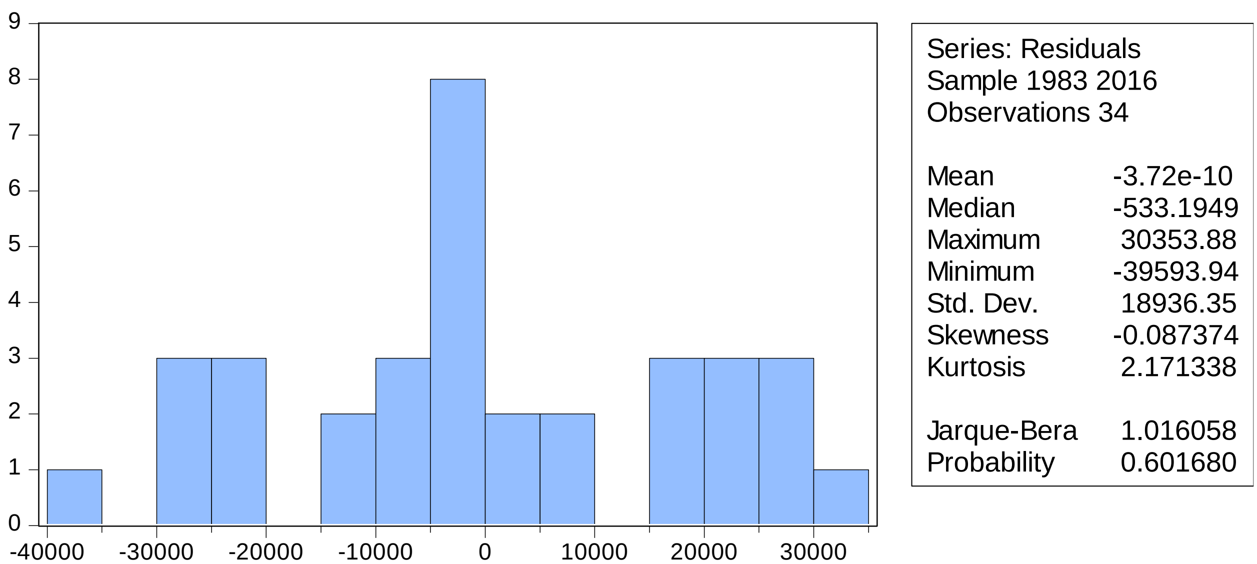
Variable	Level difference	Probability	Order of integration	First difference	Probability	Order of integration
AGRIC	1.898550	0.9996	I(0)	-5.586709	0.0001	I(1)
CPI_1	-6.452998	0.0000	I(0)	-2.196437	0.0292	I(1)
EXCH	-0.881013	0.3275	I(0)	-2.869475	0.0054	I(1)
OPEN	1.169961	0.9347	I(0)	-3.050247	0.0033	I(1)
INTEREST	0.844179	0.8887	I(0)	-2.477078	0.0148	I(1)
GFCF_1	0.969200	0.9086	I(0)	-8.346757	0.0000	I(1)
BOT_1	-0.127936	0.6327	I(0)	-4.490089	0.0000	I(1)

Source: Author's computation from the E-views result

From the table above the results shows that one of the variables (CPI_1) is stationary at level while all the other variables are non-stationary at level. This suggests the need to difference the series to obtain stationarity. At first difference, these variables are integrated of order one at 5% level of significance in ADF test procedure. Therefore a cointegration test is therefore conducted.

Normality Test

This is a test to indicate the normality of the error terms are normally distributed. It goes with the following decision rule: if the Jague Bera test is less that the X^2 (chi square) tabulated, then the error term is normally distributed otherwise it is not. The graph below shows the normality result obtained:



For the variable under consideration, the *chiy (2)* =- X^2 chi-square calculated = 1.016058 is less than the tabulated X^2 chi square (5.99441).we therefore conclude that that the error term of the variables are normally distributed.

Hetroscedasticity test

Under the heteroscedasticity test, we make the following assumptions: if the chi-square calculated is less than the chi-square tabulated, we accept Ho otherwise we reject. The Heteroscedasticity result obtained is presented below:

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.532903	Prob. F(23,10)	0.8975
Obs*R-squared	18.72374	Prob. Chi-Square(23)	0.7171
Scaled explained SS	0.948608	Prob. Chi-Square(23)	1.0000

For the variables under consideration, chi –square under 23 degrees of freedom chi square (23) = calculated = 18.72374, the chi-square (23) tabulated = 35.0.

DECISION: Since the X^2 calculated is greater than X^2 tabulated, we conclude that the error term of the variables under consideration are hetroscedastic.

Bound Auto Regressive Distributed Lag (ARDL) testing approach

Conducting the ARDL bounds test procedure, it is expected that the variables are I(0) or I(1), otherwise, the variable may be considered spurious. In the conduct of the ARDL test, we adopt the Augmented DickyFuller (ADF) test to determine the difference levels of the variables to find if they are I(0) and I(1) respectively. We therefore compute an F-statistics test procedure to test the long-run relationship in which the maximum lag length p is 3 in the ECM. The results for the bounds F-test is therefore presented as follows:

The ARDL Bound test result

ARDL Bounds Test

Date: 02/09/18 Time: 12:20

Sample: 1983 2016

Included observations: 34

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k
F-statistic	14.57830	6
Critical Value Bounds		
Significance	I0 Bound	I1 Bound

10%	2.12	3.23
5%	2.45	3.61
2.5%	2.75	3.99
1%	3.15	4.43

Source: Author's computation from the Eviews result

The Bound test result from the table above indicates that the underling ARDL model can be established to determine the long-run slope-estimated coefficients and the short-run dynamic-estimated coefficients. The ARDL(1, 3) is selected based on Akaike information criterion (AIC) , and the estimated results are shown in Table below:

Stability test

To ensure the goodness of fit of the model, diagnostic and stability tests are conducted. Diagnostic tests examine the model for serial correlation, functional form, non-normality and heteroscedasticity. The stability test is conducted by employing the cumulative sum of recursive residuals (CUSUM) and the cumulative sum of squares of recursive residuals (CUSUMSQ) suggested by Brown, Durbin and Evans, (1975). The CUSUM and CUSUMSQ statistics are updated recursively and plotted against the break points. If the plots of the CUSUM and CUSUMSQ statistics stay within the critical bonds of a 5 percent level of significance, the null hypothesis of all coefficients in the given regression is stable and cannot be rejected.

To further confirm the stability of the estimated ARDL model, we use the cumulative sum (CUSUM) and the cumulative sum of squares (CUSUMSQ) test method to examine the recursive residuals, which are shown in the figures below.

Figure1: the CUSUM test result

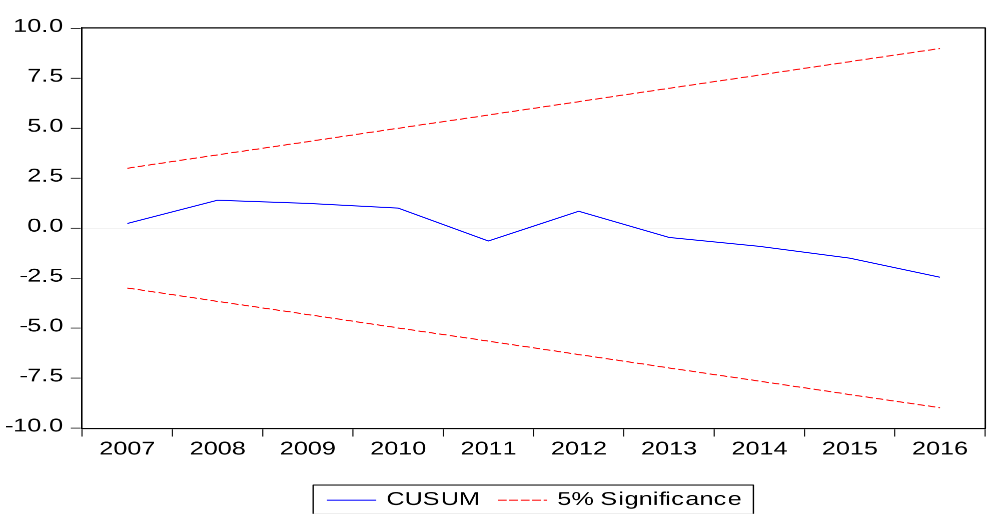
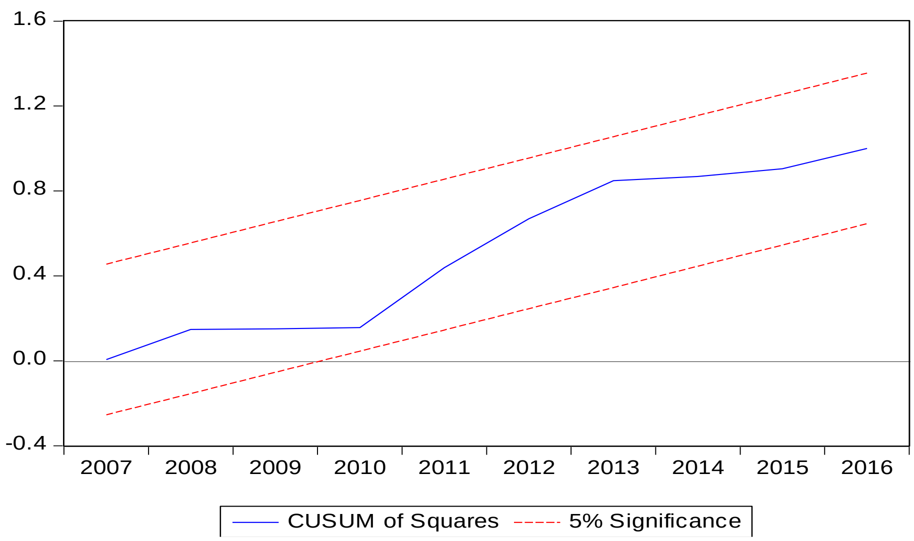


Figure2: the CUSUMQ test result



The straight lines represent the critical bounds at the 5% significance level. When the CUSUM and CUSUMSQ of the recursive residuals move outside of these two straight lines, the null hypothesis of instability is accepted. However, from the two figures the CUSUM and CUSUMSQ tests remain within the area restricted by the lines; thus, we reject the null hypothesis for CUSUM and CUSUMSQ and conclude that the estimated ARDL model is effective with stable recursive residuals.

Descriptive statistics

The Jarque-Bera (JB) test statistic was used to determine whether or not the monetary policy variables follow the normal probability distribution. The descriptive statistics for the variables under consideration are therefore presented as follows:

The descriptive statistics

	AGRIC	CPI_1	EXCH	OPEN	INTEREST	GFCF_1	BOT_1
Mean	150368.0	92.25324	67.46862	71.32816	45.01875	10262.58	1356508.
Median	11768.30	63.49000	21.88610	77.25000	11.75000	12.09000	326454.1
Maximum	832048.4	272.0600	158.5526	158.2420	1247.458	379236.9	4971688.
Minimum	268.1600	0.880000	0.544500	27.80000	3.720000	5.460000	-85562.00
Std. Dev.	261184.7	96.10664	65.08670	23.60764	203.2279	62343.97	1677285.
Skewness	1.67174	0.73689	0.24990	0.72132	5.82815	5.83333	0.77236

	9	0	4	5	4	3	2
Kurtosis	4.263202	2.107251	1.231141	6.541128	34.98855	35.02778	1.993204
Jarque-Bera	19.69427	4.577249	5.208784	22.54044	1787.003	1791.246	5.241371
Probability	0.000053	0.101406	0.073948	0.000013	0.000000	0.000000	0.072753
Sum	5563618.	3413.370	2496.339	2639.142	1665.694	379715.4	50190808
Sum Sq. Dev.	2.46E+12	332513.5	152506.0	20063.55	1486856.	1.40E+11	1.01E+14
Observations	37	37	37	37	37	37	37

Source: Author's computation from the Eviews result

From the result table above, the descriptive statistics indicates that from 1980 to 2016, the six of the variables show an averaged positive mean values from 1356508to 45.01875.The standard deviation showed that the highest standard deviation of (1677285.) is recorded by the BOT_1 while the least standard deviation of (23.60764) is recorded by OPEN. The skewness statistics from the table revealed that all the variables are positively skewed; the kurtosis coefficients showed that four of the variables are leptokurtic, suggesting that the distributions are high relative to normal distribution while one of the variables is mesokurtic, indicating not too flat topped and two other variable are platykurtic, indicating a flat topped.The probabilities of Jarque-Bera test of normality for the variables indicates that seven of the variables have values greater than 5% level of significance.

Correlation

Under the correlation test, we conduct the test to ascertain the degree of relationship that exists between the dependent variable and the independent variables. This is done using the correlation matrix .The relationships among the studied variables depicted in the model were tested using correlation matrix and the result presented below:

Correlation matrix

	AGRIC	CPI_1	EXCH	OPEN	INTEREST	GFCF_1	BOT_1
AGRIC	1.000000	0.791711	0.587102	0.458585	0.356421	0.360646	0.625149
CPI_1	0.791711	1.000000	0.917163	0.415735	-0.007192	-0.001525	0.845442
EXCH	0.587102	0.917163	1.000000	0.366275	-0.150545	-0.147527	0.776820
OPEN	0.458585	0.415735	0.366275	1.000000	0.630243	0.622014	0.445243
INTEREST	0.356421	-0.007192	-0.150545	0.630243	1.000000	0.999718	0.167443
GFCF_1	0.360646	-0.001525	-0.147527	0.622014	0.999718	1.000000	0.176334
BOT_1	0.625149	0.845442	0.776820	0.445243	0.167443	0.176334	1.000000

Source: Author's computation from E-views, 2018

The correlation result shows that all of the variables have positive relationships with the AGRIC. The relationships are actually at 79%, 58%,45%, 35%, 36% and 62% respectively. Hence we conclude that there exist no multicolinearity among the variables under consideration.

The ARDL dynamic regression result

Dependent Variable: AGRIC			
Method: ARDL			
Date: 02/09/18 Time: 12:15			
Sample (adjusted): 1983 2016			
Included observations: 34 after adjustments			
Maximum dependent lags: 3 (Automatic selection)			
Model selection method: Akaike info criterion (AIC)			
Dynamic regressors (3 lags, automatic): CPI_1 EXCH OPEN INTEREST GFCF_1 BOT_1			

Fixed regressors: C				
Number of models evaluated: 12288				
Selected Model: ARDL(3, 1, 3, 3, 3, 3, 1)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
AGRIC(-1)	0.239614	0.120113	1.994905	0.0740
AGRIC(-2)	-0.406485	0.127099	-3.198181	0.0095
AGRIC(-3)	0.489272	0.117011	4.181434	0.0019
CPI_1	-6191.414	1367.291	-4.528235	0.0011
CPI_1(-1)	8972.944	1318.516	6.805338	0.0000
EXCH	-2292.503	699.5297	-3.277206	0.0083
EXCH(-1)	1041.740	967.4717	1.076765	0.3069
EXCH(-2)	3474.234	1049.010	3.311916	0.0079
EXCH(-3)	-3574.466	783.1563	-4.564179	0.0010
OPEN	13501.66	2435.492	5.543708	0.0002
OPEN(-1)	7136.873	2494.652	2.860870	0.0169
OPEN(-2)	-2035.374	1677.545	-1.213305	0.2529
OPEN(-3)	-7179.725	1922.342	-3.734885	0.0039
INTEREST	-14105.94	3664.135	-3.849732	0.0032
INTEREST(-1)	-14064.85	5035.659	-2.793051	0.0190
INTEREST(-2)	-6912.367	4317.675	-1.600947	0.1405
INTEREST(-3)	-	3251.927	-3.635223	0.0046

	11821.48			
GFCF_1	39.09943	11.40133	3.429375	0.0064
GFCF_1(-1)	-25215.38	5192.542	-4.856076	0.0007
GFCF_1(-2)	23312.08	5084.310	4.585102	0.0010
GFCF_1(-3)	8506.531	4414.146	1.927107	0.0828
BOT_1	0.039093	0.017351	2.253054	0.0479
BOT_1(-1)	-0.097748	0.021944	-4.454492	0.0012
C	-299440.9	87173.76	-3.434989	0.0064
R-squared	0.995034	Mean dependent var		163568.4
Adjusted R-squared	0.983611	S.D. dependent var		268709.5
S.E. of regression	34399.60	Akaike info criterion		23.91747
Sum squared resid	1.18E+10	Schwarz criterion		24.99490
Log likelihood	-382.5969	Hannan-Quinn criter.		24.28490
F-statistic	87.11309	Durbin-Watson stat		2.154216
Prob(F-statistic)	0.000000			
*Note: p-values and any subsequent tests do not account for model selection.				

Source: Author's computation from the Eviews result, 2018

From the result above, the coefficient of AGRIC(-3) is positively signed and statistically significant at 5% critical level; also, the variables, CPI (-1) and GFCF_1(-2) OPEN ,EXCH (-2) and BOT_1 are positively signed and statistically significant at 5% critical level. It implies that, any unit change in the amount of agricultural output of the previous years will lead to 48% increases in the current year in Nigeria.

The coefficient of the variable INTEREST is negative. This result indicates that there is a negative relationship between interest rate, agricultural output in Nigeria during the period under review. Thus unit change in interest rate will lead to a decreases in the current agricultural output growth of the economy. Statistically, the F-statistic is 98.73039, and the probability of the null hypothesis for no significance in that regression is [0.000000]. The R^2 - (R-squared) which measures the overall goodness of fit of the entire regression shows the value as follows: 0.995034 = 99%, while the adjusted R^2 (0.983611)= 98%, shows that the independent variables explain the dependent variable to the tune of 98%. Also the Durbin Watson (DW) statistics DW = 2.154216 which is greater than the R^2 shows that the overall regression is statistically significance. Furthermore, the t-ratios for those regressors are also meaningful, and their probabilities are below α(0.05). Thus, the null hypothesis $\beta i = 0$ is rejected, and those regressors are significant even at a confidence level of 95%.

The short run effect of macroeconomic variables on the AGRIC productivity

There is long-run equilibrium relationship among the variables in the regression model; however, it is the short-run that transmit to the long-run. Thus, Error Correction Mechanism(ECM) is therefore used to correct or eliminate the discrepancy that occurs in the short-run. The coefficients of the explanatory variables in the error correction model measure the short-run relationship. The assumption of the ECM states that if two variables are cointegrated, then, there is error correction mechanism to revise instability in short term (Engle & Granger, 1987). ECM is used to see the speed of adjustments of the variables to deviations from their common stochastic trend. ECM corrects the deviations from the longrun equilibrium by short-run adjustments. This shows us that changes in independent variables are a function of changes in explanatory variables and the lagged error term in cointegrated regression. The ECM result is therefore presented below:

The short run error correction dynamics

ARDL Cointegrating And Long Run Form				
Dependent Variable: AGRIC				
Selected Model: ARDL(3, 1, 3, 3, 3, 3, 1)				
Date: 02/09/18 Time: 12:16				
Sample: 1980 2016				
Included observations: 34				
Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(AGRIC(-1))	-0.082787	0.094671	-0.874469	0.4024
D(AGRIC(-2))	-0.489272	0.117011	-4.181434	0.0019
D(CPI_1)	-6191.413714	1367.290656	-4.528235	0.0011
D(EXCH)	-2292.502979	699.529685	-3.277206	0.0083
D(EXCH(-1))	-3474.233744	1049.010246	-3.311916	0.0079
D(EXCH(-2))	3574.465768	783.156318	4.564179	0.0010
D(OPEN)	13501.655593	2435.491654	5.543708	0.0002
D(OPEN(-1))	2035.374430	1677.545120	1.213305	0.2529
D(OPEN(-2))	7179.724616	1922.341784	3.734885	0.0039

D(INTEREST)	-14105.937220	3664.135110	-3.849732	0.0032
D(INTEREST(-1))	6912.367098	4317.675156	1.600947	0.1405
D(INTEREST(-2))	11821.480444	3251.927083	3.635223	0.0046
D(GFCF_1)	39.099434	11.401328	3.429375	0.0064
D(GFCF_1(-1))	-23312.079834	5084.309616	-4.585102	0.0010
D(GFCF_1(-2))	-8506.530761	4414.146180	-1.927107	0.0828
D(BOT_1)	0.039093	0.017351	2.253054	0.0479
ECM(-1)	-0.677599	0.124042	-5.462654	0.0003
ECM = AGRIC - (4104.9786*CPI_1 -1993.7964*EXCH + 16858.6792 *OPEN -69221.7868*INTEREST + 9802.7423*GFCF_1 -0.0866*BOT_1 -441914.3725)				

Source: Author's computation from the Eviews result

In the short run result, the coefficient of the lagged variable of the dependent variable AGRIC (-2) shows the value, -0.489272. This implies that a decreases in the agricultural output of the previous year reduces the growth of the current year AGRIC in the short term. The equilibrium error-correction coefficient ECM (−1) is -0.677599 which has the expected negative sign. The error correction term here is negative and significant meaning that there is a long run causality running from independent variables to dependent variable. It also confirms that all the variables are cointegrated or have long run relationship. We can therefore states that 67 percent gap between long run equilibrium value and the actual value of the dependent variable (AGRIC) has been corrected. It can be also said that the speed of adjustment towards long run equilibrium is 67 percent annually. Its t-ratio is -5.462654, and the probability of the null hypothesis being true for zero is [0.003], which is significant even when α = 0.05. Thus, it can also be concluded that the adjustment is quite meaningful in the short-run ARDL relationship.

The long run relationship of the between the selected macroeconomic variables on the AGRIC

The long run relationship result

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CPI_1	4104.978635	593.252441	6.919447	0.0000
EXCH	-1993.796400	751.824983	-2.651942	0.0242
OPEN	16858.679191	5343.938806	3.154729	0.0103

INTEREST	-69221.786829	21837.382284	-3.169876	0.0100
GFCF_1	9802.742319	3433.704204	2.854859	0.0171
BOT_1	-0.086563	0.023075	-3.751454	0.0038
C	-441914.372547	126419.430681	-3.495621	0.0058

Source: Author's computation from the E-views result, 2018

The long-run elasticity of the independent macroeconomic variables contributing to AGRIC is 4104.978635 from 1980 to the present. Thus, we show that CPI, OPEN, GFCF have a positive effect on the agricultural output growth in the long run. This result is in line with apriori expectation with the exception CPI which was expected to be negative but turned positive after the analysis.

Conclusions

Agricultural sector plays a decisive role in economic growth and development. The sector is still the main engine or a contributor to gross domestic product (GDP). Through the Autoregressive-Distributed Lag (ARDL) approach, we find that there is a long- run relationship between agricultural productivity and macroeconomic variables, namely Consumer price index, Exchange rate, Openness, Interest rate, Gross fixed capital formation and balance of tradefrom 1980 to 2015. The results of bounds test show that all the variables examined are co-integrated in the long run. The result of ARDL approach shows that an increase in the exchange rate, interest rate and balance of trade will lead to a decrease in agricultural productivity in the long run. In other words, there exist a negative long-run relationship between exchange rate, interest rate and balance of trade variables and agricultural productivity. Conversely, the other variables: consumer price index, trade openness and balance of trade exert positive significant impact on agricultural productivity in the long run. Overall, the study concludes that the performance of the agricultural productivity is largely influenced by the selected macroeconomic variables. Thus, these findings suggest that if the farmers can really understand the linkages between macroeconomic variables and agricultural productivity the information can facilitate and boost agricultural productivity. This will further enhance the contribution of agriculture to gross domestic product (GDP) in Nigeria.

Based on the outcomes of this study the following recommendations are made.

- There isneed forgovernmenttoconsciously review downward the interest rate for agricultural sector borrowings from banks to enhance agricultural sector productivity especially in the face of dwindling oil resources in the economy.
- Thereis needforthegovernmenttofurther tighten monetary policiesinorderto fightvolatile exchange rate intheNigerianeconomy,sinceexchange rate have negativeinfluence on agricultural productivity inNigeria over the period.
- Government should impose more import restrictions on products that can be grown locally to serve as a cover to local agribusinesses e.g the ban on the importation of rice should be sustained to improve our economic trade balances.
- Government should consciously ensure that the business environment is further enhanced by maintaining minimal consumer price index, improving on the current trade liberalization tempo and

b y provision of necessary public capital infrastructure for sustainable capital formation and robust investment in agriculture.

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ROLE OF FINANCIAL INSTITUTIONS IN AGRICULTURAL DEVELOPMENT IN NIGERIA

ONYEBUENYI, FAITH ERINMA
Department of Financial Studies
Faculty of Management Sciences

National Open University of Nigeria
fnnanna@noun.edu.ng
erimmafaith@yahoo.com

Abstract
The aim of this study is to examine the role of financial institutions in agricultural development in Nigeria. Bank of Agricultural Limited (BOA) was used as a case for the study. The role of financial institution in agricultural development in Nigeria cannot be over emphasized, being that the financial sector is the gateway to every nation's economy development, growth and sustainability. The population for the study includes large and small scale farmers and the sampling method adopted for the study is the stratified random sampling in order to ensure adequate representation of the population. In order to achieve the objectives of the study, a number of hypotheses were formulated and tested. Samples of ninety four responses were collected and analyzed using the chi-square (x2) analytical tool. It was discovered that the fall in the agricultural sector was as a result of non-readily available bank credit to farmers by financial institutions. Also improper implementations and utilizations of bank credits when available due to ineffective policies formulation. Hence, it was recommended that financial institutions should reduce interest rate, employ qualified staff that will take care of the farmer's needs, extend the payback period of loans, organize enlightenment programmes, have data bank of farmer which will help the institutions plan for the farmers and encourage the farmers on banking habit.

*keywords:*agriculture, financial institution, bank of agriculture (BOA), economic policies, growth, development

Introduction
Financial sector is the gateway to every nation's economy development, growth, and sustainability. It has a great and important role to play in the development and financing of the agricultural sector in Nigeria. For any sector of the economy to function it must be financed properly. In recent times the main topical issue in Nigeria is that of agricultural development and its sustainability. Agriculture contributes immensely to the Nigeria economy in various waysnamely the provision of food for the increasing population, generation of foreign exchange earnings, employment for the populace, raw material for industries andmarket for industrial sector (World Bank, 2010; Food and Agricultural Organization, 2008)

Nigeria is endowed with natural resources large fertile farmland wide range of crops and rivers amongst others. Despite its abundant natural resources it is faced with a poor situation, the poor food situation is traceable to the decline in the agricultural sector. The problem of feeding and provision of natural resources is increasing by the day. However, several efforts are being made to improve the standard by the government through it policies and the involvement of the private sectors. Recently due to the growing awareness of the role that agriculture could play in the growth of the nation's economy, the governments have intensified efforts aimed at transforming the agricultural sector from its present subsistence level to a market oriented production. One of those efforts was the ban made on importation of agricultural products like palm oil, maize, beans and rice. This was done to encourage improvements on our production standard.

Over the years, the inability of the agricultural sector to expand and as well contribute, meaningfully to the growth of Nigeria economy was due to inadequate financing to improve on the situation that is facilitating agricultural credit. Also, the problem of rapid agricultural development in Nigeria indicates that efforts are directed at achieving expanded economic base of the rural farmers who were frustrated by the scarcity of and restrictive access to funds.

Before the discovery of oil in Nigeria, agriculture was the most important sector of the economy accounting for more than two-thirds of Nigeria's export earnings because it was properly funded. Agriculture started declining during the petroleum dollars and due to the lack of visionary leadership and proper planning for the sustainable and development of the agricultural sector by successive government, the gross domestic product [GDP] contribution of agricultural to the Nigeria's economy fell from 62% in the 60s, 48%in the 70s, 20% in the 80s and has continued to noise dive since then.

One of the reasons for the decline in the contribution of agriculture to the economy is the lack of formal national credit policy and paucity of credit institution which can assist farmers (CBN, 2010). Financing the agricultural sector is not just enough but policies from government must be put in place.The role of financial capital as a factor of production to facilitate agricultural growth and development as well as the appropriately channel to rural areas for agricultural development of the poor rural farmers cannot be emphasized.

Credit (capital) is viewed as more than just another resources such as labour, land, equipment and raw materials (Raji, 2010). Credit determines access to all of the resources on which farmers depend. Consequently, provision of appropriate macroeconomic policies and enabling institutional finance for agricultural development is capable facilitating agricultural development with a view to enhancing the contribution of the sector in the generation of employment, income and foreign exchange

The objective of the study is to determine the role of financial institution in agricultural development in Nigeria. This will specifically include:

1. to examine and evaluate the credit Bank of Agriculture limited (BOA) has granted the agricultural sector.
2. to ascertain how effective the credit granted by Bank of Agriculture limited (BOA) has played in the development of theagricultural sector.
3. to analyze the measures and program set by the government in abid to enhancing the agricultural sector.
4. to determine the influence of these measures at accelerating the growth rate of the agricultural sector.
5. to verify and establish ways by which the agricultural sector can be improved in the future.

Literature Review

There has been extensive theoretical and empirical research examining the role of financial institution in agricultural development both in the context of development and developing countries.

Raji(2010) used ordinary least square method in determining the impact of agriculture on Nigerian economy. He found out that the lack of adequate, accessible and affordable credit is among the major factors responsible for the system decline in the contribution to Nigerian economy. Osa-Afiana and Kelikume (2015) examined the impact of banking reforms and credit supply on agricultural sector: evidence from Nigeria. Using time series data sourced from World bank and Central Bank of Nigeria statistical bulletin, it reveals that both the banking sector reforms and credit supply to agricultural output proved to be very weak and insignificant because the allocation of credit, particularly by the monetary authorities or banking sector may not necessarily achieve the goal of the growth in the agricultural sector and urgent need for institutional and infrastructural reform to make the financing of the agriculture sector more productive.

Egwu (2016) used ordinary least square regression technique to examine the impact of Agriculture financing on Agricultural output, economic growth and poverty alleviation in Nigeria. The study reveals that commercial Bank Credit to Agricultural sector (CBCA) and Agricultural Credit Guarantee Scheme Fund (ACGSF) loan to Nigeria agricultural sector were significant to agricultural sector output percentage to gross domestic product the dependable variable, therebyalleviate the poverty rate and induced the economicgrowth in Nigeria, that there exist a long run relationship among the variable in Nigeria and that there is need for government to put in place policies to stimulate agriculture commercialization through cooperative system, agricultural subsidies and zero tariff for importation of agricultural inputs.

Eze *et al* (2010) examined agricultural financing policies and rural development in Nigeria, using government schemes, programmes and institutions budgetary allocations to agriculture. They found out that though the government has made serious effort at making good agricultural policies through schemes, programs and institutions. It has not been able to back them up with adequate budgetary allocations and financing coupled with corruption in the execution of the policies and that the government will need an adequate level of strategically targeted investment in agricultural, upgrade rural infrastructure, boost productivity and increase competitiveness of the farm output in addition to fighting corruption.

Nwankwo (2013) used ordinary least square method and quantitative research design to examined Agricultural financing in Nigeria: an empirical study of Nigeria Agricultural Cooperative and Rural development Bank (NACRBD). Observed that thereby is significant relationship between agriculture financing and the growth of Nigeria economy and that the level of loan repayment rate over the years has indeed negatively impacted significantly on the growth of Nigeria economy and that there is need to increase the level and size of NACRDB agricultural loan through the redirection of interest rate to allow for more economic development in the country.

Udoka et al(2016) in their study reveal that there was a positive and significant relationship between agricultural credit guarantee scheme fund and the agricultural production in Nigeria; it means that an increase in agricultural credit guarantee scheme fund could lead to an increase in agricultural production in Nigeria and that there was appositive and significant relationship between commercial credit to the agricultural sector and agricultural production in Nigeria. They further noted that the positive effect of agricultural credit guarantee scheme fund on agricultural production calls for the proper funding of the scheme by the government and there is the need for the government to continue to guarantee loans lent to farmers as this would encourage the banks to lend more to farmers.

Hypothesis

This study would be guided by the following:

1. Ho: The fall in the agricultural sector cannot be curbed through effective financing
2. Ho: Financial facilities are not made available by financial institutions to farmers.

3. Ho:Credit facilities have been ineffective due to the policies formulated and not their implementations and utilization.

Research Methods

They survey method shall be adopted for this study. Data and information from primary and secondary sources would be required to test the research hypothesis and solve the research problem. Questionnaire were used to elicit information be used for the study.Asample of farmers would be selected out of the population of farmers.

The descriptive and inferential statistics will be used to analyze data collected. The descriptive statistics will make use of tables, frequencies, and percentages while the inferential statistics on the other hand will make use of chi-square (x^2) test of independence and homogeneity to test the hypothesis. The chi-square formula is given as follows:

$X^2 = \frac{\sum(\boldsymbol{O}-\boldsymbol{E})}{\in} \mathbf{2}$

Where:

$X^2 =$ Chi square

$\sum$ =Summation of total values.

O= Observed frequency.

E= Expected frequency.

The degree of freedom is calculated as shown below

DF=(R -1) (C-1)

Where:

R= Number of row

C= Number of column

DF= Degree of freedom

Expected frequency (E) =$RowTotalxColumn \frac{total}{GroundTotal}$

In chi square, the decision is taken when:

If X^2 calculated exceed X^2tabulated, we reject Ho and accept Hi

If X^2 calculated is less than X^2 tabulated, we accept Ho and reject Hi

Analysis Of Data

Test of Hypothesis:

Ho: The fall in the agricultural sector cannot be curbed through effective bank credit.

Responses

Level of operation	Yes	No	Total
Large scale	22	6	28
Small scale	38	28	66
Total	60	34	94

Source: Field Work,2017.

To calculate expected frequencies.

E= row Total (RT) X Column Total (CT)/Grand Total (GT)

E_1= 28 x 60/94= 17.9

E_2= 28 x 34/94 =10.1

E_3 = 66 x60/94 =42.1

E_4= 66 x34/94 =23.

O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
22	17.9	4.1	16.8	0.94
6	10.1	-4.1	16.8	1.66
38	42.1	- 4.1	16.8	0.40
28	23.9	4.1	16.8	0.70
Total				3.70

Degree of freedom (df) Df =(R-1) (C-1)

Df =(2-1) (2-1) Df =1x1=1

At 0.05 significant level and 1df, the table value of $x^{2=}$ 3.84

Decision:
Since 3.70 <3.84, we accept the null hypothesis (Ho) and reject the alternative hypothesis (Hi) and therefore conclude that the fall in the agricultural sector cannot be curbed through effective bank credit

Hypothesis 2
Ho: bank credit and financial facilities are not made available by financial institution to farmers.

Responses

Level of operation	Yes	No	Total
Large scale	24	4	28
Small scale	45	21	66

Total	69	25	94

Source: Field Work, 2017.

To calculate expected frequencies

E = Row Total (RT) x column Total (CT)/Grand Total

E_1 = 28 x69/94=20.55

E_2 = 28 x 25/94= 7.45

E_3 = 66x69/94 =48.45

E_4 = 66 x25/94 =17.55

O	E	O-E	$(O-E)^2$	$(O-E)^{2/}E$
24	20.55	3.45	11.90	0.60
4	7.45	-3.45	11.90	1.60
45	48.45	-3.45	11.90	0.25
21	17.55	3.45	11.90	0.68
Total				3.13

Degree of freedom(df) Df =(R-C) (C-1)

Df = (2-1) Df =1x1 =1

At 0.05 significant level and 1df, the value of $x^{2=}$3.84

Decision
Since 3.13< 3.84, we accept the null hypothesis (Ho) and reject the alternative hypothesis (Hi) and therefore conclude that bank credit and financial facilities are not made available by financial institutions to farmers.

Hypothesis 3
Ho: bank credit facilities have been ineffective due to policies formulated and not their implementations and utilization.

Responses

Level of operation	Yes	No	Total
Large scale	23	5	28
Small scale	39	27	66
Total	62	32	94

Source: Field Work, 2017

To calculate expected frequencies

E = Row Total (RT) x Column Total (CT)/Grand total (GT)

E_1 =28 x62 /94 =18.47

E_2= 28 x32/94 =9.53

E_3 =66 x62/94 =43.53

E_4 =66 x32/94 =22.47

O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
23	8.47	4.53	20.52	1.11
5	9.53	-4.53	20.52	2.15
39	43.53	-4.53	20.52	0.47
27	22.47	-4.53	20.52	0.91
Total				4.64

Degree of freedom (df) Df =(R-1) (C-1)

Df=(2-1)(2-1)

Df =1x1 =1

At 0.05 significant level and 1df, the table value of x^2 = 3.84

Decision

Since 4.64 > 3.84, we reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi) and therefore conclude that bank credit facilities have been ineffective due to their improper implementation and utilization and not due to the policies formulated.

Findings

We also in the course of this study have found out that the government in its effort to help in financing agriculture and improving produce through new technology do not consider the socio-economic statue of farmers. The government withoutknowing imposes the new technology and financial practices on them to knowing that most of these farmers are not economically sound in terms of education to appreciate the new and improved technology. In hypothesis one, since 3.70 is lesser than X^2 =3.84, we accept the null hypothesis (Ho) and reject the alternative hypothesis (Hi) and therefore conclude that the fall in the agricultural sector cannot be curbed through effective bank credit. Bank credit alone cannot help to curb the fall in the agricultural sector, high interestsrates are also another factor which pushes the farmer from even considering a bank loan and so food production remains on the small-scale level. In cases where farmers take the loans they find it difficult to pay back over the years, interest rates have been between 15-30%, which the farmers say is high. There is also the problem of transportation, which affects the marketability of produce in the markets. This happens when in the course of transportation were costs are high or the vehicle is bad and breaks down on the way during which the product mighty get bad before getting to the market, transport cost could make the product expensive and thus lead to major losses. It was also discovered that loans are mostly granted to farmers on short term basis and when the formal institution were compared, it was found that the bank loans from the formal sources are higher than the of the informal sources. This is because the farmers indicated that those informal sources could not give loans up to N50, 000.

In hypothesis two, since 3.13 is lesser than x^2 = 3.84, we accept the null hypothesis (Ho) and reject the alternative hypothesis (Hi) and therefore include thank bank and financial facilities are not made available by financial institutions to farmers. Over the years there has been a steady decline in banks investment in agriculture especially by our indigenous banks, this is attributed to the risk involved in the trade of agriculture ranging from weather conditions to divergences of funds and hence low recovery rate of finances which affects the banks willingness to assist. There was also the discovery that were no enough loan officers or staff willing to supervise and follow up the farmers to monitor the use of funds for the farm operations. The inadequacy of financial institutions to cater for the needs of farmers is yet another problem of the agricultural sector; couple with this is the problem of collateral security demanded by banks.

And finally in hypothesis three 4.64 is greater than X^2 = 3.84, we reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi) and therefore conclude that bank credit facilities have been ineffective due to their improper implementation and utilization and not due to the policies formulated. Policies cannot be said to be the main problem of the agricultural sector in Nigeria, it is the implementation of those policies and the utilization of the funds made available through those polices that is the main problem. Most of the policies that have been adopted by Nigeria have been successful in other nations.

Conclusions

The role of financial institutions in agricultural development in Nigeria is an enormous one. Agriculture is not only important for food production and for the production of raw materials of different sectors examples of which are clothing, pharmaceutical, furniture etc. but also serves as foreign exchange earners for the country. In Nigeria agriculture has not been able to attain its full objectives and improper funding has beenidentified as one of the major problem. Banks have been called to allocate and release funds prescribed for the agricultural sector, penalties have also been enforced as regards the prescription against defaulting banks. The underfunding of agriculture with the imminent chain reaction of stagnation in agricultural in agricultural growth and development, manifestedin low productivity output levels, which translate in food and raw material scarcity, possible closure of industries and retrenchment of workers which could precipitate high levels of employment. This can be checked if the problems of lack of well-trained agricultural experts, insufficient loan, high interest and default rate, stringent conditions for loan approval and untimely disbursement of funds are summoned by banks.

From the research we can ascertain that banks credit and financial facilities are not made available to farmers by financial institution and even when banks make this credit available, the interest rate is on the high side. We also discover that the fall in the agricultural sector cannot be curbed totally through effective bank credit because credit alone cannot solve the problem the sector is facing. Furthermore policy formulation is not the problem agriculture is facing in Nigeria, the problem is the improper implementation of his policies and the improper utilization of funds made available.

In regards to the discoveries made above, the following recommendations are put forward:

Loan increase

- It is advisable to increase the amount of loans given to farmers to assist them adequately, considering the fact that increased input generally yields an increase in output.

- Banks and other formal credit institutions should de-emphasized the possession of securities and collateral before loans are given. The social rating of individual's credit worthiness which is measured by guarantors should be used to guarantee loans repayment.

Qualified staff

- This suggestion stresses the need the for qualified and skilled staff to assess, follow up and monitor the farmers and the investment loan given so as to help him pay back and make some profit.
- Bank and other formal credit institution should make it easier for the farmers to get loans without undergoing long processes which are usually in securing loans from their institution. Loans supervision should also be carried out to make sure loans are not used for other purpose.

Interest Rate Regulation – interest rate should be regulated and pegged at considerably low rate so to encourage farmers to take advantage of bank credit facilities.

Extension of payback period – considering the nature of agriculture as an occupation and trade, it would be in the interest of farmers for banks to extend payback periods; this would reduce the default rate and as well as increase productivity. Productivity will be increased because due to the short payback periods. Most farmers are forced to harvest before its due season causing losses; the farmers also end up borrowing from others and incurring debts which have the tendency of gradually putting them out of business.

Enlightenment programme– the banks should organize educational and enlightenment programme at all levels to educate farmers on matters concerning obtaining loans. Issues that could be discussed are loan defaults, divergence of loans and loan mismanagement and the effects it has on the government, banks and they the farmers.

Infrastructure– the government still has the duty of providing good infrastructure such as good roads, water and electricity which will assist the farmers in terms of transporting their agricultural produce , taking care of the crops and their storage.

Agricultural Data– presently, there is no reliable means of aggregating the financial needs of Nigeria farmers. Data would reveal problems as well as solutions to such problems. It is advised that an agricultural data bank should be set up to closely monitor the trend of agriculture by local, state and federal government.

Gross-Root financing agencies **–** grass-root financing agencies should be involved in channeling finances to the peasant farmers. Agricultural development institutions as well as commercial banks should strengthen their agricultural developments programmes.

Hire Purchase– the fear of diversion of funds to which creditors are susceptible to would be reduced if credit institutions could arrange for the farmers credit to be made directly to manufacturers and suppliers of farm machinery and equipment under a suitable repayment plan that would fit into the entire needs of the farmer.

Banking Habit– positive banking habits should be encouraged by banks, reducing delays in banks and the use of bonuses from time to encourage farmers to save their money in banks, which will sometimes serve as collateral if and when needed

Fund Channeling– The procedure of channeling funds to farmers through cooperatives should be examined to remove possible bottlenecks

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Conference theme 6:

FORENSIC ACCOUNTING AND CYBER CRIME

FORENSIC ACCOUNTING, LITIGATION SUPPORT AND QUALITY REPORT OF SELECTED QUOTED NIGERIAN COMPANIES

Adekola Adeola Adebayo[1]
and
Jimoh, Olushola R.[2]
Department of Accountancy
The Polytechnic, Ibadan,
Oyo state, Nigeria.
[1]deola_adekola1973@yahoo.com
[2]rojimt_78@yahoo.com

Abstract

The objective of this paper is to establish a nexus between forensic accounting, litigation support and quality reporting so that appreciable value could be attached to the effort of forensic accountants. The methodology was a time series data of selected concerns on the Nigeria Stock Exchange for 31 years and we performed requisite econometric test on the data. We were able to establish that a more transparent result would be imported into the financial statement based on the proxies for the variables. We concluded on the expertise of a forensic accountant whose invaluable experience would go a long way in enriching the financial statement. We recommend on the need for companies not to only see the need to engage forensic accountants when fraud has been perpetrated but to also engage them in an advisory capacity from time to time as this would double as a proactive mechanism in engendering checks to the betterment of the concern.

keywords: Forensic accounting, Litigation support, Transparent

Introduction

According to Hopwood, Young and Leiner (2013) Forensic accounting is the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law. Forensic accounting is also defined as the application of accounting, auditing and investigative skills in order to establish the actual position or state of affairs involving financial dealings. It is noticeable that forensic accounting is not limited to the use of financial investigations that result in legal prosecution; if this is the case the investigation and analysis must meet the standards required in the court of law that has jurisdiction. The increasing frauds and financial malpractices in corporate organizations have placed financial and accounting issues as top concern for both the international community and financial institutions. For instance we are not too quick to forget cases that involved Worldcom of USA, Enron of USA, Tyco of USA, Xerox of USA, Parmalat of Italy, Hih insurance of Australia,Waste management inc. Fraud of USA, Sunbeam of USA, Global crossing of Bermuda, Arthur Andersen scandal, Cadbury of Nigeria, Unilever Nigeria.

An outgrowth of the increasing frauds and financial malpractices in corporate organizations is the emergence in the recent times of Forensic Accounting, a specialty already taking advantage of these services. We are of the opinion that forensic accounting begins where auditing stops and not just forensic accounting existing to complement auditing. Every forensic accountant is an accountant but not every accountant is a forensic accountant the reason being that a forensic accountant is expected to be grounded in financials and legal. Litigation support is, essentially, the process by which accountants familiar with the commercial disputes provide consultation and advice to attorneys. Forensic accountants are better in financial analysis than the lawyers and this place them in a vantage position to be able to come up with a more reliable output than the ones from just notary public.In Nigeria, corruption, money laundering and other related crimes have assumed alarming proportions.

Pervasive mismanagement of resources has become the order of the day both in the public and private organizations. According to Okolo (2007), financial crime has become really pervasive and the likelihood of corporate fraud occurring has also become more severe. Quality reporting is the exhaustive exercise that a report is subjected to in terms of constructive criticism and disclosure of salient information for the consumption of stakeholders. The objective of study is to establish a nexus between forensic accounting, litigation support and quality reporting so that appreciable value could be attached to the effort of forensic accountants. The statement of the problem is predicated on the conscious or subconscious tendency of management to pursue self and other interest outside those of the shareholders. This indeed is the genesis of fraud and irregularities because compromise might subsist at some point in time. Other challenge stems from the sustainability of a seeming wonderful result that management might have showcased from time to time since it may be hard to prove that a management with glamorous track records is not vulnerable to errors, mistakes or even pursuing an undesirable exercise to the detriment of the concern.

Literature Review

Conceptual Framework

The conceptual framework is just a pointer on how quality reporting is believed would be driven by forensic accounting and litigation support so that value would be added to the firm. A forensic accountant would not just be auditing by the sampling technique of some transactions but would go a step further in testing all transactions so that by so doing the documentary evidence would suffice in litigation incase the process snowball into a court case. Although forensic accounting comprise litigation support and investigative skill in theory but in practice it is far more extensive to incorporate auditing, quantitative technique, finance, law .

Conceptual Review

The oxford Advanced learners English Dictionary (2000:548) defines Forensic as belonging to, used in, or suitable to a court of judicature or to the public discussion or debate. Forensic Accounting in the view of Howard and Sheetz (2006) is simply the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert witness. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation. From business, government, regulatory authorities, and the courts, evidence indicates that a high level of expertise is necessary to analyze current complicated financial transactions and that accounting has been thrown into the forefront of the crusade against financial deception (Rumaswamy, 2005). Bolgna and Linquist (1995) defined forensic accounting as the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of the rules of evidence. Manning (2002) also defined Forensic Accounting as the application of financial accounting and investigative skills, to a standard acceptable by the courts, to address issues in dispute in the context of civil and criminal litigation. In the view of Damilola and Olofinsola (2007), Forensic Accounting is the application of criminalities methods and integration of the accounting investigative activities and law procedures to detect and investigate financial crimes and related economic misdeeds. To them, Forensic Accounting is a highly technical and specialized area of practice within the principles and ethics of accounting profession. They further assert that it is not every Forensic Accounting engagement that ends up in the court of law.

According to Dada (2016) Forensic accounting is the special practice area of accountancy that describes engagements resulting from actual or anticipated disputes/litigation. Forensic accounting is based upon the scientific detection, interpretation and communication of evidences through a thorough investigating of books and records of an accounting system. It is considered to be an independent professional judgment, which can deliver findings as to accounts, inventories, or the presentation thereof that is of such quality and that would be sustainable in some adversarial legal proceeding, or within some judicial or administrative review.

The Need For Quality Reporting

Quality reporting is the essential ingredient that made a statement appeal to the various stakeholders. Financial statement exist to serve various interest and the integrity cum the competence that is imputed in the conduct is very germane to it's quality. Disclosure appears to be one of the tools that engender quality reporting and this is one of the reasons why Nigeria with some other countries of the world embraced International Financial Reporting Standards (IFRS). The disclosure nomenclature is one of the value proceeds that financial statements witness because contrary to what subsisted before we now have a robust reportage where detailed information of the state of affairs of the business is given for the general use of the various users of financial statement. To uncover financial statement fraud, the forensic accountant often analyses the financial statements by using ratio analysis and determining technique (Bhattacharya, 2010). Earnings per share as one of the fundamental elements of reporting could also be disclosed extensively apart from the fact that it exists as integral aspect of financial reporting. The eventual confidence by these various users might attract more interest into the firm, the growth and expansion of businesses to the best of my knowledge will lead to more employment opportunities to the qualified. Forensic accountants add value to the financial statement owing to the sumptuous expertise that is brought into the report. His knowledge of accounting, auditing, quantitative analysis, finance, computer and law are contributory tendencies of enriching and comprehensive income statement and statement of financial position.

Qualities Of A Forensic Accountant

According to Dada (2016) the following are the qualities of a forensic accountant

i) He should be analytically-minded and inquisitive, with “street smarts”.
ii) He should be able to think creatively or “outside the box”.
iii) He must be able to multitask and work well under pressure.
iv) He must be able to communicate complex financial concepts in a manner that is simple and easy to understand.
v) He should use his discretion at most times

vi) He must be astute in organization;

vii) He should be Confident

viii) He should have a Sound professional judgment

Litigation Support

According to ICAN(2016), forensic accounting comprise Litigation support and Investigative skills. Litigation support is, essentially, the process by which accountants familiar with the commercial disputes provide consultation and advice to attorneys. Litigation support provides assistance of an accounting nature in a matter involving existing or pending litigation. Litigation support is an appendage to forensic accounting which means an emanating report or analysis that is suitable in the court of law. On occasion in the corporate world, disputes between businesses arise. In the majority of cases, these issues can be easily resolved. However, in a few instances, it becomes necessary to manage the dispute through legal channels. In such cases, the advice of accountants versed in the legalities of commercial disputes can be essential. Litigation support is one of the most common reasons to hire a forensic accountant.. Civil and criminal procedures are especially important to the forensic accountant because they define the logical steps that are followed in investigations and criminal and civil litigation and forensic accountant can be called to participate in almost all of the major steps. For instance in a civil proceeding the forensic accountant could conduct the initial investigation , assist in preparing the plaintiff’s formal complaint, assist in pretrial discovery and testify in the court..

May we also stressed that for any report to be suitable for the court of law the input of a forensic accountant is very germane as they are better in financial analysis than an attorney who is majorly grounded on the legal perspective. Furthermore in a criminal proceeding the forensic accountant could also be in actual law enforcement officer who carries out the investigation, makes arrest, obtain subpoenas and warrants makes charging decisions , participate in plea negotiations and so on.

Steps To Forensic Accounting Work

According to Dada (2016) by combining several of these approaches, forensic accountants can obtain the information they are looking for. For example, the analysis may include all inventory purchases from a specific vendor for a specific period of time. Those purchases would then be compared to all purchases from all vendors for that same period of time or for the whole year, both in quantity and as percentages. Similarly, depending upon the nature of the engagement and investigation, it may be important for a forensic accountant to analyze related-party transactions, journal entries, and any transactions that relate to stockholders’ equity (or partners’ capital) accounts.

Preparing the analysis:In preparing an analysis; it is important for a forensic accountant to trace transactions from beginning to end and from end to beginning, and to review supporting documentation The beginning-to-end tracing may start with the request by the factory foreman for certain materials. The tracing would include requisition and inventory logs, the purchase journal, the accounts payable subsidiary ledger, the cash disbursements journal, and the general ledger. The documents related to that request might include the materials requisition, the purchase order, the warehouse receipts journal, the voucher payable, and the cancelled check.

In an end-to-beginning analysis, the same items would be reviewed, except in reverse order starting with the general ledger and working back to the materials requisition. The beginning-to-end analysis is necessary to determine the propriety of the transaction and to ensure that the items have been authorized and properly recorded. The end-to-beginning analysis assures the forensic accountant that all items recorded in the particular general ledger account are proper, that the individual items were authorized, that they belong to the entity, and that the goods or services were actually received.

With electronically generated books and records, a review of systems controls, backups, and logs is critical, as it is much easier for one to alter information today than when transactions were recorded in separate physical books. The need to obtain sufficient documentation to support certain analyses has not changed much, but the verification and documentation have become significantly more difficult. Reconstruction of books and records:At times, the forensic accountant may have to reconstruct books and records, or specific transactions, from whatever information is available. The specific information needed may not be readily available or may not be in a form that the forensic accountant needs or can use.

In reconstructing the books and records and performing the analyses discussed above, forensic accountants will look for information or evidence to support their assumptions. This information may be included in the books and internally generated records (e.g., inventory logs, purchase orders, sales and commission reports) or in the form of externally generated documents (e.g., bank statements and cancelled checks, leases, contracts, bills of lading).

Third-party verification and confirmation: At times, the forensic accountant may need to obtain third-party verification to confirm matters that arise during the investigation. These third parties may include vendors, customers, and banks. In some instances, the forensic accountant may need to conduct interviews, with various parties within and outside of the entity. Before conducting interviews, the forensic accountant should confer with counsel, because there are significant legal requirements and ramifications. It is important to use a forensic accountant trained and knowledgeable in investigative interviewing techniques and the related legal issues. Each Investigative and Forensic Accounting assignment is unique. Accordingly, the actual approach adopted and the procedures performed will be specific to it. However, in general, many assignments will include the steps detailed below.

Meet with the client
It is helpful to meet with the client to obtain an understanding of the important facts, players and issues at hand.

Perform a conflict check
A conflict check should be carried out as soon as the relevant parties are established.

Perform an initial investigation

It is often useful to carry out a preliminary investigation prior to the development of a detailed plan of action. This will allow subsequent planning to be based upon a more complete understanding of the issues.

Develop an Action Plan

This plan will take into account the knowledge gained by meeting with the client and carrying out the initial investigation and will set out the objectives to be achieved and the methodology to be utilized to accomplish them.

Obtain relevant evidence

Depending on the nature of the assignment this may involve locating documents, economic information, assets, a person or company, another expert or evidence of the occurrence of an event.

Perform analysis

The actual analysis performed is dependent upon the nature of the assignment and may involve:
Calculating economic damages
Summarizing a large number of transactions
Performing a tracing of assets
Performing a regression or sensitivity analysis
Utilizing a computerized application such as a spread sheet, data base or computer model
Utilizing charts and graphics to explain the analysis

Prepare the report

Often a report will be prepared which may include sections on the nature of the assignment, scope of the investigation, approach utilized, limitations of scope and findings and/or opinions. The report will include those schedules and graphics necessary to properly support and explain the findings.

Nexus between forensic accounting and litigation support

Forensic accounting report is seen to suffice in the court of law better than those from lawyers and the police force because forensic accountants are better in financial analysis than the other aforementioned persons (Dada, 2016). Their financial analysis prowess is due to a broaden horizon of knowledge and pedigree. In addition the all encompassing knowledge of forensic accountants which cut across auditing, accounting, finance, quantitative analysis and law make their report to be qualitative and of substantial value that can be relied upon. DiGabriele (2007) in ICAN (2011) provided a beautiful set of skills which the forensic accountant, auditor and investigator must possess. The skills are: deductive analysis, creative thinking, unstructured problem solving, investigative flexibility, analytical proficiency, oral communication, written communication, specific legal knowledge and composure.

Issues to consider when hiring a forensic accountant

first and foremost, it is of the utmost importance to consider the experience and qualifications of your forensic accountant. Ensure that whomever you hire has the experience necessary for dealing competently with your particular company and your particular legal issue. Secondly, it is important to hire your forensic accountant as early in the process as possible. The earlier your accountant is hired, the more help they will be able to offer. If retained early, your accountant can be extremely significant in reducing the overall cost and maximizing the benefits of the endeavour. They will also be able to help with the discovery proceedings and the identification of important areas for discussion during the dispute. Lastly, ensure that you work closely with your accountant. Be sure that both you and your legal counsel have communicated with your accountant to clearly define all expectations in terms of support engagement and the deliverables that can be expected.

Theoretical Framework

The Policeman Theory

This earlier theory before 1940s is based on the basic public perception that the auditor's job is to focus on arithmetical accuracy and on the prevention and detection of fraud. From the 1940s until the turn of this century, auditing was taken to mean the verification of truth and fairness of the financial statements. However, recent financial scandals such as those of Xerox, Tyco, HIH insurance, Waste Management, Sunbeam, Global Crossing, Enron and Arthur Anderssen, Worldcom, Parmalat, Cadbury and unilever Nigeria etc have resulted in careful reconsideration of this theory. The auditor is being increasingly required to detect and disclose fraud.

The Theory of Inspired Confidence

Developed by Limperg (1920) and this theory posits that the demand for audit services is the direct consequence of the participation of outside stakeholders (third parties) in the company. These stakeholders demand accountability from the management, in return for their contribution to the company. Since information provided by management might be biased, as a result of a possible divergence between the interests of management and outside stakeholders, an audit of this information is required. On the supply side (i.e. the level of assurance the auditor should provide), the auditor should act in such a way that he does not disappoint the expectations of a "rational outsider" while on the other hand, he should not arouse greater expectations in his report than his examinations justify. He should do everything to meet reasonable public expectations. The effort of the forensic accountant in an advisory capacity would further inspire the confidence of potential and actual stakeholders because they may be convinced that the professional touch of the forensic accountant is worthwhile.

Methodology

The methodology was the time series data of Cadbury Nigeria Plc between 1985 to 2016. Eviews econometric model was adopted and several test were performed. The three variables were proxied with reporting elements which to the best of our knowledge was considered reasonable for the purpose of the study.Analysis was made by Eviews having series of test such as , normality test ,diagnostic test, unit root test, johansen cointegration test and VECM model. We decided to Lag the independent variables because of the likely endogenous bias with the error term in terms of measurement error or inadequacies of the proxies.

Research Design

The research design is ex post facto design since we would more or less depend on the result of operation that has already occurred. We decided on a time series data for thirty one years for this study and in future we hope to also adopt a cross sectional and even panel data model of the same study thereby giving us the opportunity of doing comparison of the results.

Population Size

The population comprise all the companies quoted on the Nigerian stock exchange

Sample Size
Our sample of the quoted companies' reporting periods was restricted to time between 1985 to 2016**.** The perceived obsolescence of data in the early periods was the reason why we adopted a stretch of data to include the recent ones so that a fair conclusion could be established.

Method Of Data Collection
The time series secondary data of the company was extracted from the company's financial report for thirty one years with a view towards ascertaining the trends of activities overtime. The choice of time series data was on the premise that a trend of report of a company over a long period would speak volume in terms of the company's status than when fewer years is involved.

Operationalization Of Variables
Dependent Variable (Y_A) = Reporting Quality

Independent Variable (X_1) = Forensic Accounting

Independent Variable (X_2) =Litigation Support

Earnings Per Share (ES) disclosure = Used to proxy Quality report

Value Added Statement (VAS) Investigated = Used to proxy Forensic Accounting

Asset Turnover (AT) Investigated = Used to proxy Litigation Support

Model Specification
Using multiple linear regression: $Y = \beta_0 + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_4 X4 + et$

$Y = \beta_0 + \beta_1 VAS + \beta_2 VAS(-1) + \beta_3 AT + \beta_4 AT(-1) + et$

VAS = Value Added Statement Investigated

VAS(-1) = Lag variable of VAS

AT = Asset Turnover Investigated

AT(-1) = Lag variable of AT

Unit Root Test
The unit root test was to ascertain the stationary or otherwise of the dependent variable data as this is a pointer to the credibility of the eps data for future decisions. The requisite model is Augmented Dickey Fuller (ADF) and the test statistic guideline is that we reject the null hypothesis where Probability Value is less than 5% .

$\Upsilon Y_t = \beta_1 + ZY(t-1) + ai + et$ (equation i) Intercept only

$\Upsilon Y_t = \beta_1 + \beta_2 t + ZY(t-1) + ai + et$ (equation ii) Trend and Intercept

$\Upsilon Y_t = ZY(t-1) + ai + et$ (equation iii) No trend, No intercept

Hypothesis
H0: variable is not stationary or got unit root

H1: variable is stationary

Null Hypothesis: D(EPS) has a unit root
Exogenous: Constantc
Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.338335	0.0222
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(EPS,2)
Method: Least Squares
Date: 04/08/18 Time: 16:16
Sample (adjusted): 1987 2016
Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EPS(-1))	-1.310211	0.392474	-3.338335	0.0025
C	-0.568015	0.663067	-0.856648	0.3992

R-squared	0.292165	Mean dependent var	-0.579310
Adjusted R-squared	0.265949	S.D. dependent var	4.167616
S.E. of regression	3.570679	Akaike info criterion	5.449861
Sum squared resid	344.2432	Schwarz criterion	5.544157
Log likelihood	-77.02298	Hannan-Quinn criter.	5.479393
F-statistic	11.14448	Durbin-Watson stat	1.253418
Prob(F-statistic)	0.002469		

The above result shows that the eps as a dependent variable does not have unit root and as such the eps data could be relevant for long term decision by the management and other stakeholders.

Test For Serial Correlation

Diagnostic Test For Serial Correlation
The essence is to establish the relationship between the time series data overtime i.e. Comparing the data for one year with the rest of other years in terms of their semblance.

Hypothesis
H0: Model does not have serial correlation (auto correlation)

H1: Model have serial correlation (auto correlation)

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.628577	Prob. F(2,21)	0.2200
Obs*R-squared	3.759728	Prob. Chi-Square(2)	0.1526

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 04/07/18 Time: 12:42
Sample: 1986 2016
Included observations: 28
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.696466	2.928922	-0.237789	0.8143
AT	-0.047082	2.283297	-0.020620	0.9837
AT(-1)	0.796034	1.989340	0.400150	0.6931
VAS	1.70E-10	2.62E-10	0.647986	0.5240
VAS(-1)	-1.55E-10	2.47E-10	-0.628085	0.5367
RESID(-1)	0.495939	0.625752	0.792548	0.4369
RESID(-2)	-1.073774	0.623630	-1.721813	0.0998

R-squared	0.134276	Mean dependent var	-1.27E-16
Adjusted R-squared	-0.113074	S.D. dependent var	3.396898
S.E. of regression	3.583806	Akaike info criterion	5.603046

The above result shows that the variables does not have serial correlation and this could be very useful under the situation where management needs to make decisions based on a non repetitive data overtime as this might engender rational step at the end of the period

Johansen Cointegration Test

The essence of this test is to ascertain the long run association or equilibrium of the series. We need to know whether the variables will move together in future.

Date: 04/08/18 Time: 16:03
Sample (adjusted): 1987 2016
Included observations: 26 after adjustments
Trend assumption: Linear deterministic trend
Series: EPS AT VAS
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None	0.429014	22.95828	29.79707	0.2481
At most 1	0.273152	8.388115	15.49471	0.4249
At most 2	0.003575	0.093121	3.841466	0.7602

Trace test indicates no cointegration at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None	0.429014	14.57017	21.13162	0.3202
At most 1	0.273152	8.294993	14.26460	0.3495
At most 2	0.003575	0.093121	3.841466	0.7602

This means all the series have long run association as evident in the above test. Both trace test and Maximum Eigenvalue suggest that all the variables are co-integrated, therefore the golden rule is that if series are co-integrated then we can run the Vector Error Correction Model (VECM) i.e. unrestricted VAR.

Vector Error Correction Model (Vecm)

This is a test on the long run causality of the variables in the long and short run, but for the purpose of this study emphasis was focused on the long run causality of the variables.

Dependent Variable: D(EPS)
Method: Least Squares
Date: 04/10/18 Time: 18:33
Sample (adjusted): 1988 2016
Included observations: 25 after adjustments
D(EPS) = C(1)*(EPS(-1) - 2.3823268579*AT(-1) + 1.1299860717E-

10*VAS(
-1) + 0.70441613804) + C(2)*D(EPS(-1)) + C(3)*D(EPS(-2)) + C(4)
*D(AT(-1)) + C(5)*D(AT(-2)) + C(6)*D(VAS(-1)) + C(7)*D(VAS(-2)) +
C(8)

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1.756362	1.074658	-1.634345	0.6545
C(2)	0.669697	0.987103	0.678448	NA
C(3)	0.467087	0.845601	0.552372	0.5879
C(4)	-1.747567	2.475796	-0.705861	0.4898
C(5)	-0.828133	2.335190	-0.354632	0.7272
C(6)	2.69E-10	4.09E-10	0.658716	0.5189
C(7)	2.28E-10	3.72E-10	0.611830	0.5487
C(8)	-0.783658	0.851060	-0.920803	0.3700

S.E. of regression	4.147485	Akaike info criterion	5.937219
Sum squared resid	292.4277	Schwarz criterion	6.327259
Log likelihood	-66.21524	Hannan-Quinn criter.	6.045399
Durbin-Watson stat	1.548240		

The interpretation is that since C(1) is negative from the above study there is long run causality among the variables tested.

The unit root test of the dependent variable EPS show the variable does not have unit root meaning the eps is stationary as such could be used for future decision making of management and stakeholders. This led us into a diagnostic test for serial correlation where it became evident that our variables were devoid of serial correlation as such could be adjudged as reliable and johansen test for co integration on the long run association of the variable was performed. We eventually concluded via the Vector Error Correction Model (VECM) to ensure the long run causality of the variables. It was evident that the time series data having been subjected to series of test could be used to advice management where rational decision is to be taken by management.

Conclusions

The various tests conducted suggest that quality reporting will be driven by the quality of forensic accounting conducted and the litigation support in terms of the documents that will be tenable as evidence in the court of law. There is no doubt the fact that the job of a forensic accountant is all encompassing, also their services to organizations is inevitable as far as having a credible report is concerned. It is therefore essential for stakeholders to engage more in the trainings of personnel and nurturing new forensic accountants because of the enormous responsibilities that they have to shoulder, also companies should not only see the need to engage forensic accountant when fraud has been perpetrated but to also engage them in an advisory capacity before the occurrences of fraud. As much as we engage in practices that will illuminate the confidence of stakeholders about a concern such businesses are adjudged to thrive as no threat to their existence is feasible at that time. And lastly forensic accounting is just a means to an end and not an end in itself which means integrity, objectivity and probity should not be sacrificed for forensic exercise no matter the quality.

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Conference theme 7:

ISSUES IN PUBLIC SECTOR ACCOUNTING AND ACCOUNTING

ACCOUNTABILITY AND PUBLIC SECTOR ACCOUNTING IN NIGERIA: EVIDENCE FROM OYO STATE MINISTRY OF FINANCE

OLANIYI, Oladimeji Bukola

Department of Accountancy
The Polytechnic, Ibadan, Nigeria.
bukkyoladimeji@gmail.com

Abstract
This study investigated the Nigerian public sector accounting and accountability. Specifically, It ascertained the extent to which the issues in the public sector accounting influence the accountability in Nigerian public sector .Data used in this study were gathered through questionnaires administered to the staff of the Oyo State Accountant –General's office based on the issues relating to public sector accounting and accountability in the state. Simple percentage, mean score and Pearson's product moment correlation through SPSS were used to analyze the data gathered. The study revealed that accountability among the public officers in Nigeria is very poor due to the issues and problems associated with public sector which are: inefficiency of accounting and internal audits, using of untrained personnel ,poor technical skills among most of the accountants, subsequent delay in the preparation of accounts in the public sector .Based on the result of findings, public sector accounting and auditing standard must be improved ,there is need for upgrading the skills of accounting and auditing personnel .Public accounting committees must be restructured to ensure internal mechanisms for enforcing accountability .If these recommendations are strongly considered they will go a long way in ensuring optimum accountability and good governance in the country.

Keywords: Public sector, public sector accounting, internal audits, public accounting committees, auditing personnel and accountability.

Introduction
The low level of accountability and transparency in accounting, financial reporting and management in the public sector in Nigeria engenders a high level of corruption. The public sector in Nigeria has witnessed setbacks largely due to accounting errors, ineffective and inefficient management as most of the public enterprises have failed to function on the purposes for which they were established (Esu & Inyang, 2009). Public accountability is the assurance of modern democratic governance. Democracy remains a paper procedure if those in power cannot be held accountable in public for their acts and omissions, for their decisions, their policies, and their expenditures. Public accountability, as an institution, therefore, is the complement of public management". Iyoha & Oyerinde (2009), "Accountability has thus, become of essence because the keys to creating wealth and maintaining a free society have been recognized to lie primarily in the same direction. Both require that broad-based systems of accountability be built into the governance structures of government institutions as well as business corporations". In the private sector,

the significance of quality financial reporting has been well established and the recent financial and economic crisis indicates the need for good quality financial reporting in the public sector. One of the implications of this crisis is the shift of significant financial risks in many countries from the private to the public sector. Heiling (2011) noted that there is a need for governments to maintain quality accounting and reporting systems that are able to accurately reflect these risks. Quality financial reporting which contains all of the public sector's revenue and expenditure are responsible for formulating financial and economic policies, effective coordination of Government financial operations and management of budget control leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

Accounting and Financial reporting in the public sector is important to help achieve political and economic stability by ensuring government revenue is not wasted, and is managed and spent efficiently, effectively and transparently; and most importantly that it is appropriately spent on health care, education, transport and infrastructure. Compliance to meaningful accounting principles enhances fiscal discipline, unite system efficiencies, reduce the likelihood that scare resources are dissipated because of poor controls and provides more relevant information for better informed decision making. The purpose of Public Sector Accounting and Financial Reporting is to provide useful financial information to the users of the information. Information must have certain characteristics in order for it to be useful for decision making such as relevance, reliability, comparability and understandability. Financial reporting might be internal: presented to management for specific purposes, or external: presented to stakeholders for general purposes.

In Nigeria today, public sector accounting is a very serious challenge to the nation economy due to the corrupt society. This is because the financial records do not reflect the true and fair view of the accounting records. There are a number of collaborations in the utilization of public funds to the extent that funds apportioned through the budget are not properly utilized. The annual budget for the public (government) income and expenditure are always presented late. Whatever is the position with timeless of delivery, these budget are never reviewed in time and deviations are not investigated to ensure prompt remedial action which will re-direct and re-orientate plans towards budgeted levels. Public sector accounting in Nigeria is associated with the problems of delay in receiving reports from out stations which subsequently delay the preparation of financial report, inability to disclose actual values of expenditure due to lack of technical skills amongst the accountants in the various sub-sectors, using of untrained personnel to do the accounting tasks, inefficiency of accounting and internal audit etc.

From a diagnostic survey conducted in 2001 into the Federal Government public procurement, it was revealed that "Nigeria lost several hundred billions of Naira over the last few decades due to flagrant abuse of procedures, monumental corruption, lack of transparency and merit in the award of contracts in the public sector and accountability quandary (Uremadu, 2004). Based on the aforementioned problems, the study was aimed to examine the problems that associated with public sector accounting in Nigeria, measure the extent to which accountability of public officers benefit public sector in Nigeria and ascertain the factors that responsible for accountability of public officers in Nigeria.

Literature Review

Concept of Accountability

Accountability is all about being answerable to those who have invested their trust, faith, and resources to you. Adegbite (2010) defined accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and or/plans. It means doing things transparently in line with due process and the provision of feedback. Johnson (2004) says that public accountability is an essential component for the functioning of our political system, as accountability means that those who are charged with drafting and/or carrying out policy should be obliged to give an explanation of their actions to their electorate.

Premchand (1999) observed that the capacity to achieve full accountability has been and continues to be inadequate, partlybecause of the design of accountability itself and partly because of the widening range ofobjectives and associated expectations attached to accountability. He further argues that ifaccountability is to be achieved in full, including its constructive aspects, then it must bedesigned with care. The objective of accountability should go beyond the naming and shamingof officials, or the pursuit of sleaze, to a search for durable improvements in economicmanagement to reduce the incidence of institutional recidivism. The future of accountabilityconsists in covering the macro aspects of economic and financial sustainability, as well as themicro aspects of service delivery. It should envisage a three-tier structure of accountability: that of official (both political and regular civil employees), that of intragovernmental relationshipsand that between government and their respective legislatures.

Importance of Accountability

This is imperative as the citizenry, no doubt, has a right to know, a right to receive openly declared facts and figures which would enable them to debate and decide the fate of their elected representatives. Accordingly, Auccoin and Heintzman (2000) see accountability as a democratic means of monitoring and controlling government conduct which prevents the development of concentration of power and enhancing the learning capacity and effectiveness of public administration.

The preceding assertion draws attention to two major significances of accountability which are democratic control and checks and balances. From a democratic perspective, it is the basis of any strong democracy as people can call upon any public office holders to account for their stewardship (Mulgan, 2003). From the perspective of checks and balances, accountability is important as it prevents corruption and abuse of office as no one has absolute power. Both perspectives are relevant to Nigeria in the sense that the country is currently democratizing and requires strong institutions and structures to support the process.

Bovens (2006) explained that the remedy against an overbearing or corrupt government is the organization of institutional countervailing power, such as independent judicial power or a chamber of audit put next to the parliament and political officials and giving them power to request that account be rendered over any particular aspect of activity on which the government has influence and control. In reaction to such perceived situations, many western democracies are yearning for more direct and explicit accountability relations between public agencies on the one hand and clients, citizens and civil society, including the media, on the other hand (McCandless, 2001).

Accountability in Public Sector

The government plays a leading role in shaping and development of any nation and given their explicit importance, it is necessary to provide a suitable framework to enable the achievement of this noble-role. This is accomplished through the apparatus public administration, a field which refers to the manner in which Federal, State, and Local institutions with their procedural, legal, regulatory, financial, human resources and asset aspects are organized, institutionalized and managed with respect to regulatory, revenue generation, spending and procurement functions, and the provision of such services as defense, social services, and economic infrastructure" (Mhome, 2003). One key component of public administration is financial management. McKinney and Howard (1979) stated that financial management is a critical management function that fuels the engine of the public administration and can be considered in three areas: (a) Determining fiscal policies whereby political or community leaders identify programmes of priority and try to fund them through appropriations. (b) Providing accountability by ensuring that public funds are spent for the purposes intended and (c) Instituting the required organizational structures and controls to effectively carryout the fiscal duties and responsibilities.

Objectives of Public Sector Accounting

Accounting is the book keeping that enables one to keep track of one's assets, liabilities, capital, income and expenditure. In accounting, the public sector consists of the government, governmental organizations, parastatals and non-governmental organizations among others. Therefore, accounting of the aforementioned organizations is referred to as Public Sector accounting. The main objectives of public sector accounting according to Ofordile (2013) are:

(i) To determine the legitimacy of transactions and their compliance with the statutes and accepted norms. Public sector disbursement should accord with the provisions of the appropriation Acts and Financial Regulations.

(ii) Providing Evidence of Stewardship: The act of rendering stewardship is being able to account transparently and diligently for resources entrusted. Government operators are obliged to displace due diligence and sense of probity in the collection and disposed of public funds.

(iii) Assisting Planning and Control: Mapping out plans prevents organizations from drifting. Control measures are adjusted to skillful planning plans of actions provide focus of activities which are being pursued. The incidence of unforeseen is built into plans so as to prevent or at least reduce corporate failures.

(iv) Public sector establishment must act in accordance with the mandate theory of governance.

(v) Ensuring Objectivity and Timely Reporting: The users of public sector accounting such as the executives (President, Governors, Chairman of Local Government Council, Federal Ministers and State Commissioners, National Assembly,members of the public) are anxious to bridge their knowledge gaps of what the Government is doing. They will treasure prompt, timely and accurate statistics to evaluate the performance of Government.

(vi) Evaluating the costs incurred and the benefit derivable: It is difficult to measure costs and benefits in financial terms in public sector organizations. The comfort of the citizens is the key and paramount issue. The analysis of cost-benefit assesses the economic and social advantages (i.e. benefit) and disadvantages/inconvenience (cost) of alternative of actions.

(vii) Other objectives of public sector accounting includes: a. Providing the means by which actual performance may be compared with the budget or target set. b. Providing the details of outstanding long term commitments and financial obligations c. Proffering solutions to the various bottle necks and problems identified. d. Ensuring that costs are matched by at least equivalent benefits accruing. e. Identifying the sources of funding capital projects. vi.

Evaluating the economy, efficiency and effectiveness with which Public Sector Organization Pursue their goals and objectives.

Overtime, different researchers (Oshisami, 1989; Asobbie (1991); Olson 1993; Bovens, 2006; Achua, 2009.) have considered in their research work the nature of Accountability. However, Bovens (2006) is of the opinion that Accountability takes the following form

i. Organisational Accountability: This is a situation where superior officers ask the subordinate to account for their assignments or activities.

ii. Political Accountability: This is the focus of this paper. This type of accountability is concerned with the elected representative, political parties and Public office holders. This is the situation where elected representatives or appointed ministers are required to give account of their activities during their tenure in office.

Political Accountability usually manifests itself in the concept of individual ministerial responsibility, which is the cornerstone of the notion of responsible government. In parliamentary system with ministerial responsibility and a general civil service, for instance, as in Britain and the Netherlands, Political Accountability is usually exercised indirectly through the minister. Public office holders and heads of agencies also appear before parliamentary committees to account for some of their activities. In the Presidential settings such as in the United State of America or Nigeria, Public officers and head of agencies are responsible to the public and the National Assembly.

iii Legal Accountability: Under this, the Public officers can also be summoned by courts to account for their acts, or on behalf of the agency as a whole. The Parliament and the judiciary act as legal accountability. The Parliament holds the executive politically accountable, while the judiciary holds the executive legally accountable.

iv Professional Accountability: Professionals also take appointment as public servants; such Professionals include: Chartered Accountants, Doctors and Engineers. These professionals belong to one association or the other and they are to act in compliance with their ethics and code of conduct. They are also accountable to both the public and their professional body.

Furthermore, Omolehinwa (2001) in his Research work during the military regime in Nigeria discovered that the practice of public accountability is at the lowest ebb. He further concluded that the public officers have no regard for public accountability. Public money were disbursed without the knowledge of the Minister of Finance, he cited (Ani, 2000) that "the Minister alleged that it was only after the death of the then military leader in June 1998 that he discovered that about US$450 Million had been withdrawn from the Central Bank between January and May 1998 without the knowledge of the Minister of Finance."

He substantiated the infectivity of public accountability during the Military era by saying that:
"*Not only were the accounts of the last five years of Military rule not available as at end of the last millennium, the accounts that were rendered cannot be regarded as reliable because there is no relationship between the figures given by the Central Bank and Ministry of Finance"*

Research gap

The various literatures from empirical have given insights on the accountability and of public officers in the management of the financial resources of the country. Some scholars studied accounting infrastructure and accountability in Nigeria, accountability and financial reports, financial report as one of the best indices of accountability. Therefore much has not been assessed from the perspective of the problems of public sector accounting system and accountability of public officers in Nigeria. This gap hence requires to be filled. This research aims to contribute to this knowledge and with an emphasis on accountable of Nigerians public officers

Methodology

The data for this research was collected through the administration of structured questionnaire. Population of this study is made up of all employees in the public sectors in Nigeria and sample frame was drawn from Ministry of Finance specifically on Accountant and Auditor General Offices). Out of the 120 questionnaires that were administered to the management staff of the selected organs in the Ministry of Finance, 84 questionnaires with valid responses were returned and analyzed. The instrument consisted of a 13 - term survey questionnaire with a - 4 Likert scale response options. Strongly Agree (4), Agree (3), Disagree (2), and Strongly Disagree (1). The employed data collection method is chosen because it enables conclusion and reports to be draw easily from the respondents when dealing with quantitative data. The validation of the questionnaire was done through the use of expert in public finance/administration and a pre- test reliability determination yielded stability co-efficient of 82% which was considered well enough for the study. The work experience, job status and educational attainments of the respondents were considered when the questionnaires were being administered on the respondents. Data were analyzed through the use of Statistical Package for Social Sciences (SPSS). Pearson Product Moment Correlation method was used to confirm the hypotheses of the study, using the mean score obtained from the research questions in the questionnaires administered. Hypotheses were tested at 5% level of significance.

Data analysis procedure

1.The four likert scales SA, A D and SD are used with respective grades (points) 4, 3, 2 and 1 as, the multipliers of each response from the respondents (f_4, f_3, f_2, f_1,)

2. The Cut off Score is obtained as $= \frac{\text{Sum of the Grades}}{\text{Number of Grades}} = \frac{4+3+2+1}{4} = 2.5$

The calculated mean score below the cut off (2.5) is Disagreed and the one that is equal or greater than the cut off (2.5) is Agreed

Theoretical Review

At Nigerian independence in 1960, the country inherited a civil service system that was primarily designed and equipped to serve the housekeeping function of maintaining law and order and the provision of basic amenities (Abu & Abdullahi, 2010). The management and administration of public finances were centered on the basic objectives of ensuring accounting control and accountability particularly in the conduct of the daily financial transaction of the government. Political independence, however, brought with it greater and more profound challenges especially for national development, a task which the inherited system of financial administration was found to be grossly incapable of facilitating (Adegbite, (2010).

According to Coker (2010), the various approaches to accountability based on the language of account can be grouped into:

1 Process based accountability: this approach measures compliance with pre-set standards and formally defined outcomes. This includes fiscal and managerial accountability with reliance on the use of accounting methodologies.

2 Performance based accountability: this approach measures performance against broad objectives. This measure may be qualitative and the criteria against such performance are measured less precisely. Adegbite (2010) also noted that there are three pillars of accountability, which UNDP tagged ATI (Accountability, Transparency, Integrity). Accountability is segmented into:

i. Financial accountability: the obligation of anyone handling resources, public office or any other position of trust, is to report on the intended and actual use of the resources or of the designated office.

ii. Administrative accountability: this type of accountability involves a sound system of internal control, which complements and ensures proper checks and balances supplied by constitutional government and an engaged citizenry. These include ethical codes, criminal penalties and administrative reviews.

iii. Political accountability: this type of accountability fundamentally begins with free, fair and transparent elections. Through periodic elections and control structure, elected and appointed officials are held accountable for their actions while holding public office.

iv. Social accountability: this is a demand driven approach that relies on civic engagement and involves ordinary citizens and groups exacting greater accountability for public actions and outcomes.

The basis for accountability and the efficiency of public sector expenditure in Nigeria is entrenched in a number of conceptual and institutional (or legal) frameworks (Ijeoma, 2014; Izedonmi & Ibadin, 2013; Owolabi, 2013). Conceptual framework is the heart of the efficiency of public sector expenditure; it spells out government accounting principles and conventions, which forms the basis for the preparation of budgets, financial statements and audits (Ijeoma, 2014).

According to Izedonmi and Ibadin (2013), the legal and institutional framework (such as the Constitution of the Federal Republic of Nigeria, 1999, the Finance (Control & Management) Act, 1958, the Fiscal Responsibility Act, 2007, the Audit Ordinance No. 28, 1956 and the International Public Sector Statement of Accounting Standards) formed the background for developing financial regulations, treasury and financial circulars used in measuring the level of accountability in Nigeria. The Constitution contained provisions for managing government funds, external controls for operating the accounting system, and procedures for annual appropriations (Oshisami, 1992; Owolabi, 2013). The Finance (Control & Management) Act 1958 regulates the accounting system adopted for preparation of government financial reports (Izedonmi & Ibadin, 2013). In the words of Izedonmi and Ibadin (2013), it is clear that the most important aspect of Finance (Control and Management) Act of 1958 is the fact that it specifically provided for the use cash accounting basis in the preparation of government accounts. The Audit Ordinance Act, 1956 as amended by Audit Act 1988 provided for the audit and accountability for the public funds by the government in Nigeria. The Act sets out the duties of the Auditor-General for the federation and timing for audit and presentation of audited financial statements to the public (Izedonmi & Ibadin, 2013).

A considerable body of literature has developed on accountability in Nigeria, particularly in examining the nature of government accounting and the efficiency of public sector expenditure (Izedonmi & Ibadin, 2013; Ngwu, 1999; Omolehinwa & Naiyeju, 2011; Oshisanmi, 1992; Shehu, 2010). Also, general and specific comments from national regulatory bodies such as Public Accounts Committee (PAC) and international bodies like United Kingdom's Department for International Development, World Bank and Transparency International, suggest that there are major weaknesses in the systems for accounting and the efficiency of public sector expenditure in Nigeria (Aruwa, 2002). According to him, some of the major issues identified by these international bodies include: a perceived gap in the content of government financial report and information need of users; lack of external accountability; poor linkages between government budgeting and financial reports; and the need to reform budgeting processes in view of the recurring large amount budget variances reported. Okpala (2013: 115), in his study on effectiveness of the Public Accounts Committee (PAC) in conducting their oversight functions on government accounts found out that: "…the PAC has not effectively exercised its statutory oversight function due to late submission of audited reports by the Auditor General of the Federation, availability of weak regulatory framework for reporting and poor committee members' qualifications and experience in conducting their functions".

Olson (1993) on his part gave four criteria regarded as basic to public service accountability. This include: Fiscal accountability; Managerial accountability; programme accountability; and individual accountability. But for Asobie (1991) accountability is purely an external control on
public office holder. He postulated four criteria that must be satisfied for accountability to be effective and these are:

i. There must be timely, honest, accurate, complete, adequate and relevant information on the actions of those entrusted with public fund;

ii. There must be external auditor's independence of the organization/ ministry / departments being entrusted;

iii. There must be arrangement which will enable recourse on the basis of such informationto correct deficiencies, reward honourable performance, penalize fraudulent dealings, call to question all forms of abuses and redress illegal acts; and

iv. A system must exist which makes all the three elements above intact.

Data analysis and discussion of results

4.1 Data Analysis According to Research Question and Hypotheses

Table 1 :The problems associated with public sector accounting in Nigeria

S/N	Questions	$4xf_4$	$3xf_3$	$2xf_1$	$1xf_1$	Mean	Rank
1	There is always delay in receiving reports from out station which subsequently delays the preparation of financial report	168	72	24	6	3.21	5th
2	Lack of technical skills amongst most of the accountants in the various sub-sectors affects public sector accounting negatively	180	75	18	5	3.31	4th
3	Public sector accounting is hindered by negative attitude of government functionaries towards accountability	196	96	6	0	3.55	1st
4	Public sector accounting is associated with problem of inefficiency of accounting and internal audits	184	84	12	4	3.38	2nd
5	Using of untrained personnel to do the accounting work hinders public sector accounting	180	81	14	5	3.33	3rd

Source: Field survey 2018**.**

Table 1indicates respondents' response to the problems associated with public sector accounting in Nigeria. It revealed that public sectors accounting are associated with delay in receiving reports from out station which subsequently delays the preparation of financial report, lack of technical skills amongst most of the accountants in the various sub-sectors, negative attitude of government functionaries towards accountability, inefficiency of accounting and internal audits and using of untrained personnel to do the accounting work based on the fact that the mean score obtained for each statement is greater than cut off mean 2.5

Table 2 :The extent to which accountability of public officers benefit public sector in Nigeria

S/N	Questions	$4xf_4$	$3xf_3$	$2xf_1$	$1xf_1$	Mean	Rank
1	Accountable public officers enhance the citizen centric character of public service, coupled with better representatives	164	75	26	5	3.21	5th
2	Greater loyalty and commitment to the public sector objectives is ensured with accountable public sector officers	188	93	8	2	3.46	3rd

3	Accountability creates room for sanctions where justification is not adequate	192	99	6	0	3.54	2nd
4	Accountability of public officers enhances approval of policies and actions that have financial implications by a representative body	176	78	20	4	3.31	4th
5	Accountability of public sector officers promotes greater efficiency as well as effectiveness in public service	200	99	2	0	3.58	1st

Source: Field survey 2018**.**

Table 2 indicates the respondents' perception on the extent to which accountability of public officers benefit public sector. The result reveals that accountable public officers enhance the citizen centric character of public service, accountable public sector officers enhance commitment to the public sector objectives, accountability creates room for sanctions where justification is not adequate, accountability of public officers enhances approval of policies and actions that have financial implications by a representative body and greater efficiency as well as effectiveness in public service is enhanced and promoted by accountability of public sector officers based on the mean score obtained for each statement which is greater than 2.

Table 3: The factors that are responsible for accountability of public officers in Nigeria

S/N	Questions	$4xf_4$	$3xf_3$	$2xf_1$	$1xf_1$	Mean	Rank
1	Accountability of public officers is enhanced by giving them proper and required training	164	69	28	6	3.18	4th
2	Optimum accountability is enjoyed in public sector with the presence of EFCC and the whistleblowers	176	69	22	6	3.25	3rd
3	Using of a complete accrual basis of accounting always makes public managers accountable for recording and safeguarding of public sector accounting	160	78	22	7	3.17	5th
4	Proper accountability is enhanced by putting in place, the guidelines for preparing and approving work plan, method of monitoring plans and reporting performance.	192	90	8	2	3.48	2nd
5	Creating of formal structure on a proper environment, such as existence of proper code of conduct, appearance of equal treatment by senior managers towards all employees etc enhance accountability of public officers	196	96	6	0	3.55	1st

Source: Field survey 2018**.**

Table 3 reveals the response of the respondents on factors that are responsible for accountability of in Nigerian public sector. The result indicates that; giving public officers the proper and required training enhance their accountability, presence of EFCC and the whistleblowers ensure optimum accountability in public sector, using of a complete accrual basis of accounting always makes public managers accountable for recording and safeguarding of public sector accounting, proper accountability is enhanced by putting in place, the guidelines for preparing and approving work plan, method of monitoring plans and reporting performance and creation of formal structure on a proper environment enhances accountability of public officers based on the value of mean score obtained for each statement which is greater than 2.5

Test of Hypothesis

Research Hypothesis

H_0:Public sector accounting system has no significant impact on accountability of public officers in Nigeria public sector

H_1:Public sector accounting system has a significant impact on accountability of public officers in Nigeria public sector

Table 4 Correlations between Issues in public sector accounting and accountability of public sector officers

		Public_Sector_accounting	Accountability_of_public_officers
Public_Sector_accounting	Pearson Correlation (r)	1	-.861*
	Sig. (1-tailed)		.048
	N	5	5
Accountability_of_public_officers	Pearson Correlation (r)	-.861*	1
	Sig. (1-tailed)	.048	
	N	5	5

*. Correlation is significant at the 0.05 level (1-tailed).

Table 4 shows (r= -0.861, p-value < 0.05). This implies that there is strong correlation between issues in public sector accounting and accountability of public sector officers. Researcher therefore rejects the null hypothesis and conclude that Public sector accounting system has a significant impact on accountability of public officers in Nigeria public sector. This result shows that the accountability of public sector officers is strongly influenced by problems associated with public sector accounting in Nigeria.

Conclusions

Accountability which normally appears as central concept for governance requires those who hold positions of public trust to account for their performance to the public or their duly elected representatives. Accountability, therefore, implies that decision makers are monitored by, and are responsible to, others, each of whom is, in turn, responsible to the people of the country. In respect of public financial management, there are several mechanisms through which accountability is enforced such as the auditor general, public account committee, and the ombudsman. However, the study revealed that accountability among the public officers in Nigeria is very poor due to the issues and problems associated with public sector accounting which are: inefficiency of accounting and internal audits, using of untrained personnel ,poor technical skills among most of the accountants, subsequent delay in the preparation of accounts in the public sector

After a careful analysis and critical appraisal of issues in public sector accounting and accountability in the public sector, the research therefore makes the following recommendations:

(i) Government should ensure that they create enabling environment for the development of professional Accountants and employed them in the civil service. This will be achieved by retaining the existing through motivation and attracting the new with good working conditions.

(ii) The professional bodies should redesign their programmes and carry out more enlightenment campaign activities to attract more Nigerians to the profession and they should be re orientation of members to encourage them to work in the public sector.

(iii) Public sector accounting and auditing standard must be improved and there is need also, for upgrading the skills of accounting and auditing personnel.

(iv) Government must ensure that public accounting committees is restructured so as to enhance internal mechanisms for enforcing accountability in public sector.

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EFFECT OF TREASURY SINGLE ACCOUNT ON TERTIARY INSTITUTIONS IN NORTHERN NIGERIA

Kabir Ibrahim
Department of Social Science and Administration
School of Continuing Education
Bayero University, Kano
kabiribrahim22@gmail.com

Abstract

With the poor funding by the federal government to its tertiary institutions, this has poses a lot of crises within the sector. Added with the implementation, full adoption and compliance with the Treasury Single Account (TSA), this has additionally created more issues to the tertiary institutions in Nigeria in which this paper seeks to examine. The population for the study, consist of all Northern federally owned tertiary institutions with a sample size of 14 institutions. The paper applied the cronbach alpha in testing the reliability of proxies used and the study further used Multivariate regression to find the effect of TSA on Tertiary Institutions in Northern Nigeria. From the study, it found out that TSA has no significant relationship with internal control measures of Tertiary institutions. Furthermore, TSA has a negative and significant relationship with financial efficiency of Tertiary institutions. The study recommends that tertiary institutions should be given higher priority in ensuring all financial requirements are fully addressed. The study also recommends that policies which will give Tertiary institutions better financial efficiency to strengthen their day to day activities.

Keywords: Treasury Single Account, Tertiary Institution, Performance.

Introduction

The Nigeria tertiary institutions have been facing challenges of funding for the past three decades resulting in series of strikes by the institutions in order to refocus the attention of the Nigerian government to realize the importance of education to the Nigerian institutions. The problems have been partially being addressed with various policies in which the tertiary institutions have been in. This went on to an extend that most management in various Nigerian institutions have been seeking funds from reputable organization in terms of scholarship or intervention which will serve as corporate responsibility to these institutions.

Furthermore, another means to which the institutions generate funds are basically through their internally generated revenue which seems to be too small to absorb most institutions overheads. Notwithstanding, this is limited to the capacity to which these institutions can absorb students with their current infrastructures. Couple with the nature of corruption bedeviling the Nigeria economy, the President Goodluck Jonathan's administration piloted the idea of Treasury Single Account. This is a system where the federation entity will have a single account to which all receipts and payments are made into it. With the coming of President Muhammadu Buhari administration, the adoption and take off of the accounting policy came to the light of the day.

With the current shortage of funds accruing to tertiary institutions in Nigeria added with the adoption of Treasury Single Account. This had put must tertiary institutions into series of finance problems which this paper tends to explore. The scope of this study is limited to examining the financial efficiency and internal control system of tertiary institutions in northern Nigeria. The study will give highlights of areas of how these problems would be addressed. This paper is divided into 5 sections; the introduction, literature review, methodology, discussion of result and conclusion.

Literature Reviews

This section of the study provides the conceptual definition of Treasury single accounts, the benefit of the policy or system, the theories aligning with TSA and the relevant empirical studies.

Conceptual definitions

The introduction of Treasury Single Account was as a result of numerous corrupt practices that exist in the Country's public accounting system, lack of transparency and accountability (Kanu, 2016). The Treasury Single Account (TSA) initiative was the operation of a unified structure of Government Bank Accounts, in a single account or a set of linked accounts for all Government payments and receipts (CBN, 2016). According to Central Bank of Nigeria, (2015) Treasury Single Account (TSA) is a public accounting system under which all government/public sector fund receipts and income are received into one single account usually maintained by the country's Central Bank and all payments done through this account as a new electronic revenue collecting platform.

International Monetary Fund (2010) defined TSA as a unified accounting policy which structure Federal government to have bank accounts opened by Central bank of Nigeria, to make all inflows such as money and other financial transactions from all the ministries, different category of departments, and agencies (MDAs) in the country for consolidated revenue accounts by way of receiving all the deposits from commercial banks and government revenue and effect payments through the account so that it will be noticeable in a single account at the apex bank in the country. The implication is that banks will no longer have access to the float provided by the accounts they maintained for the Ministries, Departments, and Agencies.

From the above definitions, the central bank at any point in time will have the net worth of inflow and outflow of cash or transaction through all the MDAs in the federation. This would give the government information on how to track all their projected plans in ensuring stabilize economic growth. Hence Ministries, Departments, Agencies and Foreign Missions, as well as the partially funded ones, like Teaching Hospitals, Medical Centres, Federal Tertiary Institutions, etc. Agencies like the Central Bank of Nigeria, Securities and Exchange Commission, Corporate Affairs Commission, Nigeria Ports Authority, Nigeria Communications Commission, Federal Airports Authority of Nigeria, Nigeria Civil Aviation Authority, Nigerian Maritime Administration and Safety Agency, Nigeria Deposit Insurance Corporation, Nigeria Shippers Council, Nigeria National Petroleum Corporation, Federal Inland Revenue Service, Nigeria Customs Service, Mining, Minerals and Sustainable Development, Department of Petroleum Resources are also affected. For any agency that is fully or partially self-funding, Sub-Accounts linked to TSA are to be maintained at CBN and the accounting system will be configured to allow them access to funds based on their approved budgetary provisions Eme, Chukwurah & Emmanuel (2015).

Objectives of TSA as identified by (CBN, 2015; 2016) includes; The TSA is primarily designed to bring all Government funds in bank accounts within the effective control and operational purview of the Treasury, in order to: Enthrone centralised, transparent and accountable revenue management; Facilitate effective cash management; Ensure cash availability; Promote efficient management of domestic borrowing at minimal cost; Allow optimal investment of idle cash; Block loopholes in revenue management; Establish an efficient disbursement and collection mechanism for Government funds; Improve liquidity reserve; and Eliminate operational inefficiency and costs associated with maintaining multiple accounts across multiple financial institutions. In summary, its objective is to ensure fiscal discipline, transparent management, and comprehensive consolidation and over sight responsibility of the nation's finances.

Onuorah and Chigbu (2016) examined the effect of federal government treasury single account (TSA) deposits and commercial banks performance in Nigeria. Time series data elicited from the Central Bank of Nigeria (CBN) database from 2012 to 2016. The independent variable federal government treasury single account deposit was proxy using Federal Government demand deposit (FGDD), Federal Government time deposit (FGTD), and Federal Government saving deposit (FGSD) while the dependent variable Bank performance was proxy using the summation of two performance indicators: Return on Equity (ROE) and Return on Investment (ROI). Their study employed trend analysis, descriptive statistics and least square test. The results obtained revealed that the implementation of Treasury Single Account deposit: federal government demand, time and savings deposit have positive impact on the bank performance in Nigeria. Saving deposit impacted negatively on bank performance in Nigeria. The study shows that the overall variables are not statistically significant as p-value f- stat (0.88 > 0.05) significant level. However their study recommends that there was need for adequate working system of the TSA to be put in good place. Also government should review the TSA policy to specifically safeguard the financial conditions of Nigeria.

According to Bashir (2016) examined the effects of Treasury Single Account on public finance management in Nigeria. Employing both primary and secondary data while populations of this study were Ministries, Department and Agencies (MDAs) within Bauchi metropolis using a sample of 72 respondents through judgment sampling. The data were analyzed using the Pearson Correlation techniques. The result showed that adoption of a Treasury Single Account (TSA) was capable of plugging financial loopholes, promoting transparency and accountability in the public Financial System. Hence, he recommends that for the success of this policy government should promulgate more legislation to make it mandatory for all the three tiers of government in Nigeria.

Fatile and Adejuwon (2017) conducted a study on the implication of Treasury Single Account (TSA) on the cost of governance in Nigeria: Buhari civilian administration in perspectives. Their paper was a qualitative in nature, relying on secondary sources and anchored on stakeholder theory. The paper observed that increase in the cost of governance is not basically as a result of over-bloated bureaucracy rather corruption can be considered major cause of the increase. TSA therefore is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds. Their paper noted that with the TSA, government expects to block all loopholes and leakages of financial resources of the government and also ensure a robust financial management system. It further observed that TSA will help to ensure proper cash management by eliminating idle funds usually left with different deposit money banks and in a way enhance reconciliation of revenue collection and payment. They concluded that TSA was a reliable means of public fund management that will govern the management, allocation and application of government funds to people oriented projects that will result in economic development and improve living standards of Nigerians. They recommend that successful implementation of TSA requires political will, honesty and determination on the part of government so as to overcome the various challenges identified in the paper in order to achieve the expected benefits of the system through reduction in the cost of governance in Nigeria and revolutionize our society for better.

Kanu (2016) examined the positive effect of implementation of TSA on the Economy, the public accounting system and the undesired consequences on the liquidity base and performance of banking sector in Nigeria. Chi-square used as a statistical tool for analysis of the data in the study. The results obtained confirmed that the implementation of Treasury Single Account in the public accounting system impacted negatively on the liquidity base and the performance of banking sector in Nigeria. We, therefore 7 recommend that CBN and the Government should come up with an arrangement to address the issue of TSA considering the impact of the activities as the important 9 factor for efficient management, control of government's cash resources as well as sustainability of banks. CBN should go beyond the guidelines and put in place measures to correct any lapses or negative impact of the policy both in the banking sector and the economy at large. The implication of the study is that banks should avoid armchair activities and go to other source of funds in the economy. Many people that are denied access to credit facilities, investments and savings opportunity should be encouraged as this will improve the economy and result in sustainable banking sector in the country.

A study on the benefits, challenges and prospects for the adoption of TSA by the state government of Nigeria was conducted by Udo and Esara (2016). Descriptive cross-sectional survey design was adopted for the study with a population consisting of 200 Professional Accountants in Akwa Ibom State. Taro Yamane's statistical formula was used to select sample size of 133. Purposive sampling technique was used to select the 133 respondents/samples. The data obtained from questionnaire administration were analyzed using descriptive statistics and t-test statistics. The finding revealed that, TSA adoption and full implementation by the state governments was of greatest benefit as showed in the weighted means scores of 4.20 and t-cal of 24.87; furthermore they found out that there would be challenges in a short-run but the benefits at a long-run would definitely out-weight the challenges. They concluded that, State Governments of Nigeria should adopt and fully implement TSA for successful control and accountability of public funds so as to avoid bailout funds always from any source. State governments should enlighten all stakeholders on the benefits of TSA adoption as well as professional and regulatory bodies (ICAN, CBN, IMF, etc.) should help in designing, conceptualizing and road-mapping of TSA for the states.

A study on the analysis on the pros and cons treasury single account policy in Nigeria was conducted by Eme, Chukwurah and Emmanuel (2015). They did an exploratory research in which the following were their conclusions as recommendations. From their view they call for strict compliance with the directive on TSA by the relevant government organisations. That implementation of the order will, however, require the cooperation of the National Assembly with the Executive arm to ensure strict compliance by the MDAs to make enforcement possible. In addition, the MDAs, in collaboration with the Executive, will also need to be diligent in drawing up their budgets and presenting them for consideration and passage by the legislature. The financial regulators, including the CBN, should also be proactive and institute measures to correct any lapses or negative impact of the policy, as no law or measure is foolproof.

The fear that it will negatively affect commercial banks, and possibly lead to massive job losses, should be addressed. Furthermore, total commitment and sincerity of purpose are required of those who are to implement this policy. The agencies of government that are affected by the measure are thus enjoined to ensure that it succeeds. They must subsume their personal interests under the greater need of the country. Altogether, what Nigeria requires at this time is the political will to push this reform measure through. They suggest that all stakeholders should play the roles expected of them to ensure a successful implementation of the new policy.

Uzochukwu, Republic & Olohi (2016) conducted a study on Treasury Single Account and University Administration in South East, Nigeria. Three federal universities were selected viz: Nnamdi Azikiwe University, Awka, University of Nigeria, Nsukka and Federal University of Technology, Owerri. Secondary data in the form of literature were reviewed and information gathered through face to face interviews, primary data were collected with the aid of questionnaire. The data were analytically regressed. It was discovered that the newly introduced treasury single account had among other challenges, affected financial operations in the bursary units and resultantly slowed down activities in the universities. It revealed that there is a sharp departure from the past when planned programmes were executed as planned in the universities. It was, therefore, recommended that tertiary institutions should be excluded from TSA implementation in order to achieve the all important objective of research and development in the university system and the federal government should immediately carry out a comprehensive review of the policy implementation so as to be properly guided on the appropriate organisations where TSA is required.

Akujuru and Enyioko (ND) the study examined the effects of treasury single account policy on corruption in Nigeria: analysis from 2011 to 2017. The study adopted a cross sectional survey design and used questionnaire to generate its data. The population of the study consisted of 6393 staff from the federal ministries, departments and agencies (MDAs) in Rivers State. The sample size of the study was determined at 377 staff through the use of Prof. Taro Yameme sample size method. The data were analyzed through the use of descriptive statistics. The study found that the treasury single account (TSA) policy was introduced to block financial leakages, reduce corruption, promote transparency and prevent mismanagement of government's revenue in public sector organisations. The study revealed that the major challenges hampering the effective and efficient implementation of the treasury single account (TSA) policy include: Inability of federal government to remit appropriately to the various MDAs, uncertainties underlying federal government inactions and actions, bottlenecks/ bureaucracy, internet platform delays, inefficient human capital development and time wasting in the banks and payment points. It is evident from the study that the policy will pave the way for the timely payment and capturing of all revenues going into the government treasury, without the intermediation of multiple banking arrangements. The policy will also enable the government at the centre to know its cash position at any given time without any hindrance. The study therefore, recommends that government should secure as soon as possible the appropriate legislative support to facilitate the relevant regulatory environment which will drive the effective implementation of the treasury single account.

Theoretical Review

One of the known corporate governance theory can also be adopted for public sector governance is the stakeholder theory which assumed that adoption of TSA by the federal government is as a result of the pressure from stakeholders/citizens majorly against corruption Udo & Esara, (2016). It posits that the government will respond to the concerns and expectations of concerned stakeholders/citizens and some of the responses will be in the form of strategic opinions. Stakeholders' theory gives better insights into the factors that motivate government in relation to the adoption and implementation of Treasury Single Account.

Another theory is the Public Finance Management Theory which upholds that all aspects of financial resources, mobilization and expenditure should be well managed in government for the benefits of the citizenry. It includes resources mobilization, prioritization of programmes, the budgetary process, efficient management of resources and exercising control to guide against threats. Grubber, (2005) stressed that Treasury Single Account (TSA) primarily is to avoid misapplication of public funds.

Lastly is the Modern Money Theory also known as "Neo Chartalism" is a macroeconomics theory that describes and analyses modern economies in which the national currency is fiat money, established and created by the government. MMT explains how monetarily sovereign governments operate and their impacts on the economy. The key insight of MMT is that monetarily sovereign government is the monopoly supplier of its currency and issue currency of any denomination in physical or on physical forms. As such the government has unlimited capacity to pay for the things it wishes to purchase and fulfill promised future payment and has unlimited ability to provide funds to the other sectors. Thus, insolvency and bankruptcy of the government is not possible. However this paper tends to adopt the above theories in order to achieve the purpose of this work.

Methodology

The population of this study consists of all federally owned tertiary institutions in Northern Nigeria. From the population 21 federally owned tertiary institutions (Universities), simple random sampling technique was employed and a sample size of 14 tertiary institutions was taken. Furthermore, study conducts a survey research design in which 5 questionnaires were given out to be filled by five members of the bursary unit to all the 14 sampled institutions. The whole 14 institutions filled the questionnaires and which gave rise to 70 questionnaires being return. This was as a result to ensure that all questionnaires are answered without having any left behind. In order to achieve the purpose of this study, cronbach alpha test was conduct on the questionnaire designed which gave rise to four proxies used in the work.

Table 1 Population and Sample

S/N	Universities	State	Sample
1	Abubakar Tafawa Balewa University	Bauchi	Selected
2	Ahmadu Bello University	Kaduna	Selected
3	Bayero University Kano	Kano	Selected
4	Federal University Dutse	Jigawa	Selected
5	Federal University Kashere	Gombe	Selected
6	Federal University Gashua	Yobe	Selected
7	Federal University Dutsi ma	Katsina	Selected
8	Federal Unversity Gusau	Zamfara	
9	Usman Dan Fodio University	Sokoto	
10	Federal University Birnin Kebbi	Kebbi	
11	Federal University of Technology Yola	Adamawa	Selected
12	Federal University Wukari	Taraba	Selected
13	Federal University Nassarawa	Nasarawa	
14	University of Jos	Pleatue	Selected
15	University of Maiduguri	Borno	Selected
16	University of Abuja	Abuja	Selected
17	Federal University of Technology Minna	Niger	
18	Federal University Lokoja	Kogi	Selected
19	University of Ilorin	Kwara	Selected
20	Federal University of Agriculture Makurdi	Benue	
21	Nigerian Defense Academy	Kaduna	

Model Specification

Descriptive statistics was employed to show the nature of variables involved in the study and a correlation matrix analysis was employed to measure the degree of relationship within the independent variables and also with the dependent variable. Multivariate regression was also conducted to show the extent or strength of the variables used and also the significance level of each variable to the dependent variable. This model will tell how the tertiary institutions see the TSA in which they depend on to ensure their performance, internal control system and level of activities while industry is used as a control variable.

$$INC_{i,} = \beta 0 + \beta 1TSA_i + \beta 2IND_i + \varepsilon \ldots\ldots\ldots\ldots\ldots I$$

$$EFF_i = \beta 0 + \beta 1TSA_i + \beta 2IND_i + \varepsilon \ldots\ldots\ldots\ldots\ldots II$$

Where:

ß0 to ß2	= Coefficient of each independent variable
TSA	=Treasury Single Account
INC	= Internal Control
EFF	= Efficiency
IND	= Institutions

The independent variable which questions covered treatment of overhead cost and the accounting systems was represented by TSA while questions on internal control and efficiency in performance of the policy on tertiary institution represents the dependent variables and lastly a control with the number of institutions involved.

Data analysis and discussion of results

This section of the study gives the results of the analysis run by the researcher. Presented in tables seen below;

Descriptive Statistics

Table 1

Variables	Mean	Std Dev	Min	Max
IND	7.50	4.06	1	14
INC	2.99	0.81	1	4
EFF	3.23	0.84	2	4
TSA	3.56	1.07	1	5

Source: Developed by the Author using stata

The table 1 shows the descriptive statistics of variables used in the study.TSA has a value of 3.56 and 1.07 as the mean scores and standard deviation. TSA has a minimum value of 1 and 5 as maximum. The efficiency level in the tertiary institutions using the policy has a mean and standard deviation of 3.23 and 0.84 respectively, and also having a minimum value and maximum value which stood at 2 and 4 respectively. Furthermore, internal control system in the tertiary institution has a mean value of 2.99 and a standard deviation of 0.81 and a minimum and maximum value of 1 and 4 accordingly. Lastly is the industry has a mean and standard deviation of 7.5 and 4.06, ad minimum and maximum value of 1 and 14 respectively.

Correlation Matrix

It presents the correlation matrix of variables used in the study as seen below.

Table 2

Variables	IND	INC	EFF	TSA
IND	1.0000			
INC	0.0022	1.0000		
EFF	-0.1407	0.0049	1.0000	
TSA	0.0949	0.1098	-0.5478*	1.0000

- * Significant at 1%

Source: Development by the Author using stata

In table 2, it shows the degree of relationship between the independent variables and also with the dependent variable. From the presented table, it shows that the industry has no significant relationship with internal control, efficiency and with TSA. Industry has an r value of 0.0022 with internal control, -0.1407 with efficiency and 0.0949 with TSA. Internal control also shows no relationship with efficiency and TSA having an r value of 0.0049 and 0.1098 respectively. Lastly efficiency has a negative and significant relationship with TSA with an r value of -0.5478.

Regression Results
Table 3

INC	Coef	Std Erro	t	p> t
IND	-0.0016	0.0243	-0.07	0.946
TSA	0.0833	0.0919	0.91	0.368
Cons	2.7017	0.3716	7.29	0.000
EFF				
IND	-0.0185	0.0210	-0.88	0.384
TSA	-0.4212	0.0797	-5.28	0.000
Cons	4.8652	0.3224	15.09	0.000
	INC	EFF		
R sq	0.012	0.308		
Prob	0.000			

Source: Developed by the Author using stata

In Table 3, it presents the multivariate regression model results of internal control and Efficiency. The result shows the model fitness of less 1% which implies the model is fit. The r square is 1.2% and 30.8% which show the degree to which the explanatory variables explain the dependent variable which is internal control and Efficiency. From the results also show the significant level of all explanatory variables to the dependent variable with the coefficients. It show the industry has no significant effect on tertiary institution internal control level which has a p value of 0.946 with a coefficient value of -0.0016 and a t value of -0.07. The implication of this result is that, if there are increases in the numbers of institutions that will not have any effect on the internal control of tertiary institutions. The introduction of TSA has no impact on the internal control of tertiary institutions. The results showed that TSA has a p value of 0.308 with a coefficient value of 0.0833 and a t value 0.91 accordingly. The implication of this result is that with the introduction of TSA, one would assume that it will improve the internal control system of tertiary institutions which is not. The constant tends to be significant with the internal control system of tertiary institutions in Northern Nigeria.

The second result shows that TSA has a negative and significant effect on financial efficiency of tertiary institutions in Northern Nigeria. It has a p value of 0.000 and a coefficient of -0.4212 and a t value of -5.28. This is in line with the work of Uzochukwu, Republic & Olohi (2016) who studied on the administration of university in the south east and also in the work of Kanu (2016) where he examine the implementation effect on bank liquidity and performance. The implication of this result is the more TSA policy is being adopted in tertiary institutions; the more inefficient they will be in terms of discharging their financial obligations. Industry has no significant impact on the efficiency level of tertiary institutions in northern Nigeria.

Conclusions

From the forgoing discussions of results, it can be deduced that TSA has a negative and significant effect on tertiary institutions in Northern Nigerian while TSA has no significant effect on internal control process and lastly the industry has no significant effect on both internal control process and financial efficiency of tertiary institutions in northern Nigeria. These results give highlights of how the implementation of TSA is affecting tertiary institutions financial efficiency. Which in turn makes these institutions not to perform their basic financial obligations. With the perception that with the adoption of TSA, institution will have the intention of instituting an effective and efficient internal control system in order to avoid mishap in reporting but from the results forgoing, it shows that TSA has no effect in the internal control system of the tertiary institutions.

The paper gives the following recommendations; that the financial obligation of tertiary institution should be given utmost priority as education is the backbone of any developed economy. If the government cannot satisfy the above, the government can create or give tertiary institution special consideration because of its peculiar nature of the sector. The internally generated revenue of non profiting organization such as the tertiary institutions should not be included in adopting TSA. However, the policy ie TSA should have a way of ensuring check and balances within MDAs, public enterprises, agencies and parastatals as organization without effective and efficient internal control system is bound to have flaws in its records.

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IMPACT OF INTERNALLY GENERATED REVENUE ON REVENUE PROFILE OFLOCAL GOVERNMENT AREAS IN OYO STATE, NIGERIA

OladejoMoruf O. and ShittuSaheed A.
Department of Management and Accounting,
Faculty of Management Sciences,
LadokeAkintola University of Technology, Ogbomoso, Oyo State.
Email: shittualmuqadam@gmail.com

Abstract
The study examines the inpact of Internally Generated Revenue (IGR) on revenue profile of Local GovernmentAreas (LGAs) in Oyo State.The extent to which a Local Government can go in accomplishing its goal largely depends on its IGR strength. However previous studies had focused only on permissive sources. Further empirical study on permissive and incidental sources is required. Stratified sampling technique was used to stratify Oyo State into three senatorial districts, while simple random sampling was used to select 6 LGAs from each senatorial district making a total of 18 LGAs. Secondary data Shops and Kiosk Rate (SKR), proceed from Economic Project (PEP), Investment Income (INVINC) and Motor Park Levies (MPL) were sourced from approved budgets and other financial statements of the selected LGAs. Panel regression method was employed since sample contains data across the selected LGAs for the periods of 2006 to 2015. Fixed effect (FE), Random effect (RE) and Hausman-test based on the difference in fixed and random effect estimators were conducted; the panel estimates indicate that, fixed effect is best fit. From the fixed effect estimates, IGR had positive influence on revenue profile (SKR: β=0.00285<.05), (PEP: β=0.00790<0.05), (INVINC: β=0.00503<.05), (MPL: β=0.02062<.05).The study concluded that IGR had positive significant effect on revenue profile of selected LGAs in Oyo State. It is recommended that there is need to employ and involve services of Professional Accountants in financial management of LGAs in order to increase their IGR to boost revenue profile of LGAs.

Keywords: Internally Generated Revenue, Revenue Profile, Permissive Sources, Oyo State.

Introduction

The Local Government is the third tier of government within the tripartite federal structure of governance in Nigeria, with the State and Federal Government as the ordinate and super ordinate governments in line with 1999 constitution of Federal Republic of Nigeria. These governments in Nigeria which exist at tripartite arrangement (Federal, State and Local Government) play complimentary roles to one another with a view to meet the needs of their people which include provision of infrastructural facilities (Okpata 2004). The failure of the Local Governments in the area of service delivery has made the citizens to lose trust in government as an institution (Olusola 2011). Revenue generation is the main source of income to the Federal, State and Local Governments. Revenue has been found to be nose-diving from time to time as a result of the weakness in the control framework that exists in the public sector (Alao and Alao 2013). To address this problem requires appropriate implementation of plans directed at improving adequate internally generated revenue.

International Accounting Standard (IAS18) defined revenue as ''the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants" It applies to revenue arising from: the sale of goods, the rendering of services and the use by others of an entity's asset, yielding interest, royalty and dividends. It also recommends that revenue recognition is dependent upon the terms of the contract between the entity and the buyer of goods, the recipient of the services or the users of the assets of the entity. Revenue should be measured at the fair value of the consideration receivable or received net of any trade discounts and volume of rebates given by the entity. The International Accounting Standards Board (IASB)'s framework stipulates that revenue is to be recognized when it is probable that future economic benefits will flow to the entity and reliable measure of the quantum of revenue is measurable (ICAN 2014). The ability of Local Government to generate revenue internally is one very significant consideration for the creation of a local council. But various studies as Akindele, Olaopaand Obiyan,(2002), Ekpo and Ndebbio(1998), have revealed that Local Governments in Nigeria rest solely on statutory allocations from the Federal Government.

It is not disputable that Local Government revenue generation in Nigeria is far below expectation as could be observed from the work of Edogbanya and Ja'afaru (2013) affirming the contributory factors to be total reliance on Federal and State statutory allocation, poor internally generated revenue drive and ineffective utilization of available scarce resources or mismanagement by public office holders. The problem is further compounded by the certain percentage of the statutory allocation being deducted by the State Governments.Few studies in Nigeria focus on internally generated revenue of the State and Local Government (Adewoye and Fashina, 2008;Jamala, Asongo, Mahai, and Tarfena, 2013;Samuel, Samuel and Tykoso, 2014). Those that based their study on internally generated revenue of Local Governments used one to three Local Governments or a particular senatorial district for data collection and also restricted their works only on permissive sources of revenue (Olusola, 2011; Edogbonya and Ja'afaru, 2013; Ibeogyu and Ulo, 2015). This study therefore appraised the effect of internally generated revenue on revenue profile of selected Local Government Areas in Oyo State by considering two sources of revenue (Permissive and Incidental).

Objectives Of The Study

i. To analyze the components of internally generated revenue in Local Government Areas in Oyo State.
ii. To examine the extent to which of internally generated revenue influence revenue profile of Local Government Areas in Oyo State.

Research Hypotheses:
The following hypotheses were tested:
$H_{O:}$Internally generated revenue has no positive influence on revenue profile of Local Government Areas in Oyo State.

$H_{1:}$Internally generated revenue has positive influence on revenue profile of Local Government Areas in Oyo State.

Literature Review

Locality Perspective Theory

Proponents of this theory have established a strong defense for the existence of the Local Government on the grounds that, it is an entity grounded in the belief that there is value in the spread of power and the involvement of many decision makers in different localities, there is strength in diversity of response, it allows for the accommodation of different needs, the Local Government is local its localness and distinguishability makes it open to pressure when it fails to meet the needs of the people, better gripping it to perform; it can better meet the needs and win support for public service provision because it allows choice (Stoker, 1990).

Democratic Participation Theory

The influence of this theory has been largely the work of John Stuart Mills, Noun study guide (2008) his work on utilitarianism, Liberty and Representative Government, he claimed that the good form of government is representative government because it promotes liberty, equity and fraternity, made men look beyond their immediate interest and recognize the just demands of other men, encourage political education, participation and communication. Furthermore, he affirms that local government is a prime element of democracy and demonstrates the intrinsic values of democracy irrespective of the services it provides.

Development Theory

The position of this theory is that Local Governments, particularly in developing country like Nigeria, are effective agents for improving the means of living socially and economically (Adeyemo, 2011). As well, Local Governments constitute dependable basis for the local or grassroots people to get a better share in the national wealth. Specifically, the development functions of the Local Government include nation building, social, economic and manpower resource development. For one thing, the Local Government transforms centrally generated revenue allocated to them into infrastructural development. Such infrastructures will in turn support in the mobilization of the local people to do more for themselves and for their communities. Thus, Local Governments serve as true partners with the states and national government in national development issues as units of development by which national development efforts, resources and benefits pass to the grassroots. Again, decentralization or devolution of governmental powers to the Local Government affords the opportunity of participation in the development process to the local or grassroots people. With decentralization, the creative energy of the people can be utilized. Again, decentralization offers the opportunity for innovation and experimentation to the sub national units (Nico, 2008).

Efficiency Services Theory

The advocates of efficiency services believe that the idea of democracy advocated by Mills above does not apply to different political system in the same way especially in the face of modern realities. The core of their theory is that the main purpose of Local Government is to provide services to the local people. Foremost among the advocates is the French scholar Langwood (1953) in NOUN (2008) opined that democracy was the affairs of the nation, state as a whole issue of majority rule, equality and uniformity are the norm. He went on to say that it was equally false to see local government as a setting for political education and democracy. To him, the local arena has only succeeded in upbringing few national leaders. Local politics is more likely to augment narrow sectional interests than an appreciation of democracy.

To this end this Research work was anchored on Efficiency Services Theory which implies that, the main function of local government is to efficiently carry out local duties allocated to them at the highest efficiency rate.

Akindele (2002) cited in Onwe (2004) revealed that one of the primary features of a federal system of government is the assignment of functions between components governments. This also forms the methods for the determination of revenue rights and tax raising powers. The allocation of tax-raising power or determining fiscal jurisdiction is primarily a legislative function. He observed that the mostserious problem facing the Local Governments in Nigeria is the fiscal one. This has been induced by factors, especially over dependence on the statutory allocation from Federal and State Government, locality problem creation of nonviable Local Governments, deliberate tax evasion, excesses of the state actors' inelastic and unreliable revenue sources etc. Otinche (2014) assessed the system of financial regulations put in place to curtail the degree of corruption at the local government level with a view to determining the efficiency of its operation. A critical analysis of the inbuilt financial control mechanisms reveals that they are side tracked by state and local government officials for selfish ends. The paper is analytical in nature and used the theory of revenue exaction to evaluate the dynamics of fiscal policy at the Local Government level.

Jamala*et al* (2013) evaluate revenue generation in Numan South-West Adamawa State Nigeria. The study used secondary data and descriptive statistics such as frequency distribution and percentages were used to analyzed the collected data, the study concluded that the sources of internally generated revenue in the study area range from market animal sales land slaughters slaps property and income tax. Olusola (2011) carried out the effect of the internal sources on the total revenue of Local Government in Ogun state. Efforts for better and effective revenue generation were noted. The study population consists of all the twenty Local Governments in Ogun State. The researcher chooses three Local Governments sample. The Local Governments were randomly selected by balloting and data were sourced from Annual Financial Statements (AFS) of each Local Government chosen for the study. The study is limited to a period of six years i.efrom 2000 to 2005. The ordinary least square method was imbibed using the multiple regression analysis and panel data regression method to test the random and fixed effects and test for level of significance at 1%. It was found out that fines, rates, rent, fees and licenses, sources of revenue are significant factors determining internally generated revenue of Local Governments in Ogun State.Ibeogu&Ulo (2015) identified the strategies to improving the sources and utilization of internally generated funds in the local government system in Nigeria. The study used survey research design and anchored on the theory of structural functionalism. The study established that lack or poor entrepreneurial skill among revenue officers brought about insufficient revenue generation capacity of the Local Government, that inefficient monitoring of revenue officials led to poor revenue generation; that incompetence of revenue officials led to poor revenue generation;. The implication of this study is that the internal sources of revenue to the Local Government are not fully tapped, while the available revenues are not properly utilized in carrying out the constitutional functions of the third tier government. The study equally concluded that the over dependency on statutory allocation has weakened the Local Government from effective revenue drive.

Conceptual Framework
Internally generated revenue on local government revenue profile

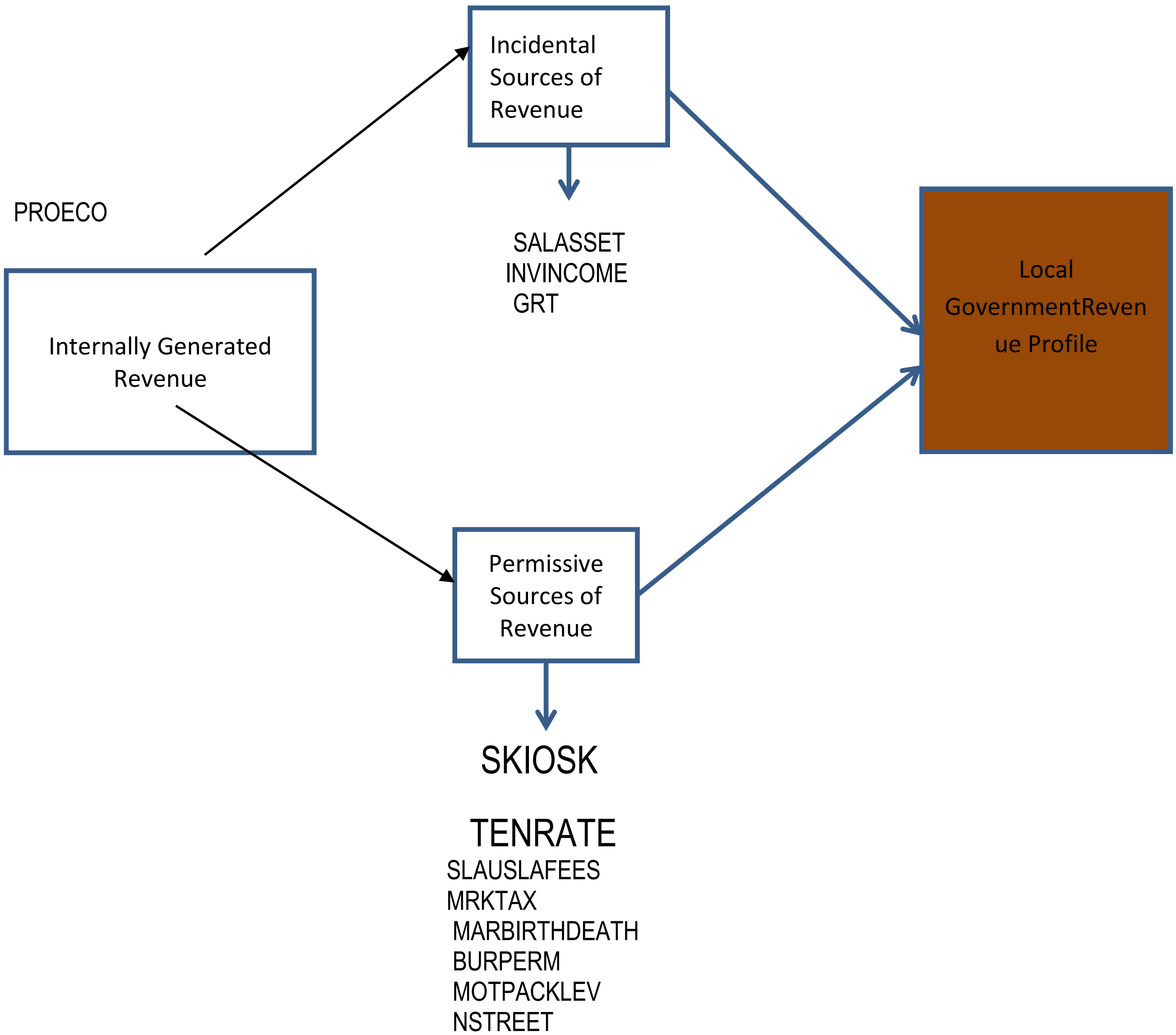

Fig 2.1:Conceptual framework of Internally Generated Revenue in local government.
Source: Researcher's Compilation 2018

Methodology

Stratified sampling technique was used to stratify Oyo State into three senatorial districts, while simple random sampling was used to select 6 Local Government Areas (LGAs) from each senatorial district making a total of 18 LGAs (2 urban, 2 semi urban and 2 rural from each senatorial districts). Secondary data were sourced from approved budgets and other financial statements of the selected LGAs. Panel regression method was employed to examine the effect of independent variables on dependent variable, since sample contains data across the selected LGAs for the periods of 2006 to 2015.

Model Specification
RP = f (Permissive and Incidental revenue) U
RP = $a_0 + a_1SKR_t + a_2TR_t + a_3SSF_t + a_4MKTT_t + a_5MBDRF_t + a_6BRPF_t + a7MPLt + a_8NSTR_t + a_9PEP_t + a_{10}SASST_t + a_{11}IINC_t + a_{12}GRT + U_t$------------------------------------ (1)

$$\sum_{i=1}^{n} RP = a0 + \sum_{i=1}^{n} a1SKR + \sum_{i=1}^{n} a2TR + \sum_{i=1}^{n} a3SSF + \sum_{i=1}^{n} a4MKTT + \sum_{i=1}^{n} a5MBDRF + \sum_{i=1}^{n} a6BRPF + \sum_{i=1}^{n} a7MPL + \sum_{i=1}^{n} a8NSTR + \sum_{i=1}^{n} a9PEP + \sum_{i=1}^{n} a10SASST + \sum_{i=1}^{n} a11IINC + \sum_{i=1}^{n} a12GRT + \mu\mathbf{1} -------------- \quad (\mathbf{2})$$

Definition of Variables
RP_t = Revenue Profiles
SKR_t = Shops and kiosk rates.

TR_t = Tenement rates.
SSF_t = Slaughter slab fees.

$MKTT_t$ = Market taxes and levies
$MBDRF_t$ = Marriage, birth and death registration fees.

$BRPF_t$ = Burial permit fees.

MPL_t = Motor park levies.

$NSTR_t$ = Naming of street registration fee, excluding any street in state capital.

PEP_t = Proceeds from economic projects undertaken, such as farming
$SASST_t$ = Sales of asset.
$IINC_t$ = Investment incomes, e.g interest and dividend received
GRT_t = Grant from the federal or state government
$U_t$are stochastic error term

Data analysis and discussion of results
Impact of Internally Generated Revenue on Revenue Profile of Local Government Areas in OyoState by Pooled Effect

Appendix 1 showed the effect of Shops and Kiosk Rate (SKR), Tenement Rate (TR), Slaughter Slab Fees (SSF), Market Taxes and Levies (MKTT), Marriage, Birth and Death registration Fees (MBDRF), Burial Permit Fees (BRPF), Motor Park Levies (MPL), Naming of Street Registration Fees (NSTR), Proceed from Economic Projects (PEP), Sales of Asset (SASST), Investment Incomes (IINC) and Grants (GRT)on Revenue Profile (RP) of selected Local Government Areas (LGAs) in Oyo state. The study revealed that 1% increase in SKR increases RP by 0.0035%, it shows that there is a positive effect of SKR on RP (β= 0.00352 t=0.001<0.05). It was also found that 1% increase in TR increases RP by 0.017%, it also shows that there is a positive effect of TR on RP (β= 0.01695 t=0.004<0.05). The results exhibit that 1% increase in SSF increases RP by 0.05%, it shows that there is a positive significant effect of SSFon RP(β=0.04897 t=0.003<0.05). The study similarly shows that 1% increase in MKTT increases RPby 0.030%, it means that there is a positive significant effect of MKTTon RP(β=0.03001 t=0.000<0.05). The result revealed that 1% increase in MBDRF increases RP by 0.010%, it also shows that there is a positive significant effect of MBDRF on RP(β=0.01040 t=0.000<0.05). Furthermore, 1% increase in BRPF increases RP by 0.043%, it shows that there is a positive significant effect of BRPF on RP(β=0.04307 t=0.002<0.05). More so, 1% increase in MPL increases RP by 0.025%, it shows that there is a positive significant effect of MPL on RP(β=0.02450 t=0.000<0.05). Also, 1% increase in NSTR increases RP by 0.034%, it shows that there is a positive significant effect of NSTR on RP(β=0.03478 t=0.000<0.05). It was also found that 1% increase in PEP increases RP by 0.09%, it shows that there is a positive significant effect of PEPon RP(β=0.09020 t=0.000<0.05). Furthermore, 1% increase in SASST increases RP by 0.08%, it shows that there is a positive significant effect of SASST on RP(β=0.08310 t=0.017<0.05). More so, 1% increase in IINC increases RPby 0.04%, it shows that there is a positive significant effect of IINC on RP(β=0.04144 t=0.005<0.05). 1% increase in GRT increases RP by 0.017%, it shows that there is a positive significant effect of GRT on RP(β=0.01750 t=0.019<0.05).

Given the coefficient of determination (R^2) as 0.6052 which is 61% supported by high value of adjusted R^2as 57%, it presumes that the independent variables incorporated into this model have been able to explain the effect of internally generated revenue on Revenue profile of selected LGAs in Oyo State to 57%. That is, there is a significant effect of independent variables (SKR, TR, SSF, MKTT, MBDRF, BPF, MPL, NSTR, PEP, SASST, IINC and GRT) on dependent variable RP. The F Probability statistic also confirms the significance of this model. The adjusted R^2 of 0.57 indicates that about 57% of total variation in the dependent variable is accounted for by the explanatory variables at level of 0.05 level of significant.

Impact of Internally Generated Revenue on Revenue Profile of Local Government Areas in Oyo State by Random Effect

Random effect needs to be tested because of the doubt that may arise with pooled result. Appendix 2 shows that 1% increase in SKR increases RP by 0.0025%, it shows that there is a positive effect of SKR on RP (β= 0.00246 t=0.003<0.05). The study also revealed that 1% increase in TR also increases RP by 0.078%, it also shows that there is a positive effect on Revenue Profile (β= 0.07780 t=0.004<0.05). Furthermore, 1% increase in SSFincreases RP by 0.045%, it shows that there is a positive significant effect of SSFon RP (β=0.04512 t=0.006<0.05). More so, 1% increase in MKTT increases RP by 0.065%, it means that there is a positive significant effect of MKTTon RP(β=0.06507 t=0.002<0.05). It was also found that 1% increase in MBDRF increases RP by 0.019%, it similarly shows that there is a positive significant effect of MBDRF on RP(β=0.01960 t=0.001<0.05 Significant level). The result shows that 1% increase in BRPF increases RP by 0.035%, it shows that there is a positive significant effect of BRPF on RP(β=0.03568 t=0.000<0.05). Furthermore, 1% increase in MPL increases RP by 0.067%, it shows that there is a positive significant effect of MPL on RP(β=0.06712 t=0.000<0.05). More so, 1% increase in NSTR increases RP by 0.0058%, it shows that there is a positive significant effect of NSTR on RP(β=0.005829 t=0.000<0.05). The study exhibit that 1% increase in PEP increases RP by 0.067%, it shows that there is a positive significant effect of Proceed from Economic Projects on Revenue Profile(β=0.06786 t=0.000<0.05). Also, 1% increase in SASST increases RP by 0.0056%, it shows that there is a positive significant effect of SASST on RP(β=0.005628 t=0.012<0.05). More so, 1% increase in IINCincreases RP by 0.0097%, it shows that there is a positive significant effect of IINCon RP(β=0.0097 t=0.000<0.05). Furthermore, 1% increase in GRT increases RP by 0.011%, it shows that there is a positive significant effect of GRT on RP(β=0.01103 t=0.017<0.05).

Impact of Internally Generated Revenue on Revenue Profile of Local Government Areas in Oyo State by Fixed Effect

The result in Appendix 3 shows that 1% increase in SKR increases RP by 0.0029%, it shows that there is a positive effect of SKR on RP (β= 0.00285 t=0.000<0.05). The study also revealed that 1% increase in TRincreases RP by 0.016%, it shows that there is a positive significant effect of TR on RP (β= 0.01636 t=0.007<0.05). It was also found that 1% increase in SSF increases RP by 0.0028%, it shows that there is a positive significant effect of SSF on RP (β=0.00284 t=0.003<0.05). Furthermore, 1% increase in MKTT increases RP by 0.065%, it also shows that there is a positive significant effect of MKTTon RP(β=0.064908 t=0.002<0.05). More so, 1% increase in MBDRF increases RP by 0.015%, it similarly shows that there is a positive significant effect of MBDRF on RP(β=0.014793 t=0.000<0.05). The result also shows that 1% increase in BRPF increases RP by 0.0097%, it shows that there is a positive significant effect of BRPF on RP(β=0.00968 t=0.000<0.05). It was also found that 1% increase in MPL increases RPby 0.021%, it shows that there is a positive significant effect of MPL on RP(β=0.02061 t=0.000<0.05). Furthermore, 1% increase in NSTR increases RP by 0.0054%, it shows that there is a positive significant effect of NSTR on RP(β=0.00539 t=0.001<0.05). More so, 1% increase in PEP increases RP by 0.0079%, it shows that there is a positive significant effect of PEP from on RP(β=0.00790 t=0.000<0.05). The study also revealed 1% increase in SASST increases RP by 0.0040%, it shows that there is a positive significant effect of SASST on RP(β=0.00402 t=0.000<0.05). Furthermore, 1% increase in IINC increases RP by 0.0050%, it shows that there is a positive significant effect of IINC on RP(β=0.00502 t=0.000<0.05). More so, 1% increase in GRT increases RP by 0.0093%, it shows that there is a positive significant effect of GRT on RP(β=0.00932 t=0.000<0.05).Therefore, SKR, TR, SSF, MKTT, MBDRF, BPF, MPL, NSTR, PEP, SASST, IINC and GRThave significant effect on RP of selected Local Government Areas in Oyo States. The higher the t-value, the higher is the relevance of the variables.

Impact of Internally Generated Revenue on Revenue Profile of Local Government Areas in Oyo State by Hausman Effect

To decide between fixed or random effects, Hausman test was conducted where the null hypothesis is that the preferred model is random affects vs. the alternative the fixed effects (Green, 2008). It basically tests whether the unique errors (*ui*) are correlated with the regressors, the null hypothesis is they are not. If Chi2< 0 is less than 0.05 (i.e. significant) use fixed effects, therefore the null hypothesis is rejected, the alternative hypothesis is accepted

Conclusions

The study concluded that IGR had positive significant effect on revenue profile of selected LGAs in Oyo State.

Recommendations

The study recommends that, there is need to employ and involve services of Professional Accountants in financial management of LGAs in order to increase their IGR to boost revenue profile of LGAs. Furthermore, the State Government should however adopt policies of consciously involving more budgetary power and responsibilities to local authority and develop a sense of political control of the local people by making them aware of the important of local prudent financial management and their welfare.

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Appendix 1: Pooled Effect Model on Effect of Internally Generated Revenue on Revenue Profile of Selected Local Government Areas in Oyo State

Dependent variables	Independent variables	Coefficient	Standard error	T	P>/T/	(95% conf. Interval)	
	SKR	.003525972	1.043916	-3.38	0.001	-5.586945	-1.465
	TR	.01695200	.5639169	3.02	0.004	-1.282845	.9438047
	SSF	.048977130	5.782972	3.08	0.003	-10.92738	11.90692
RP	MKTT	.03001621	.6240809	4.48	0.000	-1.532267	.9319427
	MBDRF	.01040663	43.34632	5.40	0.000	18.48896	189.6437
	BRPF	.04307656	5.333946	3.22	0.002	-6.222998	14.83831
	MPL	.02450158	3.736837	6.66	0.000	-9.827687	4.927371
	NSTR	.03478032	49.95768	6.96	0.000	249.1732	446.4332
	PEP	.0902067	.5719067	7.33	0.000	.7729678	3.031165
	SASST	.08310444	6.488059	2.97	0.017	-21.11963	4.498741
	IINC	.04144473	205.5531	3.00	0.005	8.629697	820.2649

	GRT	.01750209	6.106657	2.94	0.019	-7.305987	16.80641
	CONSTANT	-2.24e+09	4.15e+08	-5.39	0.000	-3.06e+09	-1.42e+09
R squared = 0.6052	Adj R squared = 0.5696	Prob> F = 0.0000	Root MSE = 3.5e+08		F(12, 167)=14.21		

Source: Researcher's Computation (2018)

Appendix 2: Random Effect Model on Effect of Internally Generated Revenue on Revenue Profile of Selected Local Government Areas in Oyo State

Dependent variables	Independent variables	Coefficient	Standard error	T	P>/T/	(95% conf. Interval)	
RP	SKR	.00246866	1.034463	3.39	0.003	-4.49617	-.44115
	TR	.07780760	.4999638	3.16	0.004	-.9021035	1.057719
	SSF	.04512300	4.892107	-3.03	0.006	-9.733477	9.443231
	MKTT	.06507580	.5201135	4.13	0.002	-.9543279	1.08448
	MBDRF	.01960742	55.08561	4.56	0.001	88.1084	304.04
	BRPF	.03568120	4.498035	6.87	0.000	-5.247867	12.38411
	MPL	.06712777	4.460489	5.50	0.000	-2.029621	15.45517
	NSTR	.00582930	52.8595	5.79	0.000	202.2266	409.432
	PEP	.06786556	.6756388	6.12	0.000	1.462329	4.110784
	SASST	.00562868	5.401839	-3.16	0.012	-16.87424	4.300576
	IINC	.00972540	174.6775	7.48	0.000	-83.26435	601.4587
	GRT	.01103756	5.132064	2.99	0.017	-4.95491	15.16241
	CONSTANT	-3.87e+09	3.99e+08	-9.69	0.000	-4.65e+09	-3.09e+09
R-squared within = 0.7917 between = 0.0578 overall = 0.4675		Prob> chi2 = 0.000			Wald chi2 (12) =295.49		

Source: Researcher's Computation (2018)

Appendix 3: Fixed Effect Model on Effect of Internally Generated Revenue on Revenue Profile of Selected Local Government Areas in Oyo State

Dependent variables	Independent variables	Coefficient	Standard error	T	P>/T/	(95% conf. Interval)
	SKR	.00285107	.8503061	-5.00	0.000	-2.531203 .8290455
	TR	.01636369	.3562887	2.96	0.007	-.5403559 .8676297
	SSF	.00284468	3.368115	3.38	0.003	-7.939544 5.370608
RP	MKTT	.06490830	.3584755	3.81	0.002	-.0592306 1.357397
	MBDRF	.01479347	84.85064	5.65	0.000	311.6779 646.9915
	BRPF	.00968295	3.084849	6.59	0.000	-4.273775 7.916966
	MPL	.0206168	5.113811	4.03	0.000	10.5124 30.72121
	NSTR	.00539725	3.900725	3.99	0.001	-7.045913 187.8605
	PEP	.007900725	.7840794	4.97	0.000	2.351458 5.449992
	SASST	.004027077	3.678226	-7.09	0.000	-11.2949 3.240749
	IINC	.00502987	121.0792	6.15	0.000	-99.94238 378.5397
	GRT	.00932099	3.521995	7.12	0.000	-3.02703 10.89123
	CONSTANT	-6.16e+09	3.37e+08	-8.27	0.000	-6.82e+09 -5.49e+09
R-squared within = 0.8461 between = 0.0135 overall = 0.3580		Prob> F = 0.0000				F(12, 150) = 68.75

Source: Researcher's Computation (2018)

Appendix 4: Hausman test

Dependent	Independent	Coefficient	Coefficient	(b-B) Difference	Sqrt (diag (v-b-v-B)) S.E

variables	variables	(b)	(B)		
	SKR	.00246866	.00285107	-.00038241	.5891459
	TR	.0778076	.01636369	.06144391	.3507451
	SSF	.4512367	.00284468	.04227832	3.54803
RP	MKTT	.0650758	.0649083	.0001675	.3768466
	MBDRF	.01960742	.01479347	.00481395	
	BRPF	.0356812	.00968295	.02599825	3.273534
	MPL	.06712777	.0206168	.04651077	
	NSTR	.0058293	.0053972	.00043205	19.01544
	PEP	.06786556	.00790072	.05996483	
	SASST	.005628683	.004027077	0.0016016	3.956074
	IINC	.0097254	.00502987	.00469553	125.9049
	GRT	.01103756	.00932099	.001716575	3.732777
b = consistent under Ho and Ha;	B = inconsistent under Ha, efficient under Ho			Test: Ho: difference in coefficients not systematic Chi2 (12) = (b-B)' [(v-b-v-B)^ (-1)] (b-B) = 658.15 Chi2< 0.0000	

Source: Researcher's Computation (2018)

INSTITUTIONALENVIRONMENT, INTERNAL AUDIT AND PERFORMANCE OF

LOCAL GOVERNMENTS IN NIGERIA

Obal Usang Edet Usang*, Basariah Salim**
*Department of Accounting, University of Calabar, Calabar, Nigeria
** Tunku Puteri Intan Safinaz School of Accountancy, Universiti Utara Malaysia, Malaysia

Abstract
This study aimed at examining the institutional environment, internal audit and performance of local governments.The quality of internal audit, effective internal controls, and institutional context factors were specifically examined. The study used the explanatory sequential design which entailed an earlier survey followed by semi structured interviews on key participants to provide more insight on the survey.A total of 301 heads of internal audit participated in the survey from local governments in the six geopolitical zones of the country. In order to clarify the survey results, semi structured interviews were conductedusing 8 key participants including external auditors of local governments, treasurers, and internal auditors of local governments. Results gave new insights into the challenges of institutional context factors and their relationship to performance of local governments in Nigeria.Particularly, the participantsoutlined reasons for the negative relationship between internal and external audit collaboration and performance to include external auditor political interest, unethical practices, uncooperative attitude, preference for external auditor, and external auditor override of internal auditor's queries. Also, the non-significant relationship between internal audit relationship with management and performance was a result of poor attitude of management, auditor compromise, funding issues, and reporting relationship. Hence, the outcome of the study demonstrated that the contribution of internal audit quality and internal controls to performance are constantly influenced by institutional context factors and this determines how effective both would contribute to performance. It was therefore recommended that policy makers should closely monitor the institutional environment as internal audit and effective internal controls do not exist in isolation.

keywords: Institutional Environment, Local Government Performance, Internal Control, Internal Audit, Public Sector

Introduction

The performance of Nigerian local governments have come under search light as stakeholders have been questioning the internal audit role and the place of internal controls in performance. Since the return to democracy in 1999, little improvements have been witnessed in the local governments. Some authors have tagged this third tier of government "the most ineffective and inefficient". For example, literature is replete with issues bothering on the poor performance of local governments in Nigeria. According to IFAD (2012) report, 80 percent of rural dwellers live below the poverty line and there is limited infrastructure and social services. Other studies have reported issues such as inadequate resources, mismanagement, reckless spending, and corruption (Oviasuyi, Idada, & Isiraojie, 2010; Lawal & Oladunjoye, 2010). Also, there is a worsening overdependence of local government on revenue from the federation account (Olusola, 2011). Given the pivotal role local governments play in the developmental process of a country and the need to effectively manage limited resources at their disposal, local government performance has become the focus of intense debate in many parts of the globe including Nigeria (Adeyemi, 2012; Akbar, Pilcher, & Perrin, 2012;). One notable consequence of poor performance of local government councils in Nigeria is the wide spread poverty in rural areas. Others include inadequate service delivery in health, rural water supply, access roads, underdevelopment of primary education and general apathy in participatory community development including restiveness among youths(Achimugu, Stephen, & Agboni, 2013).

Studies seem divided over issues bothering on the performance failures of local governments in Nigeria. Some have cited meager financial resources (Oviasuyi et al., 2010; Olusola, 2011) while others argued that mismanagement of resources through reckless spending accounts for poor performance in the local government (Lawal & Oladunjoye, 2010;). On the whole, there seem to be inadequate safeguard of local government resources. Although many studies have been conducted on performance and its antecedence in some developing countries, very few studies have examined the subject in the public sector of developing countries like Nigeria. With respect to performance, some researchers have theorized that organizations can improve their performance by strengthening control mechanisms like internal audit, internal controls and by addressing other contextual factors (Baltaci & Yilmaz, 2006; Asare, 2009). The internal audit and internal controls are regarded as potent toolscapable of contributing to the performance of an organization(Ege, 2015). The value-adding ability of internal audit is demonstrated in the function's role in governance, risk management and control. In essence, an active internal audit role in these areas can lead to more performance in an organization. This, in effect shows that the internal audit function is a very important and indispensable aspect of a progressive organization. However, to be effective, the institutional environment where the function operates is equally relevant as internal audit and the controls it oversees do not operate in a vacuum. The presumption of internal audit's value-adding role is under the premise that the function is well supported and equipped to operate in an environment that promotes a culture of ethics (Cahill, 2006). Baltaci and Yilmaz (2006) assert that internal controls and the internal audit function standing alone may not result in performance of an organization. They suggest that other governance factors within the institutional environment are important in shaping outcomes.

The institutional environment here captures variables that should enhance the functions effectiveness. Some institutionalvariables in the public sector includes government regulations, internal audit relationships, internal and external audit collaboration, planning, mission statements, political interference, management commitment, and corporate ethical culture. The presence of these institutional variables will either enhance or limit internal audit function's contribution to performance. Quality internal audit and effective internal controls have been acknowledged as potent tools for curbing management and corruption and enhanceefficiency of operations (Asare, 2009) but evidence suggest otherwise.Interestingly, all government agencies in Nigeria are required to establish an internal audit department and internal controls are well prescribed in the various regulatory framework of the public sector to ensure accountability and transparency in government transactions. However, with the wide spread performance and accountability failures, it seems the internal audit function and internal controls may not be effective in providing the needed assurance to stakeholders(Baltaci & Yilmaz, 2006; Davidson, Goodwin-Stewart, & Kent, 2005).A lot of researches on internal audit have focused on effectiveness of the function (Cohen & Sayag, 2010).Others have linked its effectiveness and value adding role to performance (Aikins, 2011; Mihret, 2010; Carmeli & Tishler, 2004). However, there is limited research on the institutional environment where the function operates especially in the public sector. Given that the public sector is governed by rules and regulations, some of which emanate from government seeking legitimacy from stakeholders, it is important to examine the environment where internal audit operates as this could give insight on why the function seems not to be adding value in the Nigerian local government. Hence, this study examines the institutional environment, quality of internal audit, effective internal controls and their contribution to performance of local governments in Nigeria. The rest of the paper consist of literature review, methodology, results and discussion, and conclusion.

Literature Review

Given the ambiguous nature of goals in the public sector, numerous perspectives exist in measuring performance of public sector agencies. Hence, performance should be assessed taking into account the institutional setting especially because the public sector is guided by rules and regulations which have implications on how performance is measured and internalized (Hoque, Arends, & Alexander, 2004;Bevir, Rhodes, & Weller, 2003). These rules and regulations exert coercive influences on the organization. Also, the diverse stakeholder group in the public sector creates divergent goalswhich are sometimes conflicting. Therefore, assessing locsl govrnment performance depends on whose perspective is being studied and dimensions to be examined. Generally, public sector performance is associated withfinancial performance, quality of services provided, responsiveness, fiscal strength, accountability, citizen satisfaction, and financial autonomy (Carmeli & Tishler, 2004; Walker & Boyne, 2006; Boyne & Law, 1991). However, Boyne and Law (1991) suggest accountability should be the focus of performance in the public sector. In addition, Selden and Sowa (2004) assert that given the abigious nature of goals in the public sector, performance should focus on the fiscal health, satisfaction of most important stakeholders and the ability to mobilize and retain resources. Also, Dess and Robinson (1984) suggest performance should incorporate dimensions such as employee, environmental, societal and community. Furthermore, Kaplan and Norton (2000) also suggest public sector performance should include non finacial aspects. Thus in this study, both financial and non finacial aspects were incorporated into the measures of local performance. Financial performance refers to an organization's ability to ensure future services are provided without disruption. It also depicts the ability of an organization to meet the demands of creditors and stakeholders while still attaining objectives. Aspects of financial performance include cash solvency, budgetary solvency (Maher & Deller, 2011; Rivenbark & Roenigk, 2011). Non financial aspect of performance includes efficiency and effectiveness of service performanc. This was adapted from the study of Brewer (2006). A meta analysis of 65 studies on sources of performance in the public sector found management, resources, organization, markets and regulation as sources of performance (Boyne, 2003).

Furthermore, the study revealed resources and management were main sources of improvement in performance in the public sector. However, an earlier study by Nadler and Tushman (1980) found environment, history, strategy and resources as drivers of financial performance in an organization. Taken together, performance can be enhanced when the above sources are exloited. For example, the environmental factor consist of influences outside the organization such as regulatory bodies, various stakeholders, and interest groups. These influence performance outcomes in the public sector. Therefore, this study examines further the influence of the institutional environment and performance in the local government by relying on the institutional theory and resource based view. The internal audit, internal controls, coperate ethical culture, planning, mission statement, commitment by management and internal auidt relationship with management are regarded as resources. This is supported by the view that resources both tangible and intangible can generate better performance (Barney, 1991; Bryson, Ackermann, & Eden, 2007; Teece, Pisano, &Shuen, 1997). This is also in line with Boyne (2003) study of sources of public sector performance. In addition, coperate ethical culture, planning, mission statement, commitment by management and internal auidt relationship with management are regarded as emanating from the institutional environment. Furthermore, other institutional environment variables include regulation, political interference and external and internal audit collaboration. This study also relies on the institutional theory to provide explanation on the relationships examined here. Similar studies have relied on the instutional theory and resource base view for explanation (for example, Mihret, 2010; Carmeli & Tishler, 2004).

Internal controls

Internal controls promotes attainment of goals in an organization, for example, internal controls mitigate errors and fraud (Rae & Subramaniam, 2008); assist in auditor's fraud risk assessment(Mohd-Sanusi, Mohamed, Omar, & Mohd-Nassir, 2015), and serves as guide to processes within the organization. Internal controls pervade every part of an organization's operations and contributes to organizational goals (INTOSAI, 2004). Internal controls refers to a system put in place by management to ensure adherence to policies and procedures and the attainment of goals of an organization (COSO, 2013). Internal controls consist of aspects such as control environment, control activities, risk management, monitoring, information and communication. Internal controls are dynamic and so the need for continuous monitoring to ensure the system is effective. Internal auditors assist management in ensuring controls are regularly updated.

Relatively few studies have examined the relationship between internal controls and performance. Some studies have related internal controls to various aspects of firm's operations. (SeeHaron, Ibrahim, Jeyaraman, & Chye , 2010; Hermanson, Smith, & Stephens, 2012). Haron et al. (2010) argued that boards can increase the value of shareholders through a combination of resources and processes of which internal control is part. Thus, effective internal controls can translate to quality service delivery and safeguardthe fiscal health of public sector organizations. In a study of six local governments in six countries, Baltaci and Yilmaz (2006) identified inadequate internal control as a major factor accounting for the widespread performance failures in local governments. They advocated effective internal controls and audit as tools to promote local government efficiency and effectiveness. Relatively few studies have examined the relationship between internal controls and performance (Aikins, 2011; Alic & Rusjan, 2010; Feng et al., 2015; Haron et al., 2010) and Baltaci and Yilmaz (2006) acknowledged the paucity of studies in public sector of developing countries. In Nigeria, few studies have been conducted and results and measures of internal controls are largely insufficient as results are merely descriptive (see Adeyemi, 2012; Babatunde, 2013). Hence, the need to examine this construct in the Nigerian context.

Internal audit quality

The support to the audit committees and more responsiveness in risk management is made possible through high quality internal audit(Zaman & Sarens, 2013). Also, the quality of internal audit is associated with low earnings management (Prawitt, Sharp, & Wood, 2009). This suggests internal audit's ability to check mate opportunistic behaviours aimed at reducing financial reporting quality. This evidence is supported by Ege (2015) and Lin, Pizzini, Vargus, &Bardhan, (2011). In addition, previous studies suggest a positive relation between internal audit quality and performance of an organization. Hutchinson and Zain (2009)reported a positive and significant relationship between internal audit quality and firm performance (ROA). Also, internal audit quality has been linked to reduction in management excesses, performance improvements, timely reporting and enhanced organizational operations(Baltaci & Yilmaz, 2006; Hutchinson & Zain, 2009). Thus, the quality of internal audit is a vital factor for performance of an organization. Internal audit quality consist of competence, objectivity and independence, and internal audit work performance (Ege, 2015; Haron et al., 2004; Hutchinson & Zain, 2009; Prawitt et al., 2009). Previous studies on the relationship between the quality of internal audit and performance showed inconsistent results. For example, Aikins (2011) in a US study reported significant relations between continuous audit by internal audit and financial performance of 178 local governments. Similar findings were reported by Carmeli and Tishler (2004). However, some studies found non-significant results between internal audit and performance (Mihret, 2010; Kiabel, 2012; Ejoh &Ejom, 2014; Muchiri & Jagongo, 2017). Also, most of the studies attributed the non-significant results to small sample sizes. Furthermore, these studies ignored the institutional environment where internal audit operates as this can also shape the quality of internal audit and its contribution to performance.

Internal and external audit collaboration

Collaboration between internal and external audit reduces audit fees, external audit circle and duplication of audit effort (Prawitt et al., 2011). This collaboration can assist in easy detection of material weaknesses in the financial statements(Lin et al., 2011). Also, internal audit and external audit cooperation contributes to financial statement audit quality and enhances confidence on either party's quality of work(Wood, 2004). It follows therefore that when collaboration is strong, audit recommendations and follow up areeasily pursued to obtain management action and soenhance performance. Empirical studies linking this collaboration and performance are limited. Most studies only focused on external audit reliance on the work of internal audit. Besides, statutorily, the external audit is a source of coercive influence on the work of internal audit as the external audit function plays a supervisory role on the internal audit in performing audits and to ensure government regulations and laid down procedures are followed. Considering the paucity of studies, it is important to examine the relationship between internal and external collaboration and the performance of local government.

Internal audit relationship with management and auditees

The relationship between internal audit and auditees within the organization affects the function's ability to contribute to performance. This hinges on the ability of internal audit to communicate effectively and secure the cooperation of auditees (Al-Twaijry et al., 2003; Mihret & Yismaw, 2007). Support for the internal audit function is clearly seen in the way management implements audit observations and the tone in the organization (Mihret & Woldeyohannis, 2008).

Internal audit relationship with management and auditees reflects how members of other functional departments within the organization see the internal audit. It includes both support and implementation of the audit findings. Also, it includes unhindered access to all parts of the organization(Mihret & Yismaw, 2007). Hence, to succeed, relationship skills are very important for the internal auditor. This is necessary to in order to create trust and minimize resistance from auditees (Chambers & Mcdonald, 2013).It underscores the necessity of ensuring a friendly environment that reduces suspicion and minimizes the perception of the internal auditor as a fault finder. In a multiple case study of the relationship between senior management and internal auditin Belgium, Sarens and De Beelde (2006) found that senior management only supported internal audit when the latter meets its expectations.In another study, high correlations were reported between senior management support and effectiveness of internal audit using a survey of 108 internal auditors and managers in both private and public sectors(Cohen & Sayag, 2010). Studies relating internal audit relationship with management and performance are limited. However, available evidence suggest when the relationship is cordial, internal audit would be in better position to operate effectively and consequently improve performance.

Corporate ethical culture

An early study by Verschoor (1998) indicated that management commitment to ethics was a significant factor in improving financial performance of companies. Also, Donker, Poff, andZahir (2007) revealed that corporate values were significantly related to company performance. Similarly, organizations who promote an ethical environment perform better than those who do not (Hosmer, 1994).In addition,Boyne and Walker (2010)assert that the prevailing culture within an organization can promote performance. In essence, an ethical environment stimulates the alignment of goals within an organization and consequently performance.Corporate ethical culture refers to the attitude, values, beliefs held by members of an organization. The corporate ethical value of an organization influences interactions within the organization even where no specific mode of behaviour has been prescribed. The prevailing ethical culture emanates from the environment where internal audit and internal controls operate. Where the right ethical environment exists, internal audit and controls would operate effectively and performance is sure. Kaptein (2008) developed a corporate ethical virtues model (CEV) to assess ethical virtues in an organisation. The virtues reflects how an organization is able to induce ethical conduct amongst employees. The ethical virtue contains aspects such as sanctionability, feasibility, transparency, supportability, discussability, congruency and clarity. The right ethical tone in an organization has been associated with external auditor reliance on the work of the internal auditor, enhanced performance, and financial reporting quality (Verschoor, 1998; Prawitt et al., 2010). It is therefore important to examine the ethical culture in local governments with a view to gaining insight on its relationship with performance. This would provide clues why internal audit and internal controls seem not to be having any impact on local government performance in Nigeria.

Strategic planning

Strategic planning is a means of attaining goals and serves as a guide on an organization's chosen objective(Boyne & Walker, 2010; Mintzberg, 1994). Strategic planning benefits an organization through improved management process, vision congruence, quality decisions making, and goal attainment (Boyne & Gould-Williams, 2003). More specifically, strategic planning promotes performance through enabling managers clarify goals and objectives, and generate proactive responses to external influences and promote congruence in actions.Studies on relationship between strategic planning and performance are limited and results are mixed (Andrews, Boyne, Law, & Walker, 2009; Boyne & Gould-Williams, 2003). Boyne and Gould-William (2003) found a positive relationship between attitude towards planning and performance but a negative relation between performance and other set targets. Their results generally show small positive effect of planning on performance and concluded that the positive effects of planning more than offset the negative effects of setting targets. Similarly, Ugboro, Obeng, & Spann (2011) demonstrated positive relations between strategic planning dimensions and strategic planning effectiveness. However, Andrews et al. (2009) found no relationship between rational planning and performance in 47 Welsh service departments. Although their study made some contribution, other factors that affect public sector performance were ignored. Besides, the internal audit function assist management in ensuring policies, plans and procedures are adhered to in order to bring about tangible performance in the local government.

Government regulations

Regulation involves the use of persuasion and directives by regulatory bodies in order to enforce compliance and effect changes in standards related to use of resources (James, 2000). The rationale for regulation of public sector organizations is that regulation brings about better performance, ensures accountability and better positions the public sector for more quality service delivery (Andrews, Boyne, Law, & Walker, 2008). Hence, regulation exist to enable government achieve its basic objective of serving and ensuring the wellbeing of citizens and communities and also serve as restraint on opportunistic behaviours that hinder progress. In spite of the pervasive influence of regulation, limited studies have examined its impact on organizational performance (Andrews et al., 2008). Accounting and reporting practices in Ghana were found to be influenced by legal, political and institutional factors (Assenso-Okofo, Ali, & Ahmed, 2011). Also, government regulations influenced the development of internal audit practice in Saudi Arabia, Italy, and Ethiopia (Al-Twaijry, Brierley, & Gwilliam, 2003).

Although regulatory influences have been acknowledged to impact internal audit practice, financial reporting and other accounting related issues, only few studies have explored the link with organizational performance. For example, Andrews et al. (2008) examined the relationship between external regulation and performance of services in 51 departments of local authorities in Wales. The findings of their study were mixed as the two proxies of external regulation (level of support and extent of regulation) showed positive and no relationship with service performance respectively. Furthermore, Wilbanks (2005) suggests that regulation in itself does not translate to improve performance but oversight to ensure compliance does and monitoring of top management ethical tone together can pave way for better performance. This suggests that mere existence of a regulation cannot bring about much needed performance unless mechanisms exist to ensure compliance. One of such mechanisms is the internal audit. Where regulations are adhered to, it may result in better processes for the local government. Within the Nigerian context, few studies have been conducted with limited statistical evidence as most of the studies are mere descriptive. Little is also known on how regulation shapes the internal audit practice. Also, some researchers have argued that the need for legitimacy before stakeholders is what drives regulation in the public sector and that such regulations are rarely applied in practice (Rahaman, 2009). Thus, where regulations exist only for cosmetic reasons, the work of internal audit and effectiveness of controls would be limited and performance hindered.

Management commitment

Commitment from individuals at the helm of an organization's affairs is essential for attainment of goals and objectives. As examples for others to follow, top management detect the tone for the organizatioon. It is also worthy of note that management commitment is perceived through out the organization and employees would follow the leadership of managemenet. Therefore, top management commitment is more than mere pronouncement or support; it an emotional attachment to see desired results. Hoffman and Hegarty (1993) linked top management commitment to achieving strategic changes, improvement in service quality, development of new products and services, and innovation in an organization. Also, top management commitment has been linked toservice recovery performance and effective leadership(Turner, 2008). Conversely, the failure of some government programmes and reforms were associated with a lack of commitment on the part of elected representatives. For example, lack of political will was identified as the root cause of wide spread reform failures in Swaziland's civil service (McCourt, 2003). Similarly, Gonçalves (2014) found participation of both service beneficiaries and elected leaders in the budgeting process lead to more efficient distribution of resources. In essence, to gain the participation of others, top management commitment serves as an example for others to follow through goal achievement. Thus, performance in the local government can be attained through the commitment of both bureaucrats and elected representatives. Such commitment can be assessed the institutional environment as employees generally perceive lack of commitment on the part of management. As it relates to internal audit and internal controls, a perceived lack of commitment on the part of management can have detrimental effects on how the organization responds to observations and queries by the internal audit. This, in effect, can either promote or restrain performance.

Political interference

Previous studies differ on the subject of political interference in an organization. For example, Shleifer (1998) suggests that political interference can result in employment generation, foster economic development and the development of policies for public interest. However, others argued that political interference could be exploited by politicians for personal gain at the detriment of stakeholders and the organization (Chang & Wong, 2002). Political interference refers to influences emanating from organizations and individuals saddled with the responsibility of overseeing the affairs of an institution it seeks to control.Empirical studies on the effect of political interference on organizational performance merely involved comparing between government enterprises and privately owned ventures (Shirley & Walsh, 2000). Shleifer and Vishny (1994) found government enterprises performed poorly due to political interference compared to privately owned ventures. Also, Local administrative initiative and focus can be diverted through political interference asDe Visser (2010) found excessive political interference in South African municipalities limited their abilities to improve on services to communities. Political interference was found to influence scientific findings of the environmental protection agency in the US (UCS, 2008). The study also reported that the sources of interference are both internal and external to the organization and scientific findings were hindered or modified, thus hindering correct disclosure of findings.

In a related study of project implementation in Nigeria,Rogger (2013)found that project completion and quality rates reduced by 42 and 69 percent respectively. Furthermore, political interference is detrimental to financial condition of local government. Asaju (2010) found that state governments in Nigeria often compelled local governments to embark on projects that have no bearing on the needs of communities. Also, Salawu and Agbeja (2007) found political interference to severely impact internal controls, accountability and audit procedures. Hence, such interference could put a strain on local government financial resources and deprive communities of having their salient needs met. Thus, there is need to examine the relationship between political interference and performance in the local government.

Strategic mission

Alavi and Karami (2009) noted that formulating an appropriate mission statement is an important step towards developing strategic plans for an organization. Mission statements capture the future plans and vision of an organization. It serves as a differentiating factor between organization (David & David, 2003). Mission statement has been documented to result in goal congruence within an organization, linked to motivation of employees towards organizational performance, generates a positive attitude towards the organization and has also been linked to efficient allocation and use of resources as there is a clear focus for the organization(Bart & Baetz, 1998). In terms of performance, a comprehensive and accepted mission statement by members of an organization has potentials of increasing certain financial performance measures by 30 percent (David & David, 2003). However, Sufi and Lyons (2003) found no significant relationship between mission statement and return on equity. Although results are inconclusive and may vary across sector and context, mission statement is equally important for local government's performance.

Theoretical review

In developing literature for this study, specific variables that influences outcomes in the public sector were examined. This study relied on the Resource-Based theory and the institutional theory. Resources comprise of "all assets, capabilities, organizational processes, firm attributes, information, and knowledge controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991 p. 101). These resources are assets that drive the attainment of goals(Bryson, Ackermann, & Eden, 2007). Also, resources include capabilities such as intangible skills and knowledge acquired through organizational processes (Teece, Pisano, & Shuen, 1997). Capabilities generates the needed skill to direct efficient use of resources. Both resources and capabilities provide firm wide competitive advantage (Grant, 1991). Institutional theory posits that institutional environment exerts moreinfluence on the development of structures and practices in an organization than market forces. Simply put, organizations within a particular context are pressured to conform to certain norms, rules, schemas, routines and processes in order to appear legitimatein the institutional environment (DiMaggio & Powell, 1983). The main sources of influence include government, values and norms in the wider society now internalized by the organization and professional bodies (Collier & Woods, 2011). In essence, institutional theory enquires into how structures are "created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse" (Scott, 2004 p. 408). Mihret (2010)referred to the terms "decline and disuse" as decoupling which connotes a situation where an institution appears to be acting along to laid down principles in order to look legitimate but in practice, the doing the opposite. Similar studies examining performance and internal audit in the public sector have relied on these theories in the explanation of variables being studied (see Cohen & Sayag, 2010; Carmeli & Tishler, 2004; Al-Twaijry et al., 2003).

Methodology
The study employed the mix method particularly, the explanatory sequential design where survey was conducted followed by interviews of participants in order to clarify the results of the survey. Heads of internal audit were the target sample for the survey. These were selected to respond on behalf of their local governments because of their positions as heads of internal audit and would be more positioned to provide credible responses to the survey.There are 774 local governments and six geopolitical zones in Nigeria. Each local government has one head of the internal audit unit, giving a total of 774 heads of internal audit. Each them was required to respond to the survey on behalf of their local governments.Each geopolitical zone was regarded a strata from which a proportionate sample was determined. Based on Krejcie and Morgan (1970) sample size table, a minimum sample size of 260 was derived. From the 260 sample size, proportionate sampling was used to apportion the sample size according to the geopolitical zone .This is shown on Table 1.

Table 1
Local Government Sampling

Geopolitical Zone	Number of Local Government *(Population)*	Sample Size *(Proportionate Sampling)*
North-West	187	62
North-East	111	37
North-Centrals(FCT included)	121	41
South-West	139	47
South-East	95	32
South-South	121	41
Total	774	260

Source: Field survey

Thereafter, simple random sampling was used for selecting respondents to the survey. In other to mitigate the problem of non-response, 600 questionnaires were mailed out to heads of internal audit, out of which 322 were received giving a response rate of 53.8%. In all, only 301 were retained for analysis. Thereafter, semi structured interviews was conducted on eight key participants. A five point Likert scale was used for the survey. The survey took a period of six months in 2015 while the interviews were conducted within two months in the later part of 2016.

The maximum variation sampling technique was used in selecting participants for the interviews because of the need to present multiple perspectives on issues being addressed. Hence, participants included: public sector external auditors, internal auditors, treasurers of local government and directors in the local government. According to Creswell (2014) cases can range from 1or 2 to 30 or 40. Thus, 8 cases were considered adequate for this study because of the need for in-depth perspectives.STATA 12 software was used for analyzing the survey data while interviews were manually transcribed and analyzed. Results showed no threat of non-response bias and data were normal as skewness and kurtosis lie within acceptable limits of ±2.58 (Hair, Black, Babin, & Anderson, 2010). Other multivariate assumptions were met. Thereafter, multiple regression analysis were performed.

Model specification
Based on the conceptual framework as discussed in the literature review, the following model is put forward:

$$LGP = \alpha + \beta_1 IAQ + \beta_2 ICS + \beta_3 IAMA + \beta_4 IAEA + \beta_5 CC + \beta_6 SP + \beta_7 REG + \beta_8 MC + \beta_9 PI + \beta_{10} SM + \varepsilon \quad \text{.. (i)}$$

Where:
LGP = local government performance
IAQ = quality of internal audit
ICS = Effective internal controls
IAMA = internal audit relationship with management
IAEA = internal and external audit collaboration
CC = ethical culture
SP = planning
GR = Government regulation
MC = Management commitment
PI = political interference
SM = mission statement
ε = error term
α = intercept
$\beta_1, \beta_2, \ldots \beta_{10}$ = Parameters

All variables were measured on a five point Likert scale.

Data analysis and discussion of results

Respondents profile

In terms of gender, 82% (246) were male while 18% (55) were female. Also, with respect to work experience, 13% (39) had up to five years working experience, 20% (60) had between 5 and 10 years' experience while 65% had above 10 years' experience and 2% of the respondents did not supply any information on their work experience. Furthermore, in terms of professional certification, 11% (33) had ACA, 34% (103) had the CNA, 17.6% (53) had other forms of certification while 27% (82) had no certifications. Finally, for size of internal audit unit, 19% (57) had < 5 staff, 65% (196) had between 5 to 10 staff, 9% (28) had between 10 and 15 staff, while 2% (7) had 15 staff and above. Finally, 18.9 % (57) of respondents came from the North Central, 11.3% (34) from the North East, 20.3% (61) from the North West, 13.6% (41) from the South East, 19.6% (59) from the South West, and 16.3% (49) from the South-South geopolitical zones. The respondents profile for the survey is shown on Table 2. The participants for the interviews were well vest in local government affairs. They include 2 external auditors (Directors of Audit) of local governments, 1 Director of Finance and Supply, and 5 Heads of internal auditor unit in the local government.

Table 2
Respondents' profile

S/No	Item	Frequency	Percentage (%)
1	*Gender*		
	Male	246	82
	Female	55	18
2	*Experience*		
	1-5 years	39	13
	5-10 years	60	19.9
	10 years and above	196	65.1
	Missing	6	2
	Total	*301*	*100*
3	Professional Certification		
	ACA	33	11
	CNA	103	34.2

	Others	53	17.6
	None	82	27.2
	Missing	30	10
	Total	*301*	*100*
4	Number of Internal Audit Unit staff		
	< 5 staff	57	18.9
	5-10 staff	196	65.1
	10-15 staff	28	9.3
	15 staff and above	7	2.3
	Missing	13	4.3
	Total	*301*	*100*
5	Geopolitical Zone		
	North-Central	57	18.9
	North-East	34	11.3
	North-West	61	20.3
	South-East	41	13.6
	South-West	59	19.6
	South-South	49	16.3
	Total	*301*	*100*

Descriptive statistics

The means and standard deviation are high and within acceptable values. The mean of regulations is the highest (μ=3.87). Also, standard deviation ranges from 0.61 to 0.87; showing small acceptable variance from the mean and acceptable variability in the data set. This is shown on Table 3.

Table 3

Descriptive Statistics of Variables

Variable	No of Items	Mean	Std. Deviation
Local Government Performance	8	2.78	.74
Internal Audit Quality	17	3.51	.61
Effective Internal Controls	4	3.62	.75
Internal Audit Relations with Management and Auditees	4	3.68	.82
Internal Audit and External Audit Collaboration	5	3.76	.86
Corporate Ethical Culture	4	3.60	.80
Strategic Planning	5	3.75	.71
Government Regulations	4	3.87	.79
Management Commitment	5	3.52	.87
Political Interference	5	3.28	.76
Strategic Mission	3	3.53	.77

Factor analysis and reliability test

Table 3 shows the summary of factor and reliability analysis performed on the variables. According to Hair et al. (2010) Cronbach Alpha above 0.7 is acceptable. The results indicated that the measures of the variables are both valid and reliable. The results are shown in Table 3.

Table 3

Factor Analysis and Reliability Test

S/No	Variables	KMO	Bartlett's Test of Sphericity	Eigen-value	Variance Explained (Percent)	Cronbach's Alpha
1	Performance	.789	Significant	5.234	65.440	.840
2	IAQuality	.835	Significant	11.166	65.690	.874
3	Effective internal controls	.765	Significant	2.543	63.590	.808
4	Internal audit relations with management	.800	Significant	2.619	65.550	.824
5	Internal and external audit collaboration	.803	Significant	3.153	63.060	.853
6	Corporate ethical culture	.735	Significant	2.505	62.610	.799
7	Strategic planning	.847	Significant	3.034	60.690	.837
8	Government Regulations	.804	Significant	2.685	67.130	.837
9	Management commitment	.824	Significant	3.154	63.080	.851
10	Political interference	.738	Significant	3.863	64.380	.776
11	Strategic mission	.688	Significant	2.009	66.995	.753

Correlation test

Correlation shows the degree of association between two variables in order to assess the strength of relationship between them.From Table 4, the correlations meet a benchmark of <1. Hence, there was no problem of multicollinearity.

Table 4

Correlations between Dependent and Independent Variables

	PERF	IAQ	ICS	IAMA	IAEA	CC	SP	GR	MC	PI	SM
LGP	1										
IAQ	.381**	1									
ICS	.384**	.635**	1								
IAMA	.321**	.671**	.656**	1							
IAEA	.119**	.504**	.374**	.454**	1						
CC	.298**	.587**	.576**	.595**	.545**	1					
SP	.379**	.659**	.564**	.552**	.537**	.713**	1				
GR	.186**	.452**	.426**	.388**	.412**	.565**	.508**	1			
MC	.402**	.659**	.573**	.569**	.426**	.654**	.715**	.489**	1		
PI	-.161**	.088	-.049	.023	.108**	-.120**	-.052	.209**	-.042	1	
SM	.217**	.540	.428**	.451**	.492**	.616**	.651**	.495**	.546**	-.013	1

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

In addition to correlation analysis, multicollinearity amongst variables were examined using tolerance and variance inflation factor. Both revealed there were no issues with multicollinearity. The results are shown on Table 4.

Table 5
Collinearity Statistics

Variable	Variance Inflation Factor (VIF)	Tolerance (1/VIF)
Internal Audit Quality	2.75	.363
Effective Internal Controls	2.19	.457
Internal audit relations with Management and Auditees	2.34	.427
Internal audit and external audit Collaboration	1.67	.597
Corporate Ethical Culture	3.03	.330
Strategic Planning	3.14	.318
Regulations	1.80	.556
Top Management commitment	2.58	.388
Political interference	1.22	.818
Strategic Mission	2.02	.496
Mean VIF	2.27	

a. Dependent variable: Local Government Performance. Source:

Regression results

In order to examine the relationships among the variables the multiple regression was performed. The result are shown on Table 6

Table 6
Multiple Regression Results

Variable	Unstandardized Coefficients	Beta Coefficient	Std. Errors	t-Statistic	Prob.
C	1.463666	-	0.2673885	5.47	0.000
IAQ	0.2145787	.1785352	0.1013164	2.12	0.035
EICS	0.1255909	.1528668	0.0617084	2.04	0.043
IAMA	0.026264	.0309845	0.0658604	0.40	0.690
IAEA	-0.110329	-.1324194	0.0547604	-2.01	0.045
CC	-0.0574559	-.066394	0.0764638	-0.75	0.453
SP	0.1800475	.185358	0.0874504	2.06	0.040
REG	0.0098806	.0106993	0.0629078	0.16	0.875
TMC	0.1504483	.1747318	0.07019	2.14	0.033
PI	-0.1221498	-.1482612	0.0462837	-2.64	0.009
SM	-0.0619111	-.0725944	0.0615117	-1.01	0.315
R-Squared	0.252				
Adjusted R-Squared	0.226				
Prob (F-statistic)	0.000				
Root MSE	0.657				

From the results, the *R-Squared* was 0.252; indicating that the model accounts for 25.2% of the variance in local government performance in Nigeria. Also, the *F* value (R^2 = .252, *F* = 9.76, *p* <.001) showed the variables reliably predict local government performance. Furthermore, internal audit quality (IAQ), effective internal control (ICS), top management commitment (MC), and strategic planning (SP) contributed both positively and significantly to the model while internal and external audit collaboration (IAEA) and political interference (PI) contributed negatively and significantly to the model. The remaining variables had no significant effect on performance of local government.

The results indicated that internal audit quality had a positive and significant relationship with local government performance. This result is consistent with previous studies that examined certain aspects of internal audit quality and some measures of performance (see Aikins, 2011; Carmeli & Tishler, 2004; Hutchinson &Zain, 2009; Roussy& Brivot, 2016). Consistent with the results, interview participants affirmed the results. However, they also pointed out other aspects of internal audit that can enable performance. The linked the ability to check management excesses, pre and post payment auditand timely reporting to performance.

Effective internal controls had a positive and significant relationship with performance. This also corroborates previous findings of Aikins (2011). Although limited research has explored the relationship between internal controls and performance in the public sector, the private sector has had researches into the relationship between internal controls and firm performance (see Haron et al., 2010). Interview participants affirmed the results but they quickly cautioned that internal controls may not be always effective due to low internal audit capacity, threat of violations, intimidation from management and staff shortages. Furthermore, the participants acknowledged that the laws establishing internal controls in the local government are adequate. According to one participant, "...the laws regarding internal controls are perfect but the issue is that some circumvent the law to do the contrary".

The relationship between internal audit and management showed a non-significant relationship with performance. Similar findings were reported by Ahmad, Othman, Othman, and Jusoff (2009) that a poor relationship exist between management and internal audit and this had detrimental effects on service delivery in the public sector in Malaysia. Hence, this non-significant relationship could be due to lack of cooperation on the part of management and auditees. Furthermore, interview participants provided more insights into reasons for the results. On the nature of the relationship between internal audit and management, participants described it as summarized below.

Table 7
Nature of relationship between IA and management and auditees

Participants	Nature of relationship	Challenges
P1	Not always cordial	- IA seen as part of management - IA fear of management - IA an employee of management
P2	Not always cordial	- Management ignores IA recommendations - Management preference for EA reports - Compromise of EA - Starving IA of funds as punishment - Poor relationship skills
P3	Not cordial	- IA not independent - IA seen as part of management - Reporting relationship as prescribed by the law - IA reports still required to be endorsed by the CEO
P4	Not at loggerheads	- IA overshadowed by management - Management resists IA recommendations
P5& P8	Not smooth all the time	- Management not carrying IA along - Impaired independence - Lack of objectivity by IA
P6& P7	Depends on management	- Attitude of management team - Management feels IA wants to override them

It is clear that the relationship between internal audit and management is not functional and largely full of conflict. This challenges are capable of limiting the functions ability to contribute to performance. Theoretically, both formal and informalrelationships are part of an organization's capital resource (Husso & Nybakk, 2010; Barney, 1991) but the results here do not support the resource base view. A look at the challenges enumerated by participants showed that these emanate from the institutional environment. The implication is that internal audit would not be effective at carrying out its duties and this greatly hampers overall performance of the local government.

Also, internal and external audit collaborationhad a negative and significant relationship with local government performance. This result is unexpected compared to previous researches which found some positive link between collaboration between internal and external audit and performance (see Lin et al., 2011) in the private sector. This result could mean there is less collaboration taking place in the local government between internal and external auditors. However, a look at what the external auditor considers in relying on the work of the internal auditor could provide answers. External auditors often consider quality of internal audit, competence, independence, quality of work but where these are lacking as seen from the opinions of interview participants, very little collaboration may take place. Participants affirmed the results but differentiated between positive and negative collaboration. Reasons offered for the negative results are summarized on Table 8.

Table 8

Reasons for Negative impact of IAEA on Local Government Performance

Participant	Reasons
P2	- EA seeks gratification from council management to tamper reports - Management high regard for EA than IA - EA takes advantage of their influence to undermine IA
P3	- Many IA are not sound and require training - Connivance on the part of IA - IA and EA connivance to extort management
P4 & P8	- EA seeks gratification to tamper reports - IA and EA work together to dig areas of weaknesses in order to exploit management
P5 & P6	- EA uncooperative attitude to issues - Overriding interest of EA - EA overrides IA queries on management - EA political interest

From the reason given on Table 7, it is obvious that these emanate from the institutional environment and there can be no meaningful contribution to performance. Again, the issues outlined above emanate from the institutional environment. The findings affirm the postulation of institutional theorythat institutions sometimes "decouple" (Meyer & Rowan, 1997; Dimaggio & Powell, 1983). In essence, institutional environment influences the value-adding role of internal audit and invariably, performance.

Corporate ethical culturehad a negative but non-significant relationship with local government performance. This indicates that the prevailing culture in the local government does not foster performance. Although, there is limited evidence of this relationship in the public sector, it is fairly established in the private sector. For example, Verschoor (1998) found management commitment to ethics to be significantly related to company performance in the US. Also, corporate values have been linked to performance of listed firms on the Canadian stock exchange (Donker et al., 2007). This finding may be a result of how internal auditors perceive the environment where they operate as unethical. Similar studies on local governments allude to wide spread unethical practices in the public sector (Adeyemi, 2012; Oviasuyi et al., 2010). Under such conditions performance may not result. In addition, participants affirmed the results but one participant added that corporate ethical culture at any time depends on management. A number of phrases were used to describe the ethical environment including "most primitive tier, immaturity, behave locally, moral decay, and not well cultured". Some reasons include political recruitment, poor attitude to change, inadequate exposure, and inadequate training. Under this situation, the work of internal audit becomes even more difficult.

The relationship between strategic planning and local government performance was positive and significant. This provides empirical support for previous studies where certain aspects of planning were found to be significantly related to performance. However, others found non-significant results and concluded that the relationship between strategic planning and performance depends on the context (Andrews et al., 2009; Boyne and Gould-Williams, 2003). Participants also affirmed the results but added that planning could result in more performance if executives' carryon plans for the benefit of the people. Some issues raised by participants include inadequate funding, poor motivation of staff, unrealistic revenue targets, faulty implementation, corruption, mismanagement and excessive political interference. These issues are contextual in nature and their presence in the institutional environmentmakes the job of the internal auditor burdensome. This also affirms Hendrick's (2010) assertion that contextual factors including the political context determine planning effectiveness.

Government regulation had a positive but non-significant relationship with performance. This indicates that the impact of regulation is not enough to generate performance. Regulations are products of cohesive forces within the institutional environment particularly from higher government agencies to ensure conformity with laid down rules to foster better service delivery. The finding agrees with those of Ibietan and Joshua (2013) who found that laws that compel performance were not enforced in the Nigerian public sector. Some participants felt regulations were often ignored and neglected by politicians. As one participant puts it "...politicians do not take time to study regulations and laws relating to running government". Similarly, Participant 5 asserts that "... the political terrain in Nigeria is so sensitive that even the executive do not follow the law, the judiciary do not follow the law... all agencies of government are doing the way the like". Hence when regulations are not fully understood, violations become eminent and objectives and goals remain unattainable. Thus, internal auditor saddled with ensuring adherence to policies and procedures become frustrated as laws are not followed.

Top management commitment had a significant and positive relationship with performance. Although limited studies examined this relationship in the public sector, the results are largely consistent with those of Goncalves (2014) who found commitment on the part of elected representatives lead to efficient distribution of resources. Also, top management commitment was found to be crucial to improvement in programmes reforms and organizational processes {McCourt, 2003). Interviewees differed in their opinions as some felt top management was not committed while others felt there is some commitment on the part of management staff who are not politicians. They also suggesttop management commitment was the main instrument for shaping outcomes in the local government. Furthermore, they opined that performance would have been more but for motivational issues like unpaid salaries, delayed promotions, lack of cohesion among staff, gender inequality, self-seeking attitudes, adequate training and political interference.

The relationship between political interference and performance was negative and significant indicating that the more interference the less performance in the local government. Some authors have arguedthat political interference is necessary to ensure government programmes are carried out while other assert the detrimental effects (Chang & Wong, 2002; Shleifer & Vishny, 1994). However, this study supports those of Rogger (2013) who found political interference in project implementation reduced completion dates and quality by 47% and 69% respectively. Similarly, De Visser (2010) found excessive political interference reduced the capabilities of municipalities in South Africato provide improve service delivery. Furthermore, interviews suggest political interference is a major hindrance to performance of local government in Nigeria. Evidence and reasons for the negative results are shown on Table 9.

Table 9

Evidence and Reasons for the Negative results

Participant	Evidence and Reasons
P1	-Funding not released directly to local governments -Too many political aides and attendant cost -Diversion of funds
P2	-Excessive interference in funding of local government by states -Award of contracts without consideration for merit and due process
P3	-Appointments of politicians irrespective of merit -Award of contracts and siting projects based on political patronage -Disregard for external audit reports -Appropriation of council's assets -Godfather syndrome and influence of higher politicians -Political office seen as share of national cake
P4 & P8	-Appointments and employments not based on merit -No prompt sanctions for wrong doing -Problem of godfather syndrome
P5	-Award of contracts without due process -Phony completion of contracts on paper -Disregard for rules and regulation in running government
P6 & P7	-Political interest in awarding revenue contracts -Withheld/taking over of internally generated revenue and allocations by state governments -Political settlement

Strategic mission had a negative and non-significant relationship with performance. Although limited research has examined this relationship in the public sector, the results contradict prior studies in the private sector (see Green & Medlin, 2003).There are possible reasons why this relationship was negative. Firstly, David and David (2003) opined that organizations rarely paid attention to their mission statements. Also, local governments face competing demands and an all-encompassing mission statement may be unrealistic. Interviewees' opinions differed as some assert that mission statements were none existent while others felt the mission statement were too broad and general. Others affirmed the existence of mission statements of where they are headed but this depends on the local government chairman. Also, participant 4 opined that mission statements were not well defined. Some also opined that poor motivation, policy inconsistencies, interruption of tenures, frequent political changes, and lack of cooperation among heads of units accounts for the negative results.

Conclusions

The study has both theoretical and practical implications. Firstly, this study relied on both institutional theory and resource based theory in explaining the relationships examined. Particularly, people-based skills which includes training, intelligence, experience, internal relationships judgement and management are recognized as part of an organization's intangible resource (Carmeli & Tishler, 2004; Galbreath, 2005). Thus, in this study, strategic planning, strategic mission, top management commitment, corporate ethical culture, effective controls, internal audit relationship with management and auditees and internal audit qualitywere regarded as intangible resources which could enhance performance. The findings revealed positive and significant relationships between effective internal controls, strategic planning, internal audit quality, management commitmentand performance. Thus, upholding the resource based theory. On the other hand, institutional theory was upheld in providing explanations for the institutional context factorsthat did not provide support for better performance.

On the whole, the study presents some practical and policy issues local government administrators and those with oversight functions should consider. Despite the positive and significant relationships found between some variables and local government performance, results of interviewssuggest a lot needs to be improved. Participants acknowledged the shortage of skilled internal audit staff, funding problems and management support issues limit the contribution of internal controls and the value-adding role of internal audit to performance.Therefore, there is need for local government service commission to seek and recruit skilled internal audit staff or provide avenues to training that would increase their capacity to contribute to performance. Furthermore, the institutional environment has a pervasive influence on how performance is shaped. Most issues raised by interviewees emanate from the institutional environment and falls within the responsibilities of local government policy makers. Policy makers should ensure the stability of leadership in the local government and the current funding pattern of local governments through the State Joint Local Government Account System is not promoting the fiscal health of local government. Instead of being a source of exercising oversight of local governments, it has become a source of excessive political interference. Policy makers should consider this law and reduce the overbearing influence of states in local government affairs.

This study demonstrates the Nigerian situation with respect to the sociocultural, economic and political differences with developed countries. Given the peculiar characteristics of Nigeria where issues bothering on corruption, poor enforcement of laws, excessive political interference trail the public agencies, the study demonstrated the effect of institutional environment on performance. Also, it is evident that internal audit and internal controls do not work in isolation. Both are constantly shaped by the institutional environment and to an extent determine how much both contribute to performance. Future studies may consider replicating this study in the private sector for comparison in order to ascertain whether there is a difference in the influence of the institutional environment on performance.

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PROFESSIONALS' PERCEPTION OF AUDIT PRACTICES IN PUBLIC SECTOR: A CASE STUDY OF OSUN AND OGUN STATES OF SOUTH-WESTERN NIGERIA.

ADEWUMI, Romoke Margaret
Bowen University, Iwo, Osun State
romokemargaret@gmail.com

Abstract

The study examined perception of accounting professionals regarding public sector audit practices. The objectives of this study are to identify generally accepted audit principles and determine the pattern of government audit practices. The population of the study are identified audit practitioners in selected states in Nigeria. 150 questionnaires were purposefully administered to three groups of audit practitioners in Nigeria. 50 to ICAN members, 50 to Osun state government audit staff and 50 to Ogun government audit staff. The result of descriptive and inferential statistical test showed similar pattern of public audit practices and correlation of standards and influence as significant in all the groups at 0.01 levels (2tailed). The study concluded that standards and influence are major determinants of public sector audit practices. In order to increase quality of public sector audit practices in Nigeria, professionals and academia should be employed and involved in public sector audit practices and regulatory bodies should emphasise balancing personal standards, field work standards and reporting standards.

Keywords: Auditing principles, influence, Audit practitioners, and Government audit.

Introduction

Globally, Search for new theories are usually grounded in the perceptions of social groups Researchers perceptions on issues of public finances have always been laced with lack of accountability, political influence, poor technology, inappropriate practices, and non-conformity with professional standards. The philosophy of accounting and auditing as a discipline provides both academic and professional training to students in order to enable them face the challenges of discoveries, fraudulent practices, clever operators and developing auditing skills relevant to modern practice both in the private and public sector. Recent events regarding management of organisational finance and fiscal resources have also shown that there is a need for qualified personnel in public sector so as to enhance the efficacy, reliability and validity of its practices.

Adam Smith (1776), on Theory of Capital Circulation in his book entitled " An Enquiry into the Nature and Causes of the Wealth of Nations" said "Private economy will tilt toward zero if there is no input from government and it can be worse if the input is not properly reported". He opined "national economy is the input of private and public funds".

Improper reporting of national wealth lead countries into bizarre of corrupt practices masquerading as financial crisis. This usually manifest as concentration of wealth in few hands, the result of which unemployment, stalling of capital projects, poor supervision of services and inability to pay salaries and pensions. Obal (2014) opined that crisis is not restricted to any clime and that the World Bank's report in 2009 predicted 40% of 107 developing countries are highly exposed to poverty effect of financial crisis. The gradual decline in Nigeria government responsibility to citizenry is an indication of national economy "tilting towards zero". Government auditors are agents employed by the public to give opinion on the reported wealth of nations, thereby assuring citizens that their wealth is properly managed and reported thus ensuring that citizens are assured of the dividends of democracy. This shows transparency and accountability on the part of government agents.

Government audit practices involve practitioners, who undergo constant training with field work experiences resulting into standard audit reporting. Relying on the importance of government auditors to solve problems in the public service, the president of International Institute of Internal Auditor (IIA), Chamber (2012), opined that "The conventional wisdom is that government cannot be effective in the absence of public trust. Government auditors play a central role in fostering such trust, and have been referred to as the guardians of public trust. Without auditors, citizens would lack credible insight into the soundness of the many inner workings of government."

Audits are in fact the zeitgeist of transparency, truth- reporting and accountability. It is of expertise practice, and the force of their logic is such that non- conforming to standards set by auditing practices lead to non accountability. (Micheal, 1994). Audit practice is represented within the circle of accountability and transparency. Nigeria public sector audit practices lies on the verge of carrying out mere auditing as opposed to operating auditing as it ought to be. Thus the inherent trust of auditing is constantly under the siege of threatened of failure in the public sector audit. The calibre of training and education of the auditors or the understanding of auditing practices is important to the nature of successful auditing practice. Professional auditors have roles to play in critical decision within the society; YvesGendon Barbara (2007) opined that government auditors in Canada are experts in crucial components. An auditor's opinion is the composition of its attributes. Personal attributes of background information are considered for audit practitioners, Standard auditing practices show up in personal standards, field work experiences and reporting, while Influence could be political, technological, sociological, technocratic and professional.

Concerns of researchers are to have a public sector where qualitative assessment of the achievement of objectives and responsiveness to stakeholders' needs are met. Adeyemi (2016) opined "one driver of change in today's business environment is raising expectation; stakeholders are demanding more transparency from companies and public trust in the integrity of business is at a low point and the audit profession can and must play an important role in the restoration of confidence.

Considering the role of professionals in nation building, the president of Institute of Chartered Accountants of Nigeria (ICAN, 2015) appealed to government at Federal, State and Local levels to increase the involvement of Professional Accountants in developing and implementing public policies and programmes to stimulate development. Public interest will be better served and confidence gained when round pegs are put in round holes, such that government audit practitioners are experts and are able to give correct and proper opinion on issued financial statements that are true, fair, and credible, devoid of material misstatement with minimum influence.

Generally accepted audit principles recognised personal standards, field work standards and reporting standards as composition of audit practices, yet Nigeria law has undoubtedly influenced the demand for financial audits, the knowledge base of audit and the claim to expertise of its practitioners are increasingly shaped outside the law. There is an urgent need of auditing research to pose and test theories that are well suited to the changing environment and task demands faced by auditors because since the first 25 years accounting organisation and society journals were published, there is less of response from the academic than professionals in responding to changes and development of public sector auditing (Dwiputrianti, 2011). A defence of practice is normally conducted in terms of adherence to generally accepted practice (Hopwood and Miller 1994). This study, as a contribution to professionalism in public sector, aims to identify generally accepted audit principles, professional pronouncements on audit and determine the pattern of public sector audit practices using practice as independent variable, while standards and influence as dependent variables.

The study groups are ICAN professionals as group 1, government audit staff of Osun State as group 2 and government audit staff of Ogun State as group 3 Other recognised professional groups are well represented in the state services. The study is organised into major aspects in order to understand public sector audit practices: section 1 is the introductory section; section 2 conceptual consideration, section 3 Theoretical consideration, section 4 methodology adopted, leading to the hypotheses of the study, section 5 shows the empirical results and discussion of findings, section 6 is the conclusion and the last aspect is the recommendation and contribution to Knowledge, while section 7 shows the references.

Conceptual consideration

Audit Professional Pronouncement

This is a public formal statement on auditing in form of practice notes and bulletin. It is an expression of opinion, a judgement and authoritative statement by professional bodies, e.g. International Federation of Accountants (IFAC), Institute of Chartered Accountants of Nigeria (ICAN), and Association of Nigeria Accountants (ANAN). The purpose of the pronouncements is aimed at maintaining high standards of auditing, ensuring public confidence in the audit process and establishing a framework of prescriptive, persuasive and other guidance to support and assist auditors in the exercise of their professional judgement.

Auditing Standards

Auditing standards are basic principles and practice which members are expected to follow when carrying out an audit. There are international and national standards. They are statements of auditing standards which have been approved for issue by the regulatory body.Audit standards help to raise an awareness of the key element of audit quality and thereby facilitate dialogue on the topic by stakeholders to improve audit quality and thereby build confidence on auditor's report.

Standards narrow down differences in Policy, protect members, and bring notice of current issues and techniques. Schandl (1978) posited that audit standards has two meanings, It can be interpreted as the total of the rules or guidelines laid down by an authoritative body to be followed in performance of an audit; or it can be described as the actual quality of performance in case of an individual audit. He was of the opinion that standards connect the theory with the practice, and that without theory we are unable to have an opinion about the standards. It is a benchmark on which behaviour can be judged.

For public auditing profession, audit standards are laid down in statutes and professional pronouncement by regulatory bodies, while internal audit standards could be laid down in instructions from management or in formal program, while an operational or government auditor may adhere to his own personal standard, depending on his experience. Comptroller General US (1972) stated that auditing standards in the public sector provides that the full scope of an audit of government program, function, activity, or organisation should encompass these three areas:

1. An examination of financial transactions, accounts, and reports, including an evaluation of compliance with applicable laws and regulation.

2. A review of efficiency and economy in the use of resources.

3. A review to determine whether desired results are effectively achieved.

GENERAL STANDARDS- GAAP (GENERALLY ACCEPTED AUDITING STANDARDS)

Effective for audit of financial statements with allowance made for inclusion of what operates within the territory termed influence.

(a) Personal Standards/Attribute Standards/ Ethical Standard Statements

An independent auditor should possess personal qualities of skills, education, professional competence and care in performance.

ICAN Act (1965) stipulates concepts and responsibilities that determine what standard of knowledge and skill are to be attained by persons seeking to become members of the accounting profession and raising those standards from time to time as circumstances may permit.

There is Code of ethics, which are moral principles that control or influence a person's behaviour. Ethical standards are reflected through Integrity, Objectivity, and Independence. ICAN has oversight committees and tribunals to ensure conformity.

(b) Standard of field work

An auditor is expected to plan his work, supervise assistants and obtain sufficient understanding of the entity and its environment, including its internal control to assess risk of material statement of the financial statement whether due to error or fraud, and to design the nature, timing and extent of further audit procedure.

He should also obtain sufficient and appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statement under audit.

(c) Reporting standards

The reporting standard depends on the agency and its requirement, but whatever the format used, the report must clearly contain the following facts as regards the work; that the financial statements follow acceptable accounting principle or not, the management's responsibility, the auditor's responsibility, the auditor's opinion, Signature, date and Auditor's address.

Influence

Influence means the effect that a person or thing has on someone's decision, opinions, or behaviour or on the way something happens. Alimi (2014) identified Information technology, Organisation and environment as influencing internal auditor. The study identified influence on auditor's opinion coming from professional body, political party, sociological and technocrats. Sociological Influence come from citizenry; technological as influence of improved method through electronics and technocrats as influence from operation within the office e.g. office instructions.

Government Audit Practices

Practice is a method, procedure, process or rule used in a particular field or profession; a set of these regarded as standards. Government audit include compliance audit and financial statement audit. These are performed under government auditing standards on entities such as federal, states, local governments, not for profit organisations, institution of higher education and certain for profit organisations. The Nigerian public sector is divided into three levels of governance- Federal, State and Local. Need for financial accountability, transparency and integrity on the huge amount contributed by citizenry brought the employment of financial agents into government services.

The public financial agents are Accountants and Auditors. The public sector auditors' role supports the governance responsibilities of oversight, insight and foresight (IIA, 2012). Federal Office of the Auditor-General provides goals in making improvements in auditing policies, procedures and practices in all audit organisations concerned with the audit of government activities as external auditors. A staff of Accountants General can either be an accountant or an internal auditor, depending on the position. Internal auditing involves the operational checking of financial transactions of Ministry, Departments or Agencies of government, while external auditing involves checking of financial statements. Internal and External audit are the combination of processes and structures implemented by the board to inform, direct, manage and monitor the organisation's activities toward the achievement of its objective (IIA, 2012)

Internal Auditing

Institute of Internal Auditors IIA (2012), defines internal auditing as an independent objective, assurance and consulting activity designed to add value and improve an organisation's operations. The Institute of Chartered Accountants of Nigeria (ICAN) has no specific definition of external or internal auditing. Auditing in ICAN Members' handbook was defined as "an independent examination and expression of opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant law and regulation."

External Auditing

Adebisi (1999) defined Auditing in the public sector as an intelligent and critical examination of books of accounts of an organisation with the help of vouchers, documents, information and explanation received by an independent person with the main purpose of expressing an opinion on the truth and fairness of the financial statement so examined. YvesGendedon (2007) opined government external auditors are experts in crucial components of government activities.

Figure 2.1 is a schematic representation of Audit practices in Nigeria public sector.

Figure 2.1 Public sector audit Practices

Fig 2.1 Source (researcher's view)

There are few empirical studies on pubic audit practices. Some researchers who commented on public sector audit practices outside Nigeria are (Zulkifili, Alagan and Molid 2014; Reed, 2010; YvesGendon, 2007& Daud, 2007) while those in Nigeria included; Oyebisi and Stephen, 2017; Obal, 2015; Akharayi, 2015; Aidi, 2014; Ilaboya, 2014; Bariyima, 2012& Salawu and Oyedokun, 2007). They all agreed on the need to comply with professional standards and imbibe culture of accountability if quality practices are to be achieved in public sector. However, Muazu and Siti (2013) disagreed with researchers on political influence strongly affecting audit practices; they opined there is no strong association between internal audit practices and financial performance at local government level.

Schandl (1978) opined that areas of human knowledge are increasing every day. There is a knowledge gap in Nigeria Public sector audit practices. Reviewed literatures on public sector outside Nigeria do not reflect its social value, norms, economic, technocrats, financial, technology, and political environments. Majority of researchers used secondary data to analyse their result, while some did not do any data analysis.

Descriptive statistics

Table 4.1 presents the background information of the group respondents on frequencies and percentages. As observed under gender, male respondents in group 1 were (92%), group 2 (70%) and group3 (68%). Female respondents in group 1 (8%), group 2 (30%) and group 3(32%). This means that women in audit practices are few.

In respect of age classification, between 31-40 years, group 1 (4%), group 2 (32%) and group3 (48%). 41years and above: group1 (96%), group 2 (68%) and group 3 (52%). The implication of this is that older people are many in audit profession, and in few years time experienced hands may have reduced drastically, thus affecting Nigeria public sector audit practices. For marital status classification, singles in group 1 were (2%), group 2 (8%) and group 3 (6%), while married in group 1 were (98%), group 2 (92%), and group 3 (94%).This means that majority of audit practitioners were married and financial temptation may be high considering family responsibility and this may have a negative influence on public audit practices.

SSCE as Highest educational level revealed that group 1 had (2%) group 2 had (2%) and group3 (6%), HND/BSc in group 1 were (70%), group 2 (90%) and group 3 (72%), MSc. Group 1(26%), group 2 (8%) and group 3 (20%), PhD group 1(2%), none in group 2, and group 3 (2%) This is a confirmation of other researchers' call for urgent need of Academics in auditing profession. On Professional Qualification: ANAN, none in group1, group 2 had (68%) and group 3 (22%). ICAN: group 1 had (100%), group 2 (16%) and group 3 (48%). This means audit practitioners with ANAN certificate were more than those with ICAN certificate. Other certificates, group 2 (16%), and group 3 (30%). For the Position in office classification, senior levels in group 1 were (20%), group 2 (80%), and group 3 (58%). Management levels in group 1 were (80%) group 2 (20%) and group 3 (42%). Length of service 1-10 years revealed group1 as (14%), group 2 (22%), and group 3 (32%), 11- 20 years: group 1 (60%), group 2 (34%) and group 3 (40%). 21- 35 years in group 1 (26%), group 2 (44%) and group 3 (28%). Training, 1-3 times, group 1 (24%), group 2 (44%) and group 3 (26%). 4-7 times, group 1(16%), group 2 (28%) and group 3 (46%). Local training, group 1 (88%), group 2 (100%) and group 3 (94%). Overseas training: group 1 (12%) none in group 2 and group 3(6%). This means that audit practitioners are majorly exposed to local training. Government sponsorship: group 1 (20%), group 2 (84%), and group3 (70%). Self sponsorship: group 1(20%), group2 (10%) and group 3 (24%). Private Organisation: group 1(60%), group 2 (6%) and group 3 (6%). There was a low level of private sponsorship and outside training in all the groups. Involvement of professional bodies, ICAN: group 1(46%), group 2, (6%), and group 3 (18%). ANAN: none in groups 1 & 3, and group 2 (8%).

Both ICAN and ANAN, group 1 (54%), group 2 (86%) and group 3 (82%).This shows that most respondents agreed that both professional bodies are recognised.
Table 4.2 presented percentages of audit practice as 71.29 in group 1, 74.52 in group 2 and 73.61 in group 3.

Table 4.3 presented a matrix Pearson correlation test result of respondents of 50 in each of the groups and correlations of predictors with practice as significant at the 0.01 level (2 tailed). Correlation of practice with practice as 1inall the groups, practice with standards as in group1($r = .666$, $p = .000$), group2 ($r = .673$, $p = .000$), and group 3 ($r = .523$, $p = .000$), practice with influence as in group 1 ($r = .611$, $p = .000$), group 2 ($r = .524$, $p = .000$) and group 3 ($r = .229$, $p = .110$).

Table 4.4 is a model summary of multiple regression analysis for the combined contribution of standard and influence to audit practice in each of the group.

The result of graph plotted shows a normal distribution curve with an unbiased estimation of mean practices zero.

Findings

Test of Hypotheses

Decision rule for test of Hypotheses:

Reject Null Hypotheses if percentages of practice compliance with standards are greater than 50% and significance levels less than 0.05 for inferential statistics, accept if otherwise.

Table 4.2 shows a descriptive data analysis reflecting group audit practices compliance with standards as group1 (71%), group 2 (75%) and group 3 (74%), all> 50%, however, descriptive analysis percentage is not good for business prediction, hence, Table 4.3 of Pearson correlation shows strength of relationship of state audit practices with standards being positive and significant at 0.01level (2 tailed) in all the groups. Group 1 ($r = 0.666$, $p = .000 < 0.01$), interpreted as (67% > 50%, $p< 0.05$),Group 2 ($r = 0.673$, $p = .000 < 0.01$) as (67% > 50%, $p < 0.05$) and Group 3 ($r = 0.523$, $p = .000 < 0.01$) as (52% > 50%, $p < 0.05$).Accordingly, Table 4.4 shows that standardised coefficient in groups indicated that the relationship between standards as one of the independent variables and practice as the dependent variable are positive and significant in all the groups. Group 1 (Beta = .469, $t = 3.747$, $p = 0.000$), Group 2 (Beta = .551, $t = 4.431$, $p = 0.000$), and Group 3 (Beta = .505, $t = 3.812$, $p = 0.000$). The ANOVA table to determine the joint impact of the variables of standards and influence on public sector audit practices showed that standards and influence has a significant joint impact on public sector audit practices.
Group 1 ($f = 25.166 > 0.05$, 2, n-3, $p = .000$),
Group 2 ($f = 22.453 > 0.05$, 2, n-3, $p = .000$) and
Group 3 ($f = 8.969 > 0.05$, 2, n-3, $p = .001$).

Graph plotted show the pattern of public sector audit practices; there are positive and significant relationship between the dependent and independent variables. The result of graph shows a normal distribution curve with practice zero mean, which is a good approximation of reality. There is a positive non-linear correlation (association) meaning dependent and independent variables are not perfectly related as common in social sciences. Normal distribution closely approximates many business phenomena; it can be used in decision analysis. The objective of the study to determine pattern of practice was achieved.

Theorotical Review

Theory explains the action. This study is anchor on the theory of capital circulation and agency theory.

Theory of capital circulation

This study is anchored on the theory of capital circulation by Smith (1776). In his book entitled "An Enquiry into the nature and causes of the Wealth of Nations" said Private economy will tilt towards zero if there is no input from government and it can be worse if the input is not properly reported". He opined "national economy is the input of private and public funds. Proper reporting of national wealth depends on the background of the reporter and environmental influence. Opinion on report of national wealth is usually given by providers of financial information. Auditors and Accountants are major players in provision of government financial data to determine the wealth of any nation. Nigeria citizenry relies on the opinions and expertise of the professionals on government matters, however, a man's opinion is influenced by his makeup, his background, standards available, technocrats, technology, experience on the job and sociology.

Agency Theory

Agency Theory holds that agents do not, necessarily take decisions in the best interest of their principal. As a result of information asymmetries and self interest, principals' lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interest of their agents with the principals (IIA 2012).

The citizens may not have the technical knowledge to oversee the activities and operations of the public, therefore, they rely on the auditors to provide an independent objective evaluation opinion on agent accounting and report on whether the agent uses the resources in accordance with the principal's wishes. Putting in place mechanism to align the interest of the principal with the agent will involve putting the right peg in the right hole.

Methodology

The qualitative and explorative study employed survey research design with population comprising audit practitioners in Nigeria. To reduce cost and have access to information, a sample size of 150 were purposefully selected at 50 per groups from the study areas of Osun and Ogun States of Western Nigeria and ICAN members in practice to represent both private and public audit practitioners.

Questionnaires as instrument of study comprising 30 items were used to carry out an in-depth-interview on concepts of auditing. They were used to measure the variables associated with the study. Practice was used as dependent variable, while Standards and Influence were the independent variables. Instruments used for Practice include: Initiative, Training, Record keeping, Leadership style and Motivation. Standards include: Relevant education, Audit planning, supervision, Access to information, IPSAS adoption, Audit threat and Ethics, while Influence include: Political, Technocrats, Sociology, Professionals and Executive.

The scale used for the measurement was Ordinal, with indicants ranging from strongly agree (5) to strongly disagree (1). The scoring procedure indicated high scores with high level of audit standard, practice or influence. The questionnaire also addressed issues related to practice comprising of age, gender, marital status, educational background, level and length of service. The validation of the study rested on multiple sources of data observations, documentation, and personal interview to ensure right concept of auditing in the public sector. The use of ICAN audit professionals as external group for this study provides the reliability of the data. Also an expert was involved in the construction of the questionnaire.

Data Set

Linear Regression model used as proxy are:

Audit practice = f (standards+ influence), Standards = (personal standards + field work standards+ Reporting standards) and Influence = (Political +Technology+ Sociology +Technocrats+ Professional).

Research Hypotheses

Ho1: State audit practices do not significantly conform to audit standards.

Ho2: Standards and influence cannot jointly significantly affect public sector audit practices.

Ho3: There is no significant correlation of variables of practice, standards and influence in all the groups.

Model Specification

$Yi = a + \beta_1 X_1 + \beta_2 X_2 + \mu_i$. Where Yi = Audit practice,X_1 = Audit Standard and X_2 = influence. a = intercept coefficients of variables,β_1, β_2 = coefficients of independent variables and μ_i = stochastic error term

The model was used to test the hypotheses; the error term in the model depicted that the relationship between the dependent and independent variables are not perfect, that a precise exact value of independent variables may not totally predict dependent variable since exact relationship between variables seldom occur in social sciences.

Conclusions

On the strength of the above findings, it is concluded that standards and influence are major determinants of practice, accounting professionals has a similar perception of public sector audit practices.

Based on the findings, the study recommends the following:

1. Professionals and Academia should be employed and involved in public sector audit practices in Nigeria to significantly implement public policies and programmes that can stimulate development.

2. As observed, balancing of personal, fieldwork, and reporting standards will enhance the quality of public sector audit practice.

3. Further study on pragmatic and effective means of public sector audit in academic community will help to resolve the problem of theory and practice of auditing as a programme of study in higher institution as preparatory to professional practices.

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Appendices

Table 4.1 Background Information of Participants

Classifications		Frequencies Group1	Group2	Group3	Percentages Group1	Group2	Group3
Gender	Male	46	35	34	92	70	68
	Female	4	15	16	8	30	32
Age	31-40	2	16	24	4	32	48
	41 and above	48	34	26	96	68	52
Marital status	Single	1	4	3	2	8	6
	Married	49	46	47	98	92	94
HighestEducation	SSCE	1	1	3	2	2	6
	BSc/HND	35	45	36	70	90	72
	MSc	13	4	10	26	8	20
	PHD	1	-	1	2	-	2

Professional Qualification	ANAN	-	34	11	-	68	22
	ICAN	50	8	24	100	16	48
	Others	-	8	15	-	16	30
Position in office	Senior	10	40	29	20	80	58
	Management	40	10	21	80	20	42
Length of service	1-10	7	11	16	14	22	32
	11-20	30	17	20	60	34	40
	21- 35	13	22	14	26	44	28
Number oftraining attended	1-3	12	22	13	24	44	26
	4-7	8	14	14	16	28	28
	8 and above	30	14	23	60	28	46
Place of Training	Local	44	50	47	88	100	94
	Overseas	6	-	3	12	-	6
Sponsorship	Government	10	42	35	20	84	70
	Self	10	5	12	20	10	24
	Private Organisation.	30	3	3	60	6	6
Recognised professiona							

I Body	ICAN	23	3	9	46	6	18
	ANAN	-	4	-	-	8	-
	Both	27	43	41	54	86	82

Source: Field Survey data 2016

Table 4.2 presented percentages of audit practice as 71.29 in group 1, 74.52 in group 2 and 73.61 in group 3.

"Table 4.2 - Mean and Percentages of Audit Practices"

	No of respondents	Mean	Percentage
Group 1	50	3.5647	71.29
Group 2	50	3.7259	74.52
Group 3	50	3.6803	73.61

Source: Field survey data 2016

Table 4.3 presented a matrix Pearson correlation test result of respondents of 50 in each of the groups and correlations of predictors with practice as significant at the 0.01 level (2 tailed). Correlation of practice with practice as 1inall the groups, practice with standards as in group1(r = .666, p = .000), group2 (r = .673, p = .000), and group 3 (r = .523, p = .000), practice with influence as in group 1 (r = .611, p = .000), group 2 (r = .524, p = .000) and group 3 (r = .229, p = .110).

"Table 4.3 – Correlations within Groups"

Dependent Variable = Practice, Predictors = (constant) Standard, Influence.

Group 1			
	Practice	Standard	Influence
Practice Pearson correlation	1	.666	.611
Sig (2 tailed)		.000	.000
N	50	50	.50
Group 2			
	Practice	Standard	Influence
Practice Pearson correlation	1	. 673	.524
Sig (2 tailed)		.000	.000
N	50	50	50
Group 3			

	Practice	Standard	Influence
Practice Pearson correlation	1	.523	.229
Sig (2 tailed)		.000	.110
N	50	50	50

Group 1 Correlation is significant at the 0.01 level (2 tailed)
Group 2 Correlation is significant at the 0.01 level (2 tailed)
Group 3 Correlation is significant at the 0.01 level (2 tailed)
Source: Field survey data 2016

"Table 4.4- Model summary of multiple regression analysis for the combined contribution of standard and influence to audit practice in each of the group"

Group 1					
Model	Unstandardised Coefficients		Standardised coefficients	T	Sig
	B	Std. Error	Beta		
Constant	-.389	.570		-.683	.498
Standards	.646	.172	.469	3.747	.000
Influence	.399	.149	.335	2.671	. 010
Group 2					
Model	Unstandardised Coefficients		Standardised coefficients	T	Sig
	B	Std. Error	Beta		
Constant	.025	.533		.047	.963
Influence	.224	.124	.225	1.809	.077
Standard	.667	.151	.551	4.431	.000
Group3					
Model	Unstandardised Coefficients		Standardised coefficients	T	Sig
	B	Std. Error	Beta		
Constant	1.322	.615		2.149	.037
Standard	.511	.134	.505	3.812	.000
Influence	.063	.156	.053	.404	.688

Dependent variable: Group 1, Practice.
Dependent variable: Group 2, Practice.
Dependent variable: Group 3, Practice.

Source: Field survey data 2016

The result of graph plotted shows a normal distribution curve with an unbiased estimation of mean practices zero.

Graph showing: Pattern of States audit practices:

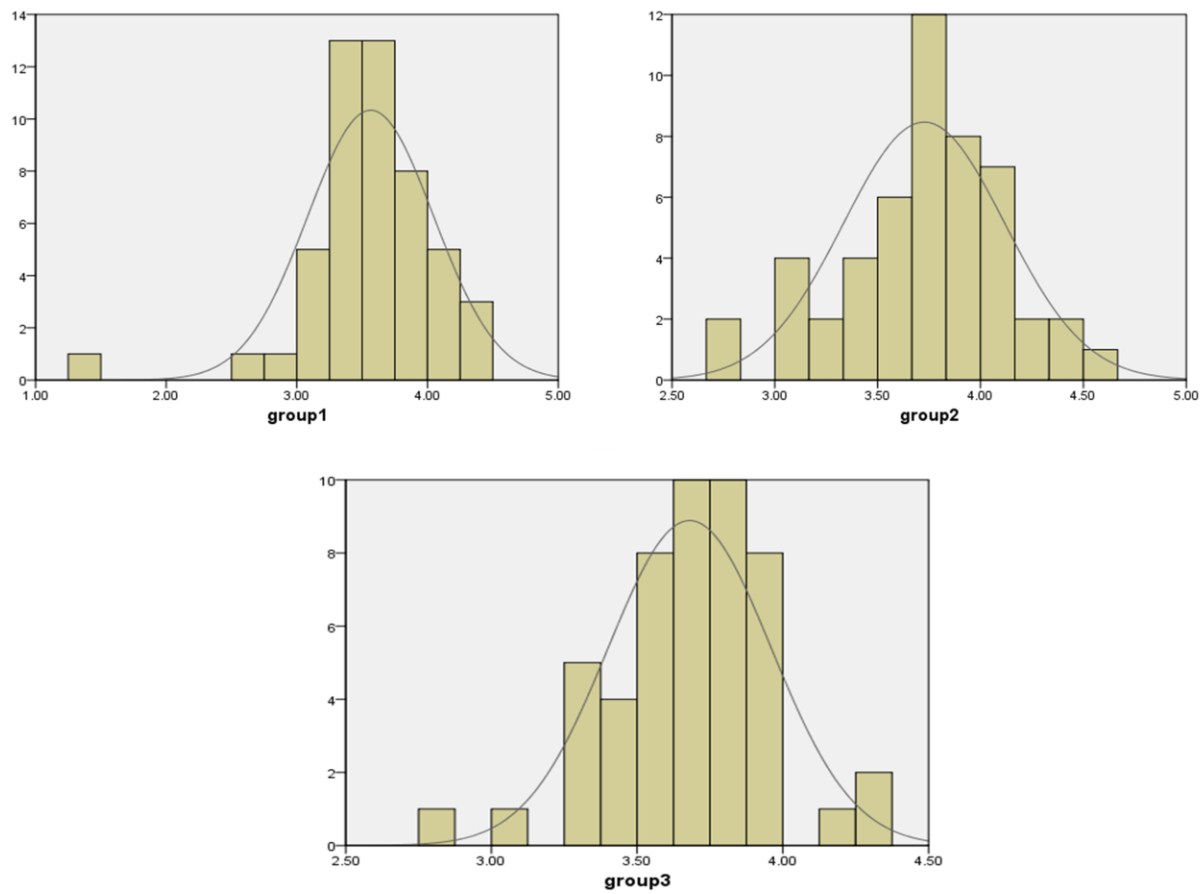

Figure 4.1 Graphs of Audit Practices

Ordinal Regression Result

Model fitting Information:	Chi-square	df	sig.
Group 1	142.252	34	.000
Group 2	276.488	40	.000
Group 3	106.003	34	.000

THE NEXUS BETWEEN PUBLIC REVENUE, PUBLIC EXPENDITURE AND ECONOMIC GROWTH IN NIGERIA

Idowu, khadijah Adeola
Department of Accounting
Lagos State University, Ojo.
Idowuadeola2@yahoo.com

Abstract
The disequilibrium in the economy resulting from the disparity between Public Revenue and Public Expenditure has been a source of concern to government leaders across the world. This has been researched by many economists and policy makers. The aim of this study was to examine the relationship between Government Revenue, Expenditure and Economic Growth in Nigeria. The study covers the period between 2000 and 2016. Secondary data was obtained from the Annual Nigerian Bureau for Statistics and the CBN Statistical Bulletin. The data were analysed with the aid of E-View 9.0 using Regression Coefficient and PearsonProduct Moment Correlation tools. The findings revealed that there is a positive and significant relationship between Public Revenue and Economic Growth in Nigeria. It also revealed that there is a positive and significant correlation between public expenditure and economic growth in Nigeria. It was recommended that government should increase funding on anti-graft agencies such as ICPC and EFCC to reduce diversion and embezzlement of public funds.

*Keywords:*Public Revenue, Public Expenditure, Economic Growth, Gross Domestic Product, Nigeria Economy.

Introduction

The continuous need for government to incur expenditure for transactional, precautionary and speculative motive makes it a compulsory requirement to generate revenue from the various sources. The basic issue of raising revenue is effective and efficient utilization and ability to provide essential services to the public.Jumare, Yusuf and Mahmud (2016) identified finance as a major determinant of the government achieving its numerous functions. Many economists, analysts and researchers are concerned about the disparity between revenue and expenditure in many countries. The adverse effects and fiscal imbalances of government expenditure as against the revenue generated due to disparities makes it important to consider the relationship between government revenue and expenditure.

It is also highly consequential in evaluating government's role in the distribution of resources (Chang, 2009). Tax is the main source of government revenue generation in the whole world. Imperatives and benefits of tax in the business world and personal dealing includegenerating strategic competitive advantage, promoting economic activity; facilitating savings and investment which are affected by frontiers of professionalism, accountability and awareness of the general public and these in 21st century are the critical challenges of tax: (Kiabel&Nwokah, 2009). Regulation of trade and business to ensure social and economic maintenance, provision of public goods, defense against external aggression, maintenance of law and order are the traditional functions which the government uses to raise funds in addition to tax proceeds (Azubike, 2009).

Presently, corruption and mismanagement have effect on the country's resources from taxation and other sources which reduces the revenue of Nigeria's economy to ensure lasting self-sustaining improved economy. Hence, the economy is still characterized with high rate of inflation of 8.0%, and 9.6%,high rate ofunemployment of 7.8% and 10.4%, high interest rate of 15.88% and 16.96%, in 2014and 2015 respectively (CBN, 2015) despite increasing revenue generation which were ploughed into productive ventures.The major challenges of the Nigeria economy includeweak institutions,low investment,low per capita income,high level of corruption,deteriorating economic activities,accumulated debt and poor infrastructure.

According to Sanni (2007), over the years Nigeria's fiscal operations have been affected by degrees of deficit financing that have much effect on the economy. The bad aspect of the issue of revenue generation is the poor indices and lack of provision of public amenities. There is ever increasing gap between the revenue generated and public expenditure incurred which increases the budget deficits year in year out andseems to be the major problem the country faced. Deficit financing remains high at 0.9% and 1.6% in 2014 and 2015 respectively (CBN, 2015). Statistics shows that Nigeria's oil GDP growth rate stood at 7.84% between 1986-1993, fell to 0.51% between 1994-1999, 4.75% between 2000-2002, and rose to 6.40% between 2003-2008 and further fell to 4.5% between 2014-2015, and fell to 3.35% between 2014-2015, while non-oil GDP growth rate within the same period stood at 5.77%, 3.00%, 3.55% and 8.80% respectively with corresponding total GDP growth rate between 1986-1993 stood at 6.23%, 1994-1999 at rate of 2.33%, 2000-2002 at 4.75%, 2003-2008 at 6.40%. and 4.45% between 2014-2015 It is pertinent to note that, total oil revenue generated between 2000 and 2009 amounted to N34.2 trillion and N3,830.1 billion representing 55.4% in 2015 while non-oil was N7.3 trillion, representing 82.36% and 17.64% respectively and N3,082.4 billion representing 44.6% in 2015 (CBN Statistical Bulletin, 2015). Clearly, it shows that oil revenue is the main source of generating revenueeven in the midst of several adjustment and implementation of various forms of tax revenue laws.

Public expenditure are the outflow of government resources which are the expenses incurred by the government that reduces the revenue of the government. The important instrument for government to control the economy is public expenditure and this plays an important role in the functioning of an economy whether developed or underdeveloped. Public expenditure encourages redistribution of fiscal capacity between the various levels of government or the disposition of responsibilities between tiers of the government which reduces revenue allocation.

Public expenditure has effect on the aggregate resources considering exchange rate and monetary rate.Economic growth differs depending on how national income has been measured which is increase in a country's GDP. In a developing economy, in order to break the vicious circle of poverty, economic growth must be sustained. Developing economies usually make use of fiscal policy to achieve accelerated growth. Public expenditure consists of recurrent and capital expenditure. The capital expenditure are government expenses that are incurred of capital projects on pipe borne water construction, bridges, roads, airports, education, health, electricity generation, telecommunication etc.The recurrent expenditure are government expenses incurred on day to day activities or administration such as salaries,wages, maintenance, interest on loans etc., (Obinna, 2003).Thus, this paper examines the relationship between government revenue, government expenditure and economic growth in Nigeria from 2000 to 2016.

The problem of government revenue and expenditure varies based on the challenges the country faced. Revenue generation in Nigeria is affected by high level of poverty, corruption and mismanagement of funds. In history, there have been no societies that have high level of economic affluence without sustaining government activities. Government is a necessary, though by no means sufficient, condition for prosperity (Vedder&Gallaway, 1998). In a situation where there is no government, the system of lawlessness is anarchy and little wealth was accumulated by productive economic activity. In a socialist system of economy where government monopolized the allocation of resources and other economic decisions, societies have not been successful in attaining relatively high levels of economic affluence. The government rate of return have impact on the government expenditures and this can be considered from the aspects of increase in population, poor management of funds and high rate of inflation which reduces government revenue. The government expenditures are affected by continuous population growth without sustaining measures for provision and the issue of corruption that have crippled the Nigeria economy. These factors limit the government activities and the necessary provision for social amenities.

Researchers considered the revival of interest in growth theory has also revived interest among researchers in verifying and understanding the linkages between economic growth and fiscal policies. Government spending can stimulate particular sectors as well as increase aggregate demand taken globally. Over some past two decades, identifying the elements of public expenditure have been the substantial volume of empirical research (at its aggregate and disaggregate levels) that bear significant association with economic growth. Recent literature on endogenous growth theory predicts that the long-term growth rate is affected by fiscal policy changes by influencing the determinants of growth (physical and human capital, technological changes, employment and savings) (Hjerppe, et. al. 2006).

The relationship between economic growth, government revenue and government spending, is an important subject of analysis and debate. The major area of consideration is whether or not atthe long run steady state growth rate of the economy will increase public sector spending. The general view is that public expenditure, notably on physical infrastructure or human capital, can be growth-enhancing although the financing of such expenditures can be growth-retarding. Existing literature in Nigeria has not been in agreement on the nature and impact of government revenue and expenditure on economic growth. Ekpo (1995) finds that capital expenditure on construction and manufacturing crowds out private investment.

However, in 2009, the aggregate expenditure of general government fell by 5.1% from its level in 2008, which represented 29.4% as compared with 31.5% in 2008, while GDP growth rate, at 1990 constant prices, was 6.7%, which exceeded the 6.0% recorded in 2008 and annual growth rate of 6.4% for the period of 2005 – 2009 (CBN Annual Report, 2009:74). In 2010, the aggregate expenditure of general government increased by 15.3% from the level in 2009. As a proportion of GDP, it represented 28.4% as compared with 28.8% in 2009, while the growth rate of GDP was 7.9% which exceeded the 7.0% recorded in 2009 and the average annual growth rate of 6.7% but lower than the target growth rate of 10% for the year (CBN, 2016). From these data, the rate at which the output grows has been lower than that of the growth of public expenditure. The data on the fluctuations of the GDP and public (government) expenditure are inexhaustible. This makes it expedient to understand the nature of such fluctuations in the macroeconomic variables and how they impact on the output of the economy.

Most of the reviewed literature consider the relationship between either public revenue or public expenditure and economic growth but not both. The broad objective of this paper is to investigate the relationship between government revenue, government expenditure and economic growth.

Literature Review

Conceptual Framework

Public Expenditure

Public expenditure is an important instrument for government to control the economy. It plays an important role in the functioning of an economy whether developed or underdeveloped. Public expenditure was born out of revenue allocation which refers to the redistribution of fiscal capacity between the various levels of government or the disposition of responsibilities between tiers of the government.

In the Nigerian economy public expenditure can broadly be categorized into capital and recurrent expenditure. The recurrent expenditure are government expenses on administration such as wages, salaries, interest on loans, maintenance etc., whereas expenses on capital projects like roads, airports, health, education., telecommunication, electricity generation etc., are referred to as capital expenditure (Obinna, 2003).

Public Revenue

Revenue is defined as all amounts of money received by a government from external sources for example those originating from “outside the government” net of refunds and other correcting transactions, proceeds from issuance of debt, the sale of investments, agency or private trust transactions, and intra-governmental transfers (Ahmed, 2010). Financial resources of government constitute the bulk of its revenue and this relate to monies mobilized or generated in the economy (Obiechina, 2010).The working definition of this study is in line with Asher (2001), Soyode and Kajola (2006) assertions that options are available to governments for raising fund for bidding resources away from the other sectors of the economy and from other claimants to undertake their activities. Thus, revenue sources are not only limited to oil and non-oil sources but other means available to government in raising fund to financing their activities.

Hence, the study also captured public debt. Public revenue consists of taxes, revenue from administrative activities like fines, fees, gifts and grants. Public revenue can be classified into two types including: tax and non-tax revenue (Illyas and Siddiqi, 2010).Taxes are the first and foremost sources of public revenue. Taxes are compulsory payments to government without expecting direct benefit or return by the tax payer. The government collects tax revenue by way of direct & indirect taxes. Direct taxes includes; Corporate tax; personal income tax capital gain tax and wealth tax.Indirect taxes include custom duty, central excise duty, Value Added Tax (VAT) and service tax (Chaudhry and Munir, 2010). Non-tax revenue refers to the revenue obtained by the government from sources other than tax. These include fees, fines and penalties, surplus from public enterprises, special assessment of betterment levy, grants and gifts and deficit financing.

Economic Growth

According to Anyanwu and Oaikhenan (1995) stated that economic growth, simply defined, refers to the increase, over time, of a country’s or an economic capacity to produce those goods and services needed to improve the well-being of the citizens in increasing numbers and diversity. The International Monetary Fund (2009) and CBN (2010) agree that economic growth is the increase in the amount of goods and services produced in an economy over time. It is conventionally measured as the percent rate of increase in Real Gross Domestic Product (RGDP). Growth is usually calculated in real terms, that is, inflation- adjusted terms, in order to net out the effect of inflation on the price of the goods and services produced. The growth of the real Gross Domestic Product, RGDP, between 2004 and 2008 was driven mainly by the non-oil sector as reflected in the non-oil GDP and that the Industrial output however fell by 2.2 percent due mainly to the poor performance of the oil sector CBN (2008). The major theories on economic growth are hinged on the growth being a function of the productivity of factors of production as their basic theme. Adam Smith (1776) states that economic growth depends on the amount of factors of production viz; land, labour and capital.

He argued that economic growth (output) depends on the amount of these factors of production which are the inputs that are determined by the population growth, increase in investment and land, and total growth in labour productivity. While Harrod-Domar model stated that rate of growth of GDP is equal to Savings ratio/Capital- Output ratio, Kaldor model of distribution noted that the process of growth is a function of savings-income ratio.Other models like the Pasinetti model of profit and growth, the Meade’s Neo-classical model, the Solow model of long run growth all used the factors of production as their basic theme.

Relationship between Government Revenue and Government Expenditure

Various studies and researches about the relationship of government revenue and expenditure have been conducted by many scholars and researchers around the world. Theoretically, many hypotheses can be used in determining the relationship between government revenue and expenditure. These hypotheses can be divided into four: tax-and-spend or revenue-andSpend hypothesis; spend-and-tax hypothesis or spend-and-revenue hypothesis; fiscalsynchronization hypothesis; and fiscal independence or institutional separation hypothesis.The revenue-and-spend hypothesis theorized that the rise in tax revenues will lead to an increase in government expenditures and consequently worsens the governmental budgetary balance. The hypothesis suggests that government would spend all its revenues; therefore, raising government revenues would lead to higher government expenditures. Under this hypothesis, empirical results pre-empt a unidirectional causality running from government revenues to government expenditures. If the revenue-spend hypothesis holds, then budget deficits can be eliminated or avoided by implementing policies that stimulate or increase government revenue.

The second hypothesis, spend-and-revenue hypothesis, is a reverse of the revenue-and spend hypothesis in which revenue responds to prior spending changes. This hypothesis suggests that government would raise the funds to cover its spending, and therefore, higher government expenditures lead to higher government revenues. Thus, empirical results are expected to show a unidirectional relationship running from government expenditure to revenue. If the spend revenue hypothesis holds, it suggests that government's behaviour is such that it spends first and raises taxes later in order to pay for the spending. This situation can bring about capital outflow as a result of the fear of consumers paying higher taxes in the future (Eita and Mbazima, 2008). The third hypothesis, thefiscal synchronization hypothesis or the fiscal neutrality hypothesis indicates bidirectional relationship between revenue and spending. If the bidirectional causality between government revenue and government expenditure does not hold, it means that government expenditure decisions are made without reference to government revenue decisions and vice versa. This situation can bring about high budget deficits if government expenditure increases faster than government revenue.The last hypothesis is the fiscal independence or institutional separation hypothesis where decisions on revenue are taken independently from allocation of government expenditure, and therefore no causal relation between revenue and spending is expected.

Ighodaro and Okiakhi (2010) used time series data for the period 1961 to 2007 and applied Cointegration Test and Granger Causality test to examine government expenditure disaggregated into general administration and community and social services in Nigeria. The results revealed negative impact of government expenditure on economic growth.Oechslin (2009) examined Government Revenues and Economic Growth in Weakly Institutionalized States. The findings reveals that even well-funded governments often fail to provide crucial public goods such as an adequate infrastructure or reliable law enforcement. We argue that this failure is — in part — the result of a political instability effect: More resources in the hands of a self-interested government fuel power struggles among competing elites — and decrease the incumbent regime's time horizon in office. But with a shorter time horizon, it is less attractive to finance growth-promoting institutions whose returns only accrue in the future. The model further predicts the instability effect to be stronger in places with low levels of human or physical capital or in remote countries where technology adoption is more expensive.

The second is the spend-and-revenue hypothesis, a reverse of the revenue-and-spend hypothesis in which revenue responds to prior spending changes. This hypothesis suggests that government would raise the funds to cover its spending, and therefore, higher government expenditures lead to higher government revenues. Thus, empirical results are expected to show a unidirectional relationship running from government expenditure to revenue. If the spend-revenue hypothesis holds, it suggests that government's behaviour is such that it spends first and raises taxes later in order to pay for the spending. Several studies have tried to establish this relationship (Mithani and Khoon, 1999; Zinaz and Samina, 2010).Hye and Jalil (2010) adopted the autoregressive distributive lag approach to cointegration, variance decomposition and rolling regression method to determine the causal relationship between expenditure and revenue of government. The results indicate that bidirectional long run relationship exists between government expenditure and revenue. The variance decomposition result further suggests that government revenue shock has sharp impact on the government expenditure compared to the revenue collection response to shock in government expenditure.

Usman, et al (2011), in their study, they explained how public expenditure is used as proxy for public capital which is further decomposed by sectors. This helps to investigate the impact of each sector on economic growth. A multivariate time series framework is used. Augmented Dickey- Filler test indicated that two of the variables are stationary at levels. Philip Peron test show that three are stationary at levels and others at first difference. Result of the regression show that in the short run public spending has no impact on growth. However, co integration and VEC results shows that there is long run relationship between public expenditure and growth.Ogbole, Amadi and Essi (2011) adopted a growth model; they however made some adaptations to suit their study. The study was between 1970-2006. The study involved comparative analysis of the impact of the fiscal policy on economic growth in Nigeria during regulation and deregulation periods. The result obtained showed that there is difference in the effectiveness of fiscal policy in the stimulation of economic growth before and after regulation, than in the regulation period. The focus of the study is the differential in the fiscal policy effectiveness in promoting economic growth in the two broad periods. The main variable is fiscal policy. They used federal government spending as a proxy for fiscal policy.

The study by Bakare (2012) was based on assessing the role of government spending for sustainable growth using annual data from 1975-2008. In the study, ordinary least square multiple regression was used and the HarrodDomar growth model was analyzed. The study found out that increase in government expenditure does not contribute to sustainable growth in Nigeria. The findings demonstrated that, the allocation of public expenditure does not fulfill the parent- optimal criterion. The study examined that there is a long run and significant relationship between public spending and sustainable growth in Nigeria.Omojimite (2010) showed that there is co-integration between public expenditure and education, primary school enrolment and economic growth. The test revealed that there is bi-directional causality between public recurrent expenditures on education and economic growth. No causal relationship was established between capital expenditure on education and growth.

Theoretical Review

Musgrave Theory of Public Expenditure Growth

Musgrave propounded this theory as he found changes in the income elasticity of demand for public services in three ranges of per capita income. He posits that demand for public services tends to be very low,at low levels of per capita income, this is so because according to him such income is devoted to satisfying primary needs and that when per capita income starts to rise above these levels of low income, the demand for services supplied by the public sector such as education,health, and transport starts to rise, thereby forcing government to increase expenditure on them. He observes more basic wants are being satisfied as a result of the high levels of per capita income, typical of developed economics, and the rate of public sector growth tends to fall.

The Wagner's Law/ Theory of Increasing State Activities

Wagner's law is a principle named after the German economist Adolph Wagner (1835-1917). Wagner advanced his 'law of rising public expenditures' by analyzing trends in the growth of public expenditure and in the size of public sector. Wagner's law postulates that: (i) increase in public expenditure on administration and regulation of the economy is as a result of the extension of the functions of the states; (ii) the rise in public expenditure will be more than proportional increase in the national income (income elastic wants) and will thus result in a relative expansion of the public sector(iii)the development of modern industrial society would give rise to increasing political pressure for social progress and call for increased allowance for social consideration in the conduct of industry. Musgrave and Musgrave (1988), in support of Wagner's law, opined that as progressive nations industrialize, the share of the public sector in the national economy grows continually.

Research Methods

The research design adopted for this study is the *Expost-facto* design. This design is used because it allows for easy collection of secondary data without influences. The study focuses on the relationship between government revenue, government expenditure and economic growth using economic variables via data from CBN statistical bulletin, world data indicators and tradingeconomies.com. The data collected for this study were analysed using both descriptive and inferential statistical approaches. The model specified in this study was estimated using simple ordinary least square (OLS) estimation technique.

ModelSpecification

The model was specified in the form of multiple regression with GDP (proxy for economic growth) as the regressand and oil revenue, non-oil revenue, government recurrent expenditure and government capital expenditure as the explanatory variables. The implicit form of the model is given as follows:

$$GDP = f(OILR, NOILR, GREXP, GCEXP) \dots\dots\dots (1)$$

The regression model is expressed as follows:

$$GDP_t = \beta_0 + \beta_1 OILR_t + \beta_2 NOILR_t + \beta_3 GREXP_t + \beta_4 GCEXP_t + \mu_t \dots\dots\dots (2)$$

Equation (2) above can be expressed in log-log model as follows:

$$\log_e(GDP_t) = \beta_0 + \beta_1 \log_e(OILR_t) + \beta_2 \log_e(NOILR_t) + \beta_3 \log_e(GREXP_t) + \beta_4 \log_e(GCEXP_t) + \mu_t \ (3a)$$

Definitions of Variables

Variable	Definition
Dependent Variables:	
GDP	Gross Domestic Product (a proxy for economic growth)
Independent Variables:	
OILR	Oil revenue
NOILR	Non-oil revenue
GREXP	Government recurrent expenditure
GCEXP	Government capital expenditure
μ_t	Error term

With reference to equation 3**:**

β_0 = intercept coefficient

β_1 = partial elasticity coefficient of *GDP* with respect to *OILR*i.e. it measures the percentage change in *GDP* for every 1% change in *OILR*

β_2 = partial elasticity coefficient of *GDP* with respect to *NOILR* i.e. it measures the percentage change in *GDP* for every 1% change in *NOILR*
β_3 = partial elasticity coefficient of *GDP* with respect to *GREXP* i.e. it measures the percentage change in *GDP* for every 1% change in *GREXP*
β_4 = partial elasticity coefficient of *GDP* with respect to *GCEXP* i.e. it measures the percentage change in *GDP* for every 1% change in *GCEXP.*
The '*a priori'* Expectations
It is necessary to state the theoretical relationships in respect of the expected signs and the values of the parameters between dependent and independent variables. Thus, the *a priori* expectations are stated as follows:

$$\beta_1, \beta_2, \beta_3, \beta_4, > 0$$

Data analysis and discussion of results
Presentation of Results
Data were gotten from the CBN statistical bulletin, Nigeria Bureau for Statistics and African economy reports.com for the period 2000-2016. The analysis was done using E-view software package version 9.0. The key findings of this research are presented in Tables. The parameter estimates are also subjected to various statistical and econometric tests. The OLS regression of the model is employed, with a value of 0.05 (level of significance) that corresponds to a 95% confidence level. The parameter estimates were appraised on A-priori, statistical and econometric grounds.

Table 4.1: Descriptive Statistics

	NGDP	OILR	NOILR	GREEXP	GCEEXP
Mean	41481.14	4507.216	1621.689	2175.221	679.9618
Median	24296.33	4462.910	1336.010	2117.360	759.3200
Maximum	102684.4	8878.970	3275.030	4178.590	1152.800
Minimum	6713.570	1230.850	314.4800	461.6000	239.4500
Std. Dev.	35247.86	2336.914	1049.441	1287.926	294.0686
Skewness	0.549847	0.274495	0.317869	0.137747	-0.079507
Kurtosis	1.666591	1.984996	1.569732	1.464921	1.810716
Jarque-Bera	2.116008	0.943233	1.735296	1.722925	1.019774
Probability	0.347148	0.623993	0.419938	0.422544	0.600563
Sum	705179.4	76622.68	27568.72	36978.75	11559.35
Sum Sq. Dev.	1.99E+10	87378657	17621226	26540049	1383622.
Observations	17	17	17	17	17

Source:Researcher's Computation using E-View Statistical Package, Version 9.0

NGDP was observed to have a mean value of 41481.14 and a standard deviation of 35247.86. The maximum, minimum and median values are 102684.4, 6713.570 and 24296.33 respectively. The Jacque-Bera statistic of 2.116008 alongside its p-value (p=0.347148>0.05) indicates that NGDP follows normal distribution.

OILR, NOILR, GREEXP & GCEEXP was observed to have a mean value of 4507.216, 1621.689, 2175.221and 679.9618 respectively and a standard deviation of 2336.914, 1049.441, 1287.926and 294.0686 respectively suggesting considerable clustering of return on assets for the distribution around the mean value. The maximum (8878.970, 3275.030, 4178.590 and 1152.800 respectively), minimum (1230.850, 314.4800, 461.6000 and 239.4500 respectively) and median values (4462.910, 1336.010, 2117.360 and 759.3200 respectively). The Jacque-Bera statistic of 0.943233, 1.735296, 1.722925 and 1.019774 respectively alongside its p-value (p=0.623993, 0.419938, 0.422544 and 0.600563>0.05) indicates the series OILR, NOILR, GREXP and GCEXP are normally distributed.

Table 4.2: Regression Analysis

Dependent Variable: LOG(GDP)
Method: Least Squares
Sample: 2000 2016
Included observations: 17

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C = β_0	-1.608356	1.879593	-0.855694	0.4089
LOG(OILR)	0.123471	0.131252	0.940715	0.3654
LOG(NOILR)	0.589255	0.202001	2.917098	0.0129
LOG(GREXP)	1.011096	0.208172	4.857031	0.0004
LOG(GCEXP)	-0.542220	0.196981	-2.752651	0.0175

R-squared	0.976525	Mean dependent var	24.02706
Adjusted R-squared	0.968700	S.D. dependent var	0.997772
S.E. of regression	0.176523	Akaike info criterion	-0.390803
Sum squared resid	0.373924	Schwarz criterion	-0.145740
Log likelihood	8.321824	Hannan-Quinn criter.	-0.366443
F-statistic	124.7967	Durbin-Watson stat	1.682840
Prob(F-statistic)	0.000000		

Source:Researcher's Computation using E-View Statistical Package, Version 9.0

Interpretation of Results

(a) *The intercept coefficient*"β_0"

The value of the intercept term C*-1.6084* in the table 4.2 above represents the average proportion of *GDP* independent of all the explanatory variables.

(b) *The regression coefficient*"β_1"

Sign and Magnitude:The partial elasticity coefficient of *GDP*(Gross Domestic Product) with respect to*OILR*(oil revenue) is about*0.12%*. This has a positive sign suggesting thatif *OILR*rises by 1%, on average, *GDP* will also go up by *0.12%* and vice versa. The positive sign is in line with the*apriori expectation.*

Test of Significance: $H_o: \beta_1 = 0$and $H_1: \beta_1 \neq 0$

In the table 4.2 above, the p-value of the partial regression coefficient of*OILR* is 0.3654. Since this is more than 5%,thus, the null hypothesis is accepted. This implies that*OILR* is statistically insignificant to influence*GDP*. Therefore, *OILR*has positively insignificant effect on *GDP*.

(c) *The regression coefficient*"β_2"

Sign and Magnitude:The partial elasticity coefficient of *GDP* (Gross Domestic Product) with respect to *NOILR* (Non-oil revenue) is about*0.59%*. This has a positive sign suggesting that if *NOILR*inceases by 1%, on average, *GDP* will also increase up by *0.59%*. The positive sign is in line with the*apriori expectation.*

Test of Significance: $H_o: \beta_2 = 0$and $H_1: \beta_2 \neq 0$

In the table 4.2 above, the p-value of the partial regression coefficient of *NOILR* is*0.0129*. Since this is more than 5%, thus, the null hypothesis is rejected. This implies that *NOILR* is statistically significant to influence *GDP*. Therefore, *NOILR* has positively significant effect on *GDP*.

(d) *The regression coefficient*"β_3"

Sign and Magnitude:The partial elasticity coefficient of *GDP* (Gross Domestic Product) with respect to *GREXP*(government recurrent expenditure) is about *1.01%*. This has a positive sign suggesting that if *OILR* rises by 1%, on average, *GDP* will also go up by *1.01%*. The positive sign is in line with the*apriori expectation.*

Test of Significance: $H_o: \beta_3 = 0$and $H_1: \beta_3 \neq 0$

In the table 4.2 above, the p-value of the partial regression coefficient of *GREXP* is*0.0004*. Since this is more than 5%, thus, the null hypothesis is rejected. This implies that *GREXP* is statistically significant to influence *GDP*. Therefore, Therefore, *GREXP* has positively significant effect on *GDP*.

(e) *The regression coefficient*"$\boldsymbol{\beta_4}$"

Sign and Magnitude:The partial elasticity coefficient of *GDP* (Gross Domestic Product) with respect to *GCEXP*(government recurrent expenditure) is about *-0.54%*. This has a negative sign suggesting that if *OILR* rises by 1%, on average, *GDP* will fall by *0.54%*. The negative sign is not in line with the*apriori expectation.*

Test of Significance: $H_o: \beta_4 = 0$and $H_1: \beta_4 \neq 0$

In the table 4.2 above, the p-value of the partial regression coefficient of *GCEXP* is*0.0175*. Since this is more than 5%, thus, the null hypothesis is rejected. This implies that *GCEXP* is statistically significant to influence *GDP*. Therefore, *GCEXP* has significant but negative effect on *GDP*.

(f) *The Multiple Coefficient of Determination*(R^2)

This is the measure of goodness of fit of the multiple regression model. It gives the proportion or percentage of the total variation in the dependent variable (*GDP*) jointly explained by the explanatory variables (*OILR*, *NOILR*, *GREXP*and *GCEXP*). In Table 4.2 above, the adjusted-R^2 value of 0.9687 means that about 96.87% of the total variation in the dependent variable, (*GDP*) is explained by the independent variables (*OILR*, *NOILR*, *GREXP*and *GCEXP*). The remaining 3.13% out of 100% is due to the factors not included in the model as represented by the error term u_t.

(g) *Global Teat of Significance of the Estimated Regression Model*

This test is carried out to examine if all the explanatory variables are jointly significant to influence the dependent variable (*GDP*) using F-test.

$$H_o: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$$

$$H_o: Not\ all\ \beta's\ are\ simultaneously\ equal\ to\ zero$$

In the table 4.2 above, the F-statistic is 124.7967 and its corresponding p-value is 0.0000 (less than 5%). Thus, the null hypothesis is rejected. This implies that the independent variables(*OILR*, *NOILR*, *GREXP* and *GCEXP*) are jointly significant to influence the dependent variable (*GDP*).

Discussion of Findings

Hypothesis 1

The result of the analysis confirms the acceptance of the null hypothesis, this is,oil revenue has no significant effect on economic growth in Nigeria. However, the relationship between GDP and oil revenue does complies with the ***a priori*** expectation i.e. oil revenue has a positiveeffect on economic growth. Thus, oil revenue has positively insignificantly effect on economic growth.

Hypothesis 2
The result of the analysis confirms the rejection of the null hypothesis, this is, non-oil revenue has significant effect on economic growth in Nigeria. Moreover, the relationship between GDP and non-oil revenue does comply with the ***a priori*** expectation i.e. non-oil revenue has positive effect on economic growth. Thus, non-oil revenue has positivelysignificantly effect on economic growth.

Hypothesis 3
The result of the analysis confirms the rejection of the null hypothesis, this is, government recurrent expenditure has significant effect on economic growth in Nigeria. In addition, the relationship between GDP and government recurrent expenditure does comply with the ***a priori*** expectation i.e. government recurrent expenditure has positive effect on economic growth. Thus, government recurrent expenditure has positively significantly effect on economic growth.

Hypothesis 4
The result of the analysis confirms the rejection of the null hypothesis, this is, government capital expenditure has significant effect on economic growth in Nigeria. However, the relationship between GDP and government capital expenditure does not comply with the *a priori* expectation i.e. government capital expenditure has negative effect on economic growth. Thus, government capital expenditure has negatively significantly effect on economic growth.Nevertheless, oil revenue, non-oil revenue, government recurrent expenditure and government capital expenditure are jointly significant to influence economic growth.

According to Omoke (2009) investigated the direction of causality between Government expenditure (GE) and National Income (NI) in Nigeria using annual data. The researcher employed the co-integration and Granger Causality tests for the period 1970-2005. The result showed that no long-run relationship existed between government expenditure and national income in Nigeria. The result of the analysis disagreed because it revealed that there is a positive and significant correlation between government revenue and economic growth in Nigeria. Also, there is a positive and significant correlation between government expenditures and economic growth in Nigeria.

Finally, Hye&Jalil (2010) adopted the autoregressive distributive lag approach to cointegration, variance decomposition and rolling regression method to determine the causal relationship between expenditure and revenue of government. The results indicate that bidirectional long run relationship exists between government expenditure and revenue. The variance decomposition result further suggests that government revenue shock has sharp impact on the government expenditure compared to the revenue collection response to shock in government expenditure. The result of the analysis agreed that government expenditures, government revenue have impact on Nigeria economic growth.

Conclusions
The study examined the issue of "the relationship between government revenue, government expenditure and economic growth in Nigeria" from 2000 to 2016. From the data and information collected scientifically tested and analyzed in the course of the research the following conclusions can be deduced from the study that there is a positive and significant correlation between government revenue and economic growth in Nigeria. Also, there is a positive and significant correlation between government expenditures and economic growth in Nigeria. Finally, government expenditures, government revenue have impact on Nigerian economic growth.

Based on the valid conclusions reached the following recommendations if implemented faithfully would assist in meeting the objective set for the research. It will increase government revenue, government expenditure and economic growth in Nigeria:

1. Effort should be made to increase funding on anti-graft or anti-corruption agencies like the Economic and Financial Crime Commission (EFCC), and the Independent Corrupt Practices Commission (ICPC) to reduce loss of public funds.
2. Government should diversify the economy. Other sources of revenue should be explored especially the non oil minerals sector so as to correct the disparity between revenue and expenditure and reduce the attendant budget deficit.
3. Government should review revenue collection machinery – especially the tax systems - to ensure improved revenue remittance to government coffers.
4. Borrowing should be a last resort by the government to improve the economy, and if need be, the loans should be ploughed into productive venture so as to accelerate economic activities in the country.

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Conference theme 8:

SUSTAINABILITY ACCOUNTING

SUSTAINABILITY OF CASHLESS POLICY AND INFRASTRUCTURAL CHALLENGES IN NIGERIA

Samuel B. AKINRIN[1]
Olurotimi OGUNWALE[2]
&
Johnson IDOWU[3]

Department of Banking & Finance, College of Business and Social Sciences
Covenant University, Ota, Ogun State, Nigeria
samuel.akinrin@stu.cu.edu.ng[1]
olurotimi.ogunwale@stu.cu.edu.ng[2]
Johnson.idowu@stu.cu.edu.ng[3]

Abstract

The banking sector reform alongside its continual infrastructural development, is a necessary prelude to economic growth, and from the literatures, the sector's growth is directly linked with economic growth and development of the Nation. Cashless policy as introduced in Nigeria by the Central Bank of Nigeria (CBN) in April, 2012, was aimed at stimulating accelerated economic growth in line with vision 2020, providing more efficient transaction options and greater reach to Customers, reducing the cost of banking services and driving financial inclusion through improved effectiveness of monetary policy in managing inflation and curbing high level of crime as a result of movement of huge physical cash on business transactions. Comparatively, what are the merits and demerits of this policy on the face of current challenges of huge infrastructural deficits? The paper tends to confirm cash inflow through engagement of Point of Sales (PoS) card acceptance services by relevant stakeholders. Towards this end, secondary data were collected and content analysis applied in data analysis. The study found banks (major users of POS terminals, among other stakeholders) having their cash-flow increased and higher than when operated under the cash based scheme, and these serve as the basis of suggested recommendations.

Keywords: Banking sector, Economic growth, Point of Sales (PoS), Infrastructural deficits

Introduction

The banking and financial system of the Country mobilize savings for the productive investments and ensuring efficient resource allocation across the economy. One of the prerequisite for the development of national economy according to Ajayi and Ojo, (2006) is by encouraging a payment system that is secured, convenient and affordable. The World today is moving away from paper payment system to electronic payment system, particularly payment cards (Humphrey, 2004). In Nigeria, as it is in many other third world countries, cash has largely remained the mode of payment and a substantial percentage of the population are unbanked and this development renders the Nation heavily cash-based economy.

Halden, (2014) argued that cash differs from other payment instruments in the following regards, it circulates, it is always valuable, it provides full and final settlement of a transaction, it allows for anonymity once issued, the circulation of cash is uncontrolled, it is regarded as public good by its users. However, the cost of cash to Nigeria financial system is high and increasing, the cost was very close to fifty billion naira in 2008 (CBN, 2012). Adegbaju and Olukoye (2008), and Babalola (2008) highlighted in their respective articles, the contribution of banks to social economic development of Nations and in recognition of this, various financial policy reforms in the banking sector were carried out in Nigeria. The recent of such policies in the last decade involving, recapitalization of banks initiated by the Central bank of Nigeria (CBN) in July, 2004, a development that was concluded in December, 2005, thus formalizing the adoption of electronic banking, and transition from cash based to cashless financial arrangement.

Money is often described as having three key functions; (a) a unit of account function, (b) a medium of exchange function and (c) a store of value function. In a cashless economy, the third is not operative and probably, neither is the second. Cashless economy is a global phenomenon aside the fact that Nigeria recently launched herself into the system. Cashless economy does not refer to an outright absence of cash transactions in the economic setting but, one in which the amount of cash based transactions are limited and kept to bearest minimum (Yaqub, Bello, Adenuga and Ogundeji (2013). Cashless society rightly illustrates a gradual movement of the entire payment system of an economy from the use of physical cash for all levels of personal, corporate, government, local and international commercial settlement of transactions through a systemic adoption of other non-physical cash mode of payment in settlement of all types of transactions both in the public and private sectors of the economy. It is an economic system in which transactions are not done predominantly in exchange for actual cash (Adewale, 2013).

A cash based economy is a setting where retail and commercial payments are primarily done and carried out in cash. The statistical evidence provided by the Central Bank of Nigeria (2012) showed that, cash related transactions accounted for 99% of Customers' activities in Nigeria banks as at December, 2011. Estimated volume of cash transactions through the conventional five payment channels stood at 215,015,005 (Two hundred and fifteen million, and fifteen thousand and five) and of this figure, ATM withdrawal accounted for 50.90%, over the counter (OTC) withdrawal was 33.72%, cheque payments stood at 13.56%, while Point of sales (POS) and web payment channels accounted for 0.49% and 1.26% respectively. Consequently, combination of ATM and over the counter (OTC) withdrawals put together was 84.96%, the above analysis rightly justifies the assertion of the Central Bank of Nigeria (CBN) that the Nigerian economy is heavily cash based and the urgent need for a cashless economy.

The justification for cashless economy is also anchored on by imposition of some avoidable costs on the banking system, individuals as well as the government at all levels. The higher the velocity of cash usage, the higher the processing costs borne by those within the value chain bracket, for instance, the cost of printing new notes to replace the old ones that are torn or worn out due to frequent handling. The CBN (2011) states that the cost of maintaining the Naira notes is high and also continue to increase hence, the attempted redenomination of the currency. Direct cost of cash to the Nigerian financial system as at 2009 stood at a colossal amount of ₦114.50 Billion. This figure was based on actual data from the CBN and 17 banks in the FSI. It excludes bank cash infrastructure cost and cost of employees attributable to cash logistics. The amount is broken down into; cash in transit cost ₦27.30 Billion (24%), cash processing cost ₦89.1 Billion (67%), and vault management cost 18.10 Billion (9.0%). Estimated cost of maintaining the Naira notes at the end of 2012 stood at ₦192 Billion and without hearsay, the right platform is provide for immediate switch to cashless economy.

The objective of this study therefore is to fill the perceived knowledge gap existing in the extant literatures on the infrastructural challenges of cashless economy. Therefore, previous empirical studies like those of Akhalumeh and Ohiokha (2012), and analyzed primary data using simple percentages to address the perceived benefits and problems of cashless policy. In the same vein, Odior and Banuso (2012), Okey

(2012) and Yaqub et al (2013) used theoretical approach without reference to any quantitative data in addressing the subject. However, the empirical work of Osazevbaru et al (2014) has remained one of the attempts that have focused on the analysis of secondary data to ascertain the impact of cashless economy through its accruable revenue or income to the banks.

Thus, the research requires analysis of secondary data specifically on the impact of other POS stakeholders' income on the overall income of the banks.

Literature Review

The concept of cashless policy

Cashless policy is an economic system where business transactions are done not purely or predominantly in exchange for physical cash, neither is it an economic system where goods and services are exchanged for goods and services (barter system). It is an economic setting whereby goods and services are bought and paid for through electronic medium. It is therefore defined as "one in which there are assumed to be no transaction frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return" Woodford, (2003).

Role of Deposit money banks (DMBs)

The money deposit banks (DMBs) act as the intermediaries between the surplus and deficit saving units within an economy through mobilization and facilitation of efficient allocation of national savings, thereby increasing the quantum of investments and hence, national output. In a third world economy like Nigeria, financial sector development is routinely accompanied by structural and institutional changes. The Nigerian banking sector has generally been recognized to play a pivotal role in the economic development of Nigeria particularly in her quest at being the twentieth developed economy in the World by the year 2020 (Vision 20.2020).

Nigeria is being referred to as the giant of Africa but with little or nothing to show for it in terms of economic strength, and having the largest number of people especially, the elderly ones with no access to financial services, though, the Central Bank of Nigeria (CBN) in its recent exposure draft on financial inclusion strategy, estimated the number of adults in the Country excluded from financial services as 2010 at 46.3%.There is therefore the need to create more awareness and motivation with a view to enticing the unbanked populace into the banking system. An efficient and modern payment system that is positively correlated with economic development could be argued as a key enabler of economic growth. This system will in no doubt, reduce the cost of banking services (including cost of credit), providing more efficient transaction options and greater reach to the citizenry, improve the effectiveness of the monetary policy in managing inflation and in driving economic growth.

Cashless economy

A cashless economy is one where purchases and transactions are carried out mainly through electronic channels and seldom by cash. The policy introduced by the CBN in April, 2011, states that individual and corporate Customers are restricted to daily respective cash withdrawals and lodgement of ₦500,000.00 and ₦3.00 Million and where such lodgement and, or withdrawals so stipulated are exceeded, a surcharge of ₦100.00on every ₦1,000.00 is imposed on individuals while corporate Customers is surcharged ₦200.00 on every ₦1,000.00, Ezio, (2008).

According to the CBN and the Nigeria Bankers Committee, the economy will be better off with cashless policy as it was opined that, it will reduce the dominance of cash volume in the system thereby reducing cases of armed robbery and cash related crimes. It will also moderate the cost of cash management, encourage the use of payments through electronic channels and consequently reduce lending rates with a view to further making credit accessible to small and medium scale entrepreneurs (SMEs) as well as other big industries. The committee thereafter discovered through their research study that, running a cashless economy could save the CBN about ₦192 Billion which was the direct projected cost of managing cash in the year 2012.

While the generality of the citizenry could not deny the need to prevent volumes of cash in circulation in the economy, how CBN arrived at the benchmark on deposits and withdrawals could not be scientifically substantiated hence, many were of the view that, gradual transition to the new policy may be helpful in view of series of challenges that the citizenry may have to contend with on the emergence and full implementation of the policy. As laudable as the cashless policy is, an assessment of the usual inconsistencies in the operation of the Automated Teller Machine (ATM) had left many stakeholders wondering if the system could ever produce a better result and as a result of this potential threat to the policy implementation, CBN directed that all banks as well as independent service providers to deploy more ATMs and ensure their efficiency so as to guarantee smooth implementation of the policy. The most outstanding cashless banking channels all over the World according to Siyanbola, (2013) are mobile banking, internet banking, telephone banking, electronic card implants, POS terminals and ATMs.

Mobile banking

Mobile banking involves the use of mobile phones in carrying out financial transactions and this entails fund transfer processes between Customers and the beneficiary with instant availability of funds in the beneficiary's account. According to Siyanbola (2013), it uses card infrastructure for movement of payment instructions, as well as secured SMS messaging for confirmation of receipts to the beneficiary. It is very popular and exciting to the Customers given the low infrastructural requirements and a rapidly increasing mobile phone penetration in the Country. In the banking industry, services that are finance-related which involves mobile telecommunication technologies are known as mobile financial services. These services are consequently categorized into mobile payment and mobile banking, Alex, (2010). The services covered by this product includes, account enquiry, fund transfer, recharge phone, changing password and bill payments, Twari and Buse, (2007).

Electronic card

Electronic card is a physical plastic card that uniquely identifies the holder used in transacting business on the internet, automated teller machine (ATM) and point of sale (POS) terminals, Carow and Staten, (2000). This includes debit and credit cards with debit cards linked to local bank accounts and offer immediate confirmation of payment, while credit card can be used to access local and international networks. The credit cards are widely used in most of the developed Countries, the underlying infrastructures and operational rules are often provided by the global trust scheme like visa and master card in addition to local lines. However, Debit cards are dominant cards in Nigeria, otherwise known as ATM cards and their usage is wider than POS transactions given the current very limited deployment of POS terminals.

Point of sale (POS)/Point of purchase (POP) terminals

Point of sale (POS) or Point of Purchase (POP) terminals is the location where a transaction occurs. A POS or POP is generally referred to as the hardware and software used to check out the equivalent of an electronic cash register. A POS manages the selling process by a salesperson as an accessible interface while allowing the creation and printing of receipts.

Automated teller machine (ATM)

Automated teller machine (ATM) is a computerized device that provides the Customers of a financial institution with access to financial transactions in a public place without a need for assistance from the bank teller or any official of the bank, Migdadi, (2008). It is the commonest form of electronic banking which has gained wider popularity among Nigerians even, the illiterate bank Customers are not left out in the trail.

A survey on enhancing financial innovation and access in 2010 revealed a marginal increase of those served by formal financial market from 35% in 2005 to 36.30%, five years after, the launch of Micro finance policy which was thought could massively mobilize rural dwellers into formal financial services came on board, Onyinye, (2012). The survey adduced reasons why most Nigerians do not have or maintain bank account and these include; unemployment, unsteady or irregular income, as well as long distances to the bank branches. The CBN targeted increase in the number of Nigerians in the formal sector from its 36.30% in 2010 to above 70.00% by year 2020 (The Nigerian Voice, 2013: The Nation, 2013). Financial analysts are of the view that, the high level of mobile telecommunication usage in the Country is expected to bring about, increase in bankable Nigerians, if perfectly harnessed, Amaka, (2012).

Alagh and Ene, (2014) reviewed the effect of cashless banking on the profitability of banks in the Nation. The study adopted proxies for cashless banking like the automated teller machine (ATM), Point of sale (POS), and web based transaction (WBT) so as to examine its impact on the aggregate return on equity (ROE) of deposit money banks in Nigeria, through an ordinary least square (OLS) multiple regression method of analysis. The result showed that, ATM and POS were positively related to ROE, while WBT related negatively to ROE. This is due to high rate of bank charges imposed on online deposits and thus, most customers do not patronize the product. Non-usage of the WBT for online deposits had created a negative impact on profitability of Nigerian banks. Alagh and Ene, (2014) therefore recommended that, banks should provide sufficient standby generator that could be used in case of electricity outage, provision of adequate ICT infrastructure and management framework, and at the same time, enlighten the public on the significance of making use of ICT banking products.

Osazevbaru, Sakpaide, and Ibubune, (2014) also examined the effect of cashless policy on the profitability of Nigerian banks against the backdrop that these banks under cash based economy were known for declaring huge profits even in the face of associated high cost of operations. For the purpose of the study and in achieving its objective, secondary data were collected and analyzed using content analysis comparing profits under cash based policy with a cashless regime. The results obtained showed that cashless economic policy positively impact on banks' profit through reduction in the cost of operations and banking the unbanked populace, Osazevbaru, et al., (2014) as concluded.

Ejoh, Adebisi and Okpa, (2014) examined the cashless economic system so as to assess the relationship between information and communication technology (ICT) and the implementation of cashless policy. In achieving the objective of the study, the study adopted the use of structured questionnaire as a means of data collection from 120 respondents that were randomly selected. The data was analyzed using simple percentage procedure, and the collated data tested using chi-square technique. The study showed that, there exist a significant relationship between ICT and cashless policy implementation in Nigerian financial environment, and based on their findings, it was recommended that the federal government of Nigeria should collaborate with all the states ICT centers and other private institutions to provide mass ICT education for the computer illiterates and banks should invest heavily in e-banking technology in order to enhance public awareness which would in turn encourage cashless economy in Nigeria.

Theoretical Review

There were few theories reviewed in the course of the study with the most relevant and applicable to the cashless economy and its sustainability even, amidst infrastructural challenges is Diffusion of Innovation theory. The theory was established and developed by E.M. Rogers in 1962. The theory is relevant to the study because it harps on spreading across the entire Nation on gaining momentum, the new innovation in the banking industry, cashless economy through various e-payment channels.Its major features include, originality in tele-communication, basic explanation of idea, innovation, building of momentum and its diffusion through the social system,

Research questions

Will POS card acceptance services stakeholders attract a significant part of bank's income in cashless economy?

Will massive adoption of POS card acceptance services lead to increased fund in the banking system and thus boosting the economy?

How sustainable is cashless policy with current low deployment of POS terminals to trading shops across the Country?

Challenges of cashless policy

The cashless policy is associated with enormous benefits, the notwithstanding, there are some envisaged challenges that could make implementation of the policy difficult. The challenges as identified by the study and else by Okechukwu, (2011), Ejiofor and Rasaki, (2012) include, but not limited to the followings;

The policy is challenged by financial infrastructural deficit. Cashless payment channels currently available are grossly inadequate to cope with the demand of the policy if it is to be implemented religiously, the policy definitely will call for further investment of funds by the operators and regulators.

The policy is exposed to dangers of fraudulent practices as any security lapses could be exploited by the astute fraudster to perpetrate fraud as the system is principally driven by information communication technology (ICT).Nigeria as at now does not have steady electricity supply across her urban and rural areas hence, complete success of the policy implementation cannot be guaranteed. Electricity is a critical infrastructure required for efficient running of e-payment system.

The high charges and fees on some of the electronic channels are capable of truncating implementation of the policy having created some resistance amidst the generality of the banking public, re-introduction of charges for ATM withdrawals did not really go down well with ATM users.Successful cashless economy requires some degree of literacy of the public in view of the technology involved. High level of illiteracy constitute a very big threat to the policy implementation as the illiterate population will prefer keeping their money at home in cash form.

Merits of cashless policy

An efficient payment system (depending on less cash) is a sine-qua-non for national development and a significant national infrastructural for growth. It has been shown that 10% increase in the efficiency of the national payment system can cause the Gross Domestic Product to increase by 1%, all things being equal, Odior and Banuso, (2012). Consequent upon the advent of cashless policy in Nigeria, opinions differ on the likely benefits of the policy as many were vividly apprehensive about the policy implementation, however, the assertion provided by Tunde, (2012) added that; "Transaction charges are seen to make significant contribution to the profits of the banks. Cashless Nigeria programme has even brightened the horizon for the banks to make even higher income from transaction fees. Isn't this likely to result in 'armchair banking' whereby banks will do little to mobilize deposits and build credit asset while also scaling back retail distribution outlet as it has been reported ? Are we likely to see some of the multiple fees consolidated to some point?"

Those that were optimistic about the policy, for example, Obinna, (2012) believes that if the reported two-third of the total cash in the economy outside the banking system is brought in (through cashless system), the banks will have enough resources to do their businesses. The study however, agrees with the submissions of Laoye, (2011), Akhalumeh and Ohiokha, (2012), and Okey, (2012) that if the cashless policy is successfully implemented, the followings merits could automatically evolve.

Cashless economy will make every segment of the banking population to pay for its usage of cash. The situation in the cash based system where most small cash users pay for the minority high cash users will stop. There is no more subsidies on cash transaction costs, for instance, a survey conducted by CBN in 2009 showed that 90% of bank Customers whose daily withdrawals were below ₦150,000.00, whereas only 10% of the bank Customers with withdrawal of over ₦150,000.00 are responsible for the rise in cost of cash management incurred by all the Customers. The entire banking population supports financially the costs incurred by the minority (10%). A cashless economy will reduce this subsidy and makes the minority of the bank population account for the cost of cash movement incurred than the entire banking population.

Cashless economy will arrest a situation where a lot of cash are outside the formal banking system. Encouragement of formal financial arrangement will facilitate the effectiveness of monetary policy in checking inflation and economic growth. Cashless policy will reduce the high operational cost incurred in a cash based economy like, cash management cost, cash movement cost, currency sorting and currency printing costs.

The policy will help in minimizing the risks associated with the use of physical cash that do arise from thefts, burglaries and armed robberies as well as other financial losses due to fire outbreak and other natural disasters.The policy will reduce corrupt practices like money laundering, mostly pronounced in cash based economy, making it difficult to pull out cash at will from the system.The policy will also bring about increased convenience, more service options, reduced risk of cash related crimes, and cheaper access to banking services and credit to Customers.The policy will boost government revenue with increased tax collection, greater financial inclusion, reduced revenue leakages and increased economic development.The policy will facilitate faster access to capital for corporate organizations and also reduce their revenue leakages and cost of handling cash.The policy carries along with it different sorts of banking instruments like, POS terminals, mobile payment channels, direct debits, internet banking, electronic fund transfer, etc. and implicitly, all the organizations connected with the production of these products also benefit. Such companies include, Nigeria inter-bank settlement system Plc (a shared infrastructure company of the bankers committee with a mandate to continuously enhance the Nigeria payments system owned by all licensed deposit money banks (DMBs) in Nigeria and the CBN), POS manufacturers, telecom providers, and switch operators.

Methodology

In accomplishing the objective of the study, secondary data relating to the policy were collected from Central Bank of Nigeria (CBN) database, and content analysis approach adopted in analyzing the data. The procedures entail;

Secondary data volume of cash transactions and other Bank payment channels (volume of cash transactions, web payments, payments through POS, internet banking payments, COT charges, charges on deposits and withdrawals as at December, 2011 were collated from CBN database, and followed up with content analysis.Published secondary data prior to and after adoption of cashless economy were comparatively analyzed. Comparative analysis of the data was subsequently used to determine and interpret the result

However, the following underlying assumptions (also made by CBN Researchers) should be given consideration for ease of meaningfully analyzing the data;

(a) Value of transaction at a time is ₦1,000.00

(b) All accounts are current accounts

(c) Charges on deposits and withdrawals (including payments) are the only sources of revenue to the banks

(d) COT per mile is ₦5.00 on every withdrawal

(e) Internet banking charge is ₦70.00 per transaction

(f) Banks receive only 55.00% (30% as card issuer and 25% as POS terminal owners) of the POS charge for each transaction value

(g) POS charge is 1.25%

The decision rule in answering the research questions states that, where the income of banks in cashless economy is greater than the income generated by the banks under cash based economy, adoption of POS instruments will facilitate sustainability of the cashless policy.

Data analysis and discussion of results

In answering the research questions of the study, will POS card acceptance services stakeholders attract significant portion of the revenue of the banks under cashless economy and will cashless policy be sustainable with massive deployment of POS terminals? The basic data collected from CBN database are highlighted below and the result and interpretation follow;

Table I Cash transactions and payment channels of Nigerian Banks as at December, 2011

S/N	Channel	Volume (units)
1	ATM withdrawals	109,592,648
2	OTC cash withdrawals	72,499,812
3	Cheques	29,159,960
4	POS	1,059,069
5	Web	2,703,516

Source: Central Bank of Nigeria (2012) Towards a cashless Nigeria: Tools and strategies

Further explanation is given in table II below hinged on the following data obtained from the Central Bank of Nigeria (CBN) 2011, Guidelines on Point of Sales (POS) Card Acceptance Services:

Charges in a cash based economy;

(a) COT = N5/per mile for all withdrawals.

(b) POS charge = 1.25% of transaction value.

Fees charged on POS terminal transactions are shared as follows

1. Issuer = 30.0%
2. Acquirer = 32.5%
3. Payment terminal owners = 25.0%
4. Local switch = 5.0%
5. Payment terminal service aggregator = 7.5%

(c) Internet banking = ₦70 per transaction.

Table II Estimated revenue/income of Banks from charges prior to introduction of cashless economy

S/N	Channel	Volume (Units)	Transaction Value ₦	Bank charges ₦	Revenue/income to Banks ₦
1	ATM withdrawals	109,592,648	109,592,648,000	5/mile	547,963,240
2	OTC cash withdrawals	72,499,812	72,499,812,000	5/mile	362,499,060
3	Cheques	29,159,960	29,159,960,000	5/mile	145,799,800
4	POS	1,059,069	1,059,069,000	1.25% of transaction value	7,281,099.38
5	Web	2,703,516	2,703,516,000	70/transaction	189,246,120
	Total				1,252,789,319.38

Source: Analysis by Author; detailed workings provided in Appendix I.

Accruable income to the banks from their operations is estimated at ₦1,252,789,319.38 from the above table II.

Therefore allowing for comparison, the estimated income accruable to the banks under cashless economy arrangement is also carried out. However, in the cashless scenario, OTC withdrawal will completely cease while, drastic reduction in usage of ATM will be expected hence, OTC and ATM will dovetail into POS. It is therefore expected that POS transaction volume will be on the average of 182,092,460 between 2012 and 2015, being the first three years of the policy implementation. There will be no COT charges (as ATM, OTC and cheque payment channels will be put on hold). There will be POS and web (internet banking) charges only since sources of income opened to the banks will principally come through POS and web channels, and on the strength of the above analyses, the table III is evolved with detailed working provided in Appendix II.

Table III Other revenue/income expected of Banks under Cashless economy arrangement

S/N	Channel	Volume (Units)	Transaction Value	Bank charges	Revenue/income to Banks
			₦	₦	₦
1	ATM withdrawals	-	-	-	-
2	OTC cash withdrawals	-	-	-	-
3	Cheques	-	-	-	-
4	POS	182,092,460	182,092,460,000	1.25% of transaction value	1,251,885,6621.5
5	Web	2,703,516	2,703,516,000	70/transaction	189,246,120.0
	Total				1,441,131,782.5

Source: Analyses/computation by Author; detailed workings provided in Appendix II

Result of the analyses

The estimated total income accruable to the banks drawn mainly from the charges on deposits and withdrawals under cashless policy regime in table III above, gives ₦1,441,131,782.50and compared with the figure obtained in Table II,₦1,252,789,319.38,obviously higher by 15.03% and thereby answering the research questions on POS card acceptance services stakeholders will attract significant portion of banks' income in cashless economy and thus, sustaining the cashless policy initiatives.

Interpretation

Higher income/revenue of ₦1,441,131,782.50 (table III) is generated under cashless policy while ₦1,252,789,319.38 (table II) is generated under cash regime. This implies that, cashless policy regime is better than cash based regime by 15.03%. The banks are not entitled to 100% of POS charges (POS charges are shared among the different stakeholders), they will be more profitable in a cashless setting than in a cash based economy, including the financial institutions.

Summarily, the cashless policy will bring about immense benefits to the banks, being the drivers of cashless policy, other stakeholders and the entire economy at the long run. These benefits will translate into improved services to the Customers, and positive impact on all stakeholders in the financial sector as well as on the economy resulting to its growth.

Conclusion

Introduction of electronic banking in Nigeria has impacted positively on the development of payment system in the Country, particularly, the banking system in general. Electronic banking is the platform on which cashless policy could sail seamlessly. The paper has therefore shown that, cashless policy will positively impact the fortunes of the economy even though some charges are not wholly the revenue of the banks driving the policy. Other discovery is that, some charges such as over the counter charges, COT, etc. associated with cash based economy will no longer be charged by banks. The unbanked will be reduced to bearest minimum and thereby increasing the Customer base of the banks. Reduction in the volume of currency in circulation will avail the banks more deposits, and thereby facilitate their intermediation role with positive impact on businesses and the economy at large. The cost of bank operations is not left out as the costs will be considerably reduced within the context of cashless policy framework.

Finally, the cashless policy should not be viewed as having no consequences. The use of POS in cashless setting will attract special charges that do not go with cash transactions as shown in the data analysis given in the article and in the appendices I and II.

Therefore, proactive attempt at mitigating the challenges of cashless policy, it is recommended that, energy and electricity infrastructures should be put in place so as to support the electronic banking equipment. Instances where institutions have to provide their own sources of power supply every day will result in drastic increase in overhead costs, a development that will erode the accruable benefits to such institutions and their shareholders. Legal and regulatory framework that will constantly prevent incidence of electronic fraud should be put in place by the government at all levels. Perhaps, the mandate of anti-graft agencies like Economic and Financial Crimes Commission (EFCC) could be expanded to cover fraudulent and other sharp practices associated with cashless economy. Such policies should have local content by ensuring that, it is in tandem with fundamental economic policy of Nigeria, based and grounded on socio-cultural ideals of Nigerians.

Recommendations

Suggested recommendations based on the findings of the study include the followings;

CBN should ensure that, the banks and all other stakeholders compulsorily provide POS terminals in all sale points and locations, necessary circulars and directives to effect this can be made by CBN and other relevant authorities. The Central Bank of Nigeria (CBN) should not rest on her oars on continuous public enlightenment of the policy with a view to educating the populace on the nitty gritty of the cashless economy, the attempt will increase the level of public awareness and reduce the probable resistance from the banking public on usage of POS terminals, among other e-payment channels.The cashless policy offers immense opportunities to all and sundry with a view to boosting the economy. Therefore, adequate provision of basic infrastructures by the financial institutions, like PoS terminals, functional ATMs, constant electricity, among others, is also recommended.

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SUSTAINABILITY REPORTING PRACTICES OF LISTED COMPANIES IN NIGERIA

Akintoye, I. R[1] and Anyahara, I. O.[2]

Department of Accounting, Babcock University, Nigeria
[1]irakintoye@yahoo.com ; [2]akintoyer@babcock.edu.ng

Abstract

The emergence of sustainability as a preferred goal in present-day businesses has brought with it the clamour for a paradigm shift in corporate reporting globally. However, measurement of the degree of its achievement is yet to receive global acceptability. sustainability reporting is being canvassed as a more comprehensive concept to be adopted by organisations in reporting environmental, social and economic performance. This study adopted the ex-post facto research design method within-depth content analysis of the published annual reports and accounts of some twenty listed companies across the various sectors of the Nigerian economy. Reporting practices of these companies were based on Composite Disclosure Index (CDI) computed from sustainability metrics developed from the Nigerian Stock Exchange (NSE) Sustainability Principles of 2016 and Levene's Test for Equality of Variances which showed economic, environmental and governance. The study therefore, concluded that though Nigeria Stock Exchange sustainability reporting principles are still new (about 2years), compliance with various requirements was high. The absence of a coordinated approach to sustainability reporting requirements especially by the relevant regulatory bodies resulted in varying levels of compliance. Thus, the study recommends that regulatory authorities in Nigeria should adopt global sustainability accounting standards for uniformity and better assessment of their natural and social capitals as well as the effect of their operations on host communities. The study further recommends that the NSE should ensure reduction of variances in the compliance with its Sustainability Principles by listed companies to guarantee their going concern and environmentally friendly society.

Keywords: Sustainability Reporting, Environmental, Social, Economic, Triple Bottom Line, Disclosure

Introduction

Background to the Study

Globally, Non-financial reporting is seen as an essential corporate communication process by most members of an investing stakeholder community. The number of companies that have developed governance processes to measure, analyze, drive and communicate sustainability efforts has dramatically increased in the last few years. Financial analysts, investors and other stakeholders are increasingly demanding information on non-financial, i.e. Environmental, Social and Governance (ESG) performance of companies, over and above their financial information, to take more rational and informed investment decisions.

Though every company strives to drive better decision-making and thereby improve business performance towards sustainability, communicating such through corporate credible and transparent reports has remained a serious concern to stakeholders and therefore the agitation for a more robust reporting framework gained momentum, attraction and acceptance. Such calls for integrated reporting, environmental reporting, triple bottom line, sustainability reporting, etc are all variant clamours for a more robust reporting framework and evidence of failure of the traditional financial reports to adequately address the multiple dimensions of corporate value (Simmet, Vanstraelen & China, 2009).

Arguing for triple bottom line, Elkington (1994) posits compelling situations that drive values towards triple-bottom line thus “the experiences of Shell during the Brent Spar and Nigerian controversies, with the giant oil company later announcing that it would, in future, consult NGOs on such issues as environment and human rights before deciding on development options? Think, too, of Texaco. The US oil company paid US$176 million in an out-of court settlement in the hope that it would bury the controversy about its poor record in integrating ethnic minorities. Now, with the dawn of the 21st century, we have a new roll-call of companies that have crashed and burned because of values-based crises, among them Enron and Arthur Andersen.”

There are many definitions of sustainability reporting. However, this paper adopts the definition by Elkington (1997) “the term sustainability reporting or “triple bottom-line” in its narrowest term is a framework for measuring and reporting corporate performance against economic, social and environmental parameters while in its broadest term, it is the whole set of values, issues, and processes that companies must address in order to minimize any harm resulting from their activities and to create economic, social and environmental values and the three lines represent society, economy and the environments.” A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model and demonstrates the link between its strategy and its commitment to a sustainable global economy. Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively.

In Nigeria, the integration of sustainability principles to business strategy and operations are increasingly assuming higher positions on the agenda of policy makers, market regulators, businesses and investors alike and there are strong determinations to sustain this momentum. The Nigerian Stock Exchange recognizes the impact of sustainability performance on the overall performance of businesses and playing a central role in entrenching sustainability reporting in Nigeria with some of its initiatives. The Exchange has commenced a phased project to integrate sustainability reporting for its listed companies in 2015 and ended the first phase in 2017. One of the first major steps towards the implementation of this initiative was the hosting of the inaugural Nigerian Capital Market Sustainability Conference (NCMSC), which served as a stakeholder engagement session to discuss the business value of sustainable investment, enhancing corporate transparency and ultimately performance on Environmental, Social and Governance (ESG) issues. The outcomes from the conference and results from relevant assessments have resulted in the production of the Sustainability Disclosure Guidelines (SDG). The Exchange also held a Sustainability Reporting Seminar in 2016 to intimate stakeholders with the Guidelines, the reporting format and template, coupled with the real value proposition of reporting. These Guidelines provide the value proposition for sustainability. They provide a step by step approach on integrating sustainability in organisations, and detail indicators that should be considered when providing annual disclosure to The Exchange.
Whilst Corporate sustainability reporting and disclosure in Nigeria can be said to still be at its developmental stage especially as it is being entity discretional and companies still largely exercised choice over its inclusion or not. For instance, many multinational companies in the oil and gas, telecommunications, food and beverages are often reluctant to report non-financial and environmental information for fear of penalty, increase in tax (where applicable), sanctions etc if they are not asked to do so and nobody (government agencies or pressure group) puts much pressure on them. However, the interest of investors in company’s non-financial performance has grown significantly over the past few years (Ernst & Young, 2009). In the wake of increased regulations and growth in level of awareness of stakeholders, the concept of corporate sustainability reporting has come to stay in Nigeria. The financial

analysts, investors and other stakeholders are increasingly demanding information on non-financial, i.e. Environmental, Social and Governance (ESG) performance of companies, over and above their financial information, to take more rational and informed investment decisions. Business managers are beginning to see that this approach to conducting business become a part of the strategy for their companies to prosper in the future.

Sustainability often regarded as the integration of three performance areas: economic, social and environmental is viewed as a necessary practice for the survival of modern business firms. Ballon, Heitger and Landes (2009) submits that organizations have over the time realized that meeting stakeholders' expectations is a necessary condition for sustainability and therefore needed to achieve overall strategic business objective. Most companies globally are embracing Sustainability principles as well as reporting practices. The Central Bank of Nigeria (CBN) has since 2012 issued Sustainability principles to be adhered to by Deposit Money Banks (DMBs). Efforts in this direction were further enhanced by the Nigerian Stock Exchange (NSE) in 2016 with its sustainability reporting requirements.

Given the broad stakeholders to whom listed entities are ultimately responsible, from shareholders, regulators to employees and immediate customers, coupled with the varied impact these entities can have on environment, society, economy, etc, it is evident to say that the stock market is critical to any country's growth and development. Andries (2009) states that "the most important function of the stock market is that of financing the economy (especially the economic agents), by mobilizing capitals on medium and long term."

Getting entities on the stock exchange to adhere to sustainability reporting requires the regulatory bodies with oversight functions over the stock market being definitive in the sustainability reporting practices to be adhered to. Notwithstanding global practice, sustainability reporting practices would have been a mirage without regulatory requirements. It is in this direction that CBN 2012 circular and NSE provide the platform for assessing compliance. However, with the activities of the Global Reporting Initiatives (GRI) and Sustainability Accounting Standards Board (SASB), etc, uniformity and comparability of sustainability practices of the listed entities in Nigeria yearn for a common platform like those of accounting standards.

Some studies in this area reported divergent findings. While, Asaolu, Agboola, Ayoola and Salawu (2011) posit that there exist "an arbitrary and incompatible sustainability reporting indicators among all the sampled companies", a survey conducted by KPMG in 2011 shows that out of 100 top companies in Nigeria, 68% practice Sustainability Reporting. A common thread about the two studies is that they were all carried out before the advent of regulatory requirements for sustainability reporting practices in Nigeria. This report shows clearly that not all companies have adopted the sustainability principles into their business model. Nwobu and Owolabi, (2017) stated that "more banks reported economic and social indicators".

None of the above mentioned earlier studies was based on either the CBN sustainability reporting practices or the NSE's metrics. Recent developments in the Nigerian stock market make this study desirable and essential now. This study therefore seeks to further examine the sustainability practices of listed firms on the Nigerian Stock Exchange by providing evidence on the sustainability principles and reporting practices of listed companies on the Nigerian Stock Market.

Literature Review

Overview of Sustainability Reporting

There are various terms used to describe the concept of Corporate Sustainability Reporting (CSR) contributions to social and environmental and consequences of business activity (Jenkins and Yakovleva, 2006) such as Corporate Sustainability, Triple Bottom Line, Sustainability, Corporate Responsibility, Sustainability Reporting, Corporate Social Responsibility.

Corporate Sustainability is a concept whereby organizations consider the interests of society by taking responsibility (both social and environmental responsibility) for the impact of their activities on internal stakeholders (employees, shareholders) and external stakeholders (customers, suppliers, communities and other stakeholders), as well as the environment (Jalal, 2013).Corporate sustainability reporting is a method of communicating to all stakeholders an organization's contribution to sustainable development. That is, the process by which a company reports its economic, social, and environmental practices, policies, and performance. Corporate sustainability is regarded as business approach that strive to create long term shareholders value through opportunities and managing risks deriving from economic, environmental and social development (Ivan, 2009). Jenkins and Yakovleva, 2006; Ivan, (2009) explained sustainable development within three dimensions: (i) economic development, that is, social progress that recognizes the needs of everyone; (ii) environmental protection which described the effective protection of the environment; and (iii) social cohesion that highlight prudent use of natural resources.

Asaolu *et.al* (2011), asserts that sustainability reporting has emerged in an attempt to respond to the demands for interdisciplinary reporting and address such concern. Emerging markets are becoming the focus of international corporate responsibility initiatives and sustainability reports serve as a tool to change external perceptions and to instigate dialogue with stakeholders both inside and outside the company. Some stakeholders understood sustainability information as any useful information that explain how companies use and affect financial, human and natural resources, and comply with corporate governance guidelines (Jalal, 2013).

For many years past, concerns around the environmental impact, the social responsibility, and the governance of corporations have been on the rise. In response, a growing number of regulators globally are reviewing the governance arrangements of corporations to ensure that corporate practices are aligned with broader societal interests (Ioannou & Serafeim, 2012). Leading organisations no longer view the challenges narrowly in terms of risk mitigation or brand enhancement, according to Gibbons & Barman, (2010) companies see the complexities**.** One critical aspect of the governance structure that regulators consider changing is corporate reporting (Ioannou and Serafeim, 2012)

Financial reporting has been premised on the notion that, although a number of identifiable user group exist, the primary concerns of financial statements are shareholders, prospective investors and financial intermediaries (FEE, 2000). In contrast to financial reporting, the history of sustainability reporting (SR) is comparatively recent (Cyriac2013). The proposition according to Cyriac, (2013) is that business organizations should supplement their financial accounting with reporting on their environmental, social and other non-financial performance - sustainability reporting'. Today, reporting on non-market and non-financial issues, respectively, is crucial for successful business, because strong stakeholder relationship facilitated by communication provide or at least influence competitive advantages in a number of industries (Schaltegger, 2003).

Conceptual Framework
In this section, the terms and concepts used in this study are discussed. It provides more information and explains the concepts to provide holistic understanding of the study.

Corporate Sustainability
Corporate Sustainability means creating long-term shareholder value by embracing opportunities and managing risks arising from social, environmental and economic factors. Sustainable behavior adds value to commercial endeavor and makes for good business sense. It is specifically a helpful instrument to manage corporate image. It helps in assessing the capabilities and effectiveness of business administration and management. It leads to shift in the organizational focus from short-term to long-term goals. Transparency is an essential element of corporate sustainability. It can be assessed along various dimensions like: energy efficiency, community relations, eco design, materials efficiency, product recyclability, and employee relations.

Corporate Performance
Corporate performance is a measure of how an organization can satisfy the owners typically by way of profit maximization or shareholders wealth; It also expresses a measure of both financial and non-financial performance by way of satisfying all the stakeholders of the firm. It has been argued that firms that have implemented sustainability accounting may underperform because they are liable to high expenses as a result of high labour cost. They also give up many cash cow and lucrative businesses because these businesses do not fit properly with the norms of the society of localization (e.g. engaging in businesses with adverse environmental consequences) in other words high sustainability organizations face tighter constraints on how they can carry out their businesses because sustainability accounting introduces more constraints which may consequently result to low productivity by the organization. However, an opposing view is that firms in the high sustainability group are capable of better performance because they acquire quality labour, establish a good supply chain and most importantly they maintain a good relationship with the society where the organization is domicile, this reduces conflict between the organization and the society and call for a peaceful work environment (Mitchell 1997). It is also believed that because of the constraints faced by these organizations, they engage into diversified business opportunities to enable them to compete favorably with their counterparts.

Several studies have investigated the effect of sustainability reporting and firm's performance and have come up with varying results. Some of these studies conducted from different parts of the world, including Nigeria are reviewed below. Akinlo & Iredele (2014) examined the impact of environmental information disclosures on Market Value of fifty quoted companies in Nigeria for the period 2003-2011. Data was obtained from financial reports of banks in Nigeria. The collective and individual impacts of corporate environmental disclosure were regressed on market value. Results from major findings revealed that Corporate Environmental Disclosure has a significant positive impact on Market Value when considered cumulatively.

Akinlo &Iredele used regression analysis to arrive at their findings however, regression does not provide information on the cause of the relationship but only tells us the association between the variables so why the positive relationship exists is still unknown. Adekanmi (2015) examined the level of environmental accounting practice of listed firms in Nigeria using a population of 75 manufacturing firms. A sample of 50 companies were purposively selected for consideration for a period of 8 years from 2005-2012. To evaluate the level of environmental practices in the manufacturing firms, content analysis was used and the result was scrutinized using descriptive vis-à-vis ratio percentage, findings of the research showed that the value of disclosure of non-financial statements is on the average. The sampling technique used here is the purposive sampling which is a subjective way of sampling where bias is unavoidable. The major limitation of this design is that personal judgment may be allowed to affect the authenticity of the result.

Asaolu (2011) examined sustainability reporting in the Nigerian Oil and Gas sector using six major Oil and Gas multinational companies operating in Nigeria. The study adopted Content analysis method of analyzing data that was gotten from annual reports of selected oil and Gas companies to ascertain the degree to which their report conforms to best practices. Findings showed that sustainability performance indicators were not found in any of the organizations sampled.Asaolu used content analyses to analyze his data; however, content analyses are descriptive in nature. It describes what is there but may not reveal the fundamental reason for the observed pattern. It tells us what happened but not why it happened also, observed trend may not be a correct measure of reality.

Oyewo (2014) researched on sustainable development reporting practices by Nigerian Banks using publicly quoted commercial banks in Nigeria as his population. He sampled the banks based on the existence of a standalone report on sustainability reporting in the year 2012 annual report. Twelve (12) banks were selected for content analysis; correlation analysis was used to examine the relationship between variables. ANOVA was used to test for mean difference. Findings of the study revealed that sustainable development reporting is not dependent on size or on the extent to which organizations make profit. In addition, it was observed that despite the large sizes of banks their sustainability development is not appreciable.The limitation of this research design is in the use of correlation analyses as correlation only tells us of the relationship without informing us on what caused the relationship.

Beredugo (2012) evaluated the relationship between environmental accounting and reporting and sustainable development in Nigeria. The researcher used the survey research design. Data was collected from a sample of 400 respondents out of a population of three million (3000,000) people. Pearson's correlation coefficient, student t-test and the ordinary least square methods were used for the analysis of data.Findings revealed that environmental accounting and reporting is positively related to sustainable development and that they are consequences to noncompliance. He also discovered that stakeholders increasingly require companies to manufacture goods efficiently and at competitive prices without harming the environment.

Norhasimah (2015) investigated the effect of environmental disclosure on financial performance in Malaysia using the Malaysian public limited companies. Non-probabilistic sampling (purposive sampling) was used to arrive at a sample of 100 companies of market capitalization for the year 2011. Norhasimah selected these companies because they were relatively large and believed to have more activities that impacted on the society as reflected in their financial statements. Data was collected from financial reports of these companies for the year 2011. An environmental index was developed, 10% of the total sample was selected to conduct a pilot test of ten (10) companies. ROA, EPS and ROE were used to measure performance. To test the hypotheses, spearman's correlation and multiple regressions were used. Findings revealed that there is a significant relationship between total environmental disclosure and profit margin.Norhasimah used purposive sampling method to arrive at a sample of 100 companies but purposive sampling is a judgmental form of sampling which is associated with a form of bias selection which does not give other companies that may have altered the result equal chances of being selected.

To conclude this empirical review, it is worthy of note that most of the studies conducted have used the banking sector, others used the Oil and Gas companies. The researcher also observed that, only a few (mostly the Oil and Gas and the Banking sectors) out of many sectors in Nigeria are used by researchers so far. On this note the researcher's view is that the inadequacies of the use of other sectors to research on the effect of sustainability reporting and firm's performance may inhibit any strong generalisation as to whether sustainability reporting impact positively or negatively on firm's performance.

Theoretical Review

Quite a number of theories can be used to theoretically support sustainable reporting. Some of these are Stakeholder theory, Legitimacy theory, Agency theory, resource dependence theory, etc. however, this study is majorly anchored on stakeholder and legitimacy theories.

The Stakeholder's Theory

The stakeholder theory can be used theoretically to explain sustainability. The position advocated by the stakeholder's theory is that all stakeholders have the right to be treated reasonably by the organization. Freeman (1984) defined a stakeholder as 'any group or individual who can affect or is affected by the achievement of the organization's objectives'. These groups or individuals may include employees, customers, suppliers, competitors, banks, investors, governments, non-governmental organizations (NGOs), and may also include the society. The concern of the stakeholder's theory is to ascertain which stakeholders are more relevant to the organization, this is very vital to the management of the organization because it is believed that the success of the organization in terms of performance is dependent on the support of the stakeholders (Belinda 2015)

The stakeholder's theory is divided into the ethical and managerial aspects; the latter is concerned with identifying the most important amongst the stakeholders to satisfy their desires (Adekanmi 2015). To this aspect of stakeholder's theory, not all stakeholders in their nature can affect the productivity or performance of an organization. This implies that more attention needs to be given to the more influential stakeholders such that the influence of the stakeholders is ranked in such a way that more efforts are made to keep a strong relationship with powerful stakeholders. On the contrary the ethical aspect of the stakeholder's theory opine that all stakeholders have the right to obtain adequate and equal treatment by the organization and that the issue of higher influence of some stakeholders on the organization is irrelevant; it has been argued that the impact of the organization on a stakeholder is what should be paramount in this circumstance rather than the economic importance of some stakeholders to the organization. Within the ethical right aspect of the theory, all stakeholders have the right to certain benefits like employment and other social benefits. They also deserve the right to be provided with information on the performance of the organization and its impact on their society which calls for sustainability reporting.

According to Gray (1997), organizations are very silent on how they monitor and respond to the needs of stakeholders. He opined that companies are interested and respond to the needs of the stakeholders only when they have beneficial interests in the issues raised by the stakeholders. The choice of what information companies would disclose in the financial reports is normally based on the wishes of the most important stakeholders and these stakeholders are the ones whose needs must be met first by the organizations.Beautiful as the stakeholder's theory may sound it is pertinent to know that the stakeholders themselves have varying interests which differ from that of the organization; therefore, harmonizing these interests is not very easy. Also considering the option of influential or more powerful stakeholders is not being objective because every problem is important to the bearer.

The Legitimacy Theory

Organizations exist within a society; such organizations are morally bounded by the culture of such societies, but legitimacy means conforming to the law or rule of the land (Ayong 2001). The assertion behind the legitimacy theory is that, companies are engaged in a social contract agreement between them and the society within which they are situated. It is therefore expected that organizations will operate according to the norms of such societies. These norms are not fixed they change with time thus it is expected that the organization should respect the ethics and moral of the society. It is believed that by this contract, the society has the right to revoke the contract of the organization if the organization operates contrary to the ethics of the society.

It is also believed that the organization owe the society explanations in cases where they seem to deviate from normal to abnormal. Whenever an organization cannot give explanation for its operations, then in a sense the community may retract its contract from continuing its operations with the organization. It is therefore, imperative that companies adapt to changes in the society as the community's expectations also change over time (Mansell 2013).

The Agency Theory

It is believed in theory that shareholders are the only owners of the firm, and the task of its directors is merely to ensure that shareholder's interests are protected and maximized. More specifically, the duty of the directors is to run the company in a way that would maximizes the long run returns to its owners and thus maximize the company's profit and cash flows (Shoaib 2011).The agency theory provides an explanation of the agency relationship between the managers of the firm and its stakeholders especially with regards to the provision of financial and non-financial information (Reiner, 2008). It has been argued that managers tend to provide information to the owners of the firm in a way that would favour their aspirations even though the maximization of shareholder's wealth and company profit are the key objectives of finance and are supposed to be keen to managers. Miles (2012) observed that managers do not always run the firms they work for to maximize shareholder's wealth, they seem not to align their interests with those of their principals, for this reason the development of the agency theory took into account the principal-agency relationship as a key in determining firm's performance (Belkaoui & Karpik 1990). Also, managers may like to report their information in such a way that would differentiate them from the poorly managed corporations the information provided by the managers is used by all stakeholders of the business including the society this calls for a comprehensive corporate social reporting by the management. Another problem that is associated with the agency theory is that it is concerned mainly with the financial stakeholders (shareholders and creditors) and disregard the need of other parties such as employees and the general public who are also interested in the performance of the firm but have no formal contractual relationship with the firm though their actions may affect the firm indirectly.

It is pertinent to conclude this theoretical review that the acceptance or otherwise of these theories has remained a puzzle and a controversial issue among sustainability accounting researchers and the society but it is important to know that all the theories are vital since most of them are intertwined. The researcher wishes to state here that, the stakeholder theory, the legitimacy theory and the agency theory are important in the implementation of sustainability accounting because the stakeholders play an essential role of providing funds by way of share capital; the agents manage the firm in conformity with the norms and ethics of the society (legitimacy). It is expected that a hybrid of these theories would give a better result in the achievement of sustainability accounting.

Methodology

There are various approaches to determine information disclosure in the annual reports of listed companies. Inchausti (1997); Haung (2006); Adeyemi & Asaolu (2011) and Nwobu & Owolabi (2017) adopted researcher-constructed checklist to determine information disclosures in their respective studies. McNally, Eng and Hasseldine (1982); and Barako (2007) used survey of annual report users, preparers, auditors and regulators to determine disclosure in annual reports. This study adopts the approach of constructing a checklist as done by Nwobu &Owolabi (2017). The checklist was based on the Nigerian Stock Exchange (NSE) sustainability reporting metrics (appendix 1). A 28-item checklist derived from NSE was constructed with an indicator "1" depicting the presence of disclosure item while an indicator of "0" depicts absence of disclosure item. The Composite Disclosure Index is the number of actual disclosures and non- disclosures.

The preference of the NSE sustainability requirements is because the NSE's sustainability reporting requirements are based majorly on Global Reporting Initiatives' requirements and other global efforts in this direction. Secondly, for sustainability reporting compliance assessment, the NSE is the appropriate regulatory body for such issues particularly for listed entities and gives some common requirements to all sectors of the economy.

The study considered the entire companies listed on the Nigerian Stock Exchange. The sample selected consisted only the twenty most capitalized companies as given by NSE. The study was based on secondary data obtained from companies' financial statements and the Nigerian Stock Exchange fact book and websites of the sampled companies. Reporting practices of these companies were based on composite Disclosure Index computed from sustainability metrics developed from the Nigerian Stock Exchange Sustainability Principles of 2016.

Descriptive analysis of the data was done by analyzing the financial characteristics of the companies in the sample and the level of compliance with the NSE sustainability principles in their annual reports. Content analysis of the annual reports is done to evaluate the extent of compliances of the entities in accordance with NSE guidelines. Levene's Test for Equality of Variances was used to evaluate the compliance variations with the sustainability principles.

Data analysis and discussion of results

Reliability: Data used for the analysis were extracted from published accounts of the selected companies which have been subjected to several relevant audit, examination and certification by relevant offices and agencies. It is thus considered sufficiently reliably as basis for our analysis and conclusions there from. Sectoral distribution of the sampled companies are 10% for Oil and Gas, 50% for manufacturing and 40% for Financial Institutions.

The study surveyed the sustainability practices of 20 most capitalized companies in Nigeria. The analysis of the level of sustainability reporting practices using descriptive statistics is as stated below.

Analysis of Economic Indicator

Table 1: Frequency Table for Economic Indicators (%)

	Mean	Disclose (%)	Not Disclosed (%)	NA (%)
Ethical Procurement	2.800	90	10	0
Customer Satisfaction	2.300	40	10	50
ECONOMIC INDICATOR (On average)	2.550	90	10	0

Source: Extract from SPSS

The analysis presented on Table 1 shows that on a general level the 20 selected companies score average on disclosure of Economic indicators on their published financial statement (2.550 on point of 3). Further analysis however shows that companies did very well under disclosure of "Ethical Procurement" with a mean of 2.80 and 90% of the companies disclosing. But the disclosure of information on "Customer Satisfaction" was not encouraging (2.3000 mean and only 40% of companies disclosing.

Social Indicators

Table 2: Frequency Table for Social Indicators (%)

	Mean	Disclosed (%)	Not Disclosed (%)	NA(%)
Employment categories	2.900	95	5	-
Full time/part time employee ratio	1.000	0	100	-
Board independence &Gender Balance	2.900	95	5	-
Training Period per employee	2.600	80	20	-
Employee benefits	2.900	95	5	-
Employee Turnover Rate	1.000	0	100	-
Nondiscriminatory policy	2.900	95	5	95
Work related injuries and accidents	1.000	0	100	45
Occupation & Global Health issues	2.700	85	15	-
Human right/Human recourse issues	1.800	40	60	-
Human right issues addressed & resolved	2.800	40	80	-
CSR Programmes	2.900	95	5	-
Social Indicators **(**Average)	2.350	40	55	5

Source: Extract from SPSS

Statistic on Table 2 show that less than half (40%) of the selected companies disclosed social indicators on their published financial statements as they scored low (2.350 mean). However, further analysis shows that they scored high on "Employment categories" (2.900 mean and 95% disclosing), "Board independence & Gender Balance" (2.900 mean and 95% disclosing), "Training Period per employee" (2.600 mean and 80% disclosing), "Employment benefits" (2.900 mean and 95% disclosing), "Nondiscriminatory policy" (2.700 mean and 85% disclosing), and "CSR Programmes" (2.900 mean and 95% disclosing). They scored low on disclosure of all others (not more than 40% disclosing in each case). The implication on users of financial statements especially major stakeholder like investors, communities, employees are that the need to look beyond financial statements for more information, the likelihood that the companies have not consciously commenced the required activities in the sustainability principles issued by NSE.

Governance Indicators

Table 3: Frequency Table for Governance Indicators (%)

	Mean	Disclose (%)	Not Disclosed	NA (%)
Adherence to Anti-corruption codes	2.100	55	45	-
Training of employees on anti-corruption	1.900	45	55	-
Incidents, fines of exposure to anti-corruption	1.000	-	100	-
Governance Indicators (Average)	1.5			

Source: Extract from SPSS

Statistics on Table 3 shows that the selected 20 companies on average did not disclose adequate “governance indicators” (mean of 1.5 on scale of 3). However, further analysis show that the situation is better under disclosure of “Adherence to Anti-corruption codes” (55% disclosing) and “Training of employees on anti-corruption” (55% disclosing), but no company disclosed information on “Incidents, fines of exposure to anti-corruption”.

Table 4: Frequency Table for Environmental Indicators (%)

	Mean	Disclose (%)	Not Disclosed (%)	NA (%)
Innovation to reduce product hazards	2.300	45	15	40
Product Stewardship	2.100	35	25	40
Volume/Weight of hazardous waste generated	1.400		60	40
Waste-Production ratio	1.400	-	60	40
Recycling Initiatives	1.800	20	40	40
Volume of Water waste	1.750	15	40	45
Waste Recycles (%)	1.550	5	50	45
Energy Consumption	1.400		60	40
Energy reduction from conservation and efficiency	1.500	5	40	55
Alternative Energy research	1.500	5	55	40
Use of renewable energy	1.400	0	60	40
Fine for non-compliance with environmental regulations	1.420	5	55	40
Environmental Indicators (Average)	1.579	0	40	60

Source: Extract from SPSS

Analysis of environmental indicator generally level also shows very low-disclosure results for all the indicators (between 1.00 to 2.3 on scale 3 with less than half disclosures in all situations by all the 20 companies). Only one indicator (“Innovation to reduce product hazards”) has 45% of companies disclosing, followed by “Product Stewardship” showing 35% of the companies disclosing information relating to it. This implies that companies listed on NSE did not adequately disclose enough environmental indicators on their financial statements under the reviewed period. Analysis of the mean figures shows that none of the indicators is adequately disclosed by the companies. One could therefore conclude from these, that companies on NSE did not adequately disclose “environmental sustainable indicators” on their financial statements.

Table 6: Equality of Variance across sectors

		Levene's Test for Equality of Variances	
		F	Sig.
ECONOMIC INDICATORS	Equal variances assumed	12.642	.003
	Equal variances not assumed		
SOCIAL INDICATORS	Equal variances assumed	4.000	.063
	Equal variances not assumed		
GOVERNANCE INDICATORS	Equal variances assumed	37.333	.000
	Equal variances not assumed		

ENVIRONMENTAL INDICATORS	Equal variances assumed Equal variances not assumed	56.471	.000

Source: extracts from SPSS Output on computation of sectoral variances

Statistics displayed on Table 5 show that for each of the indicators there are variances in the means for each item. This testifies that the performance on disclosure of sustainability indicators varies across sectors of the economy. On the economic and social indicators companies in the manufacturing sectors scored lowest in the ranking, while Oil and Gas companies have lowest point under the Governance and Environmental indicators.A worrisome result here is that Oil and Gas still scored lowest under the Environmental indicators, despite the nature of their activities being considered to have more impact on the environment along with manufacturing companies.

Table 6 testifies further that the variance across sectors on each of the indicators is considered to be significant. The results of the Levene's Test for Equality of Variances on the table give less than 0.05 in all situations except social indicators. This is considered similar to apriori expectation. This therefore demands further studies, especially for each sector.

Conclusion

Though the results show significant variance across sectoral sustainability reporting practices, evidence of sustainability practices abound in all the sectors and particularly in each of the 20 capitalized companies on the NSE. The significant variances could be attributed to the fact that compliance is still at its infancy stage as the Exchange issued the principles in the year 2016. However, the financial institutions were expected to have fared better considering the fact that sustainable banking principles were issued in the 2012 and therefore were expected to have been fully internalized. This therefore calls for serious oversight by regulatory bodies to ensure high level of compliance.

Recommendation

The study recommends that regulatory authorities in Nigeria should adopt global sustainability accounting standards for uniformity and better assessment of their natural and social capitals as well as the effect of their operations on host communities. The study further recommends that the NSE should strive to ensure reduction of variances in the compliance with its Sustainability Principles by listed companies to guarantee their going concern and environmentally friendly society.

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APPENIDCES

APPENDIX 1 Table 5: Sectoral Analysis

Group Statistics

	SECTOR	N	Mean	Std. Deviation	Std. Error Mean
ECONOMIC INDICATORS	OIL n GAS COMPANIES	2	3.0000	.00000	.00000
	MANUFACTG COMPANIES	10	2.6000	.84327	.26667
	FINANCIAL INSTITUTIONS	8	3.0000	.00000	.00000
SOCIAL INDICATORS	OIL n GAS COMPANIES	2	2.0000	.00000	.00000
	MANUFACTG COMPANIES	10	1.9000	.31623	.10000
	FINANCIAL INSTITUTIONS	8	3.0000	.00000	.00000
GOVERNANCE INDICATORS	OIL n GAS COMPANIES	2	.8333	.23570	.16667
	MANUFACTG COMPANIES	10	1.3000	.48305	.15275
	FINANCIAL INSTITUTIONS	8	3.0000	.00000	.00000
ENVIRONMENTAL INDICATORS	OIL n GAS COMPANIES	2	1.0000	.00000	.00000
	MANUFACTG COMPANIES	9	1.3333	.50000	.16667
	FINANCIAL INSTITUTIONS	8	2.0000	.00000	.00000

Source: extracts from SPSS Output

APPENDIX 2:
Table 6: Equality of Variance across sectors

		Levene's Test for Equality of Variances	
		F	Sig.
ECONOMIC INDICATORS	Equal variances assumed	12.642	.003
	Equal variances not assumed		
SOCIAL INDICATORS	Equal variances assumed	4.000	.063
	Equal variances not assumed		
GOVERNANCE INDICATORS	Equal variances assumed	37.333	.000
	Equal variances not assumed		
ENVIRONMENTAL INDICATORS	Equal variances assumed	56.471	.000
	Equal variances not assumed		

Source: extracts from SPSS Output on computation of sectoral variances

APPENDIX 2
COMPOSITE COMPLIANCE INDEX

S/NO	HEADING/THEME	INDICATORS	ABBREVIATION
1	Suppliers Relations Management and Ethics	Report on ethical procurement practices which addresses transparency, confidentiality, fairness, child labour, corruption, conflict of interest, support for SME and women owned businesses, forced labour, social responsibility and Health & Safety.	EI 1
2	Responsible Products and Services	Considers customer satisfaction and relationship, Transparency in product information & labelling, Health risk exposure/incidence due to product usage and Consumer education programmes	EI 2
3	Diversity in the Workplace	*Percentage of employee per employee category in each of the following diversity categories: - Gender - Age Group - Full Time against Contract	SI 1
4		*Percentage and ratio of Full Time Employee and Contract Staff positions held by women.	SI 2
5		*Percentage of Board Seats filled by Independents & women	SI 3
6		*Average hours of training per annum per employee by employee category.	SI 4
7		* Employee benefits	SI 5
8		Employee Turnover Rate i.e. the percentage of Change for FTEs and Contract staff.	SI 6
9		*Availability and adherence to a non-discrimination policy.	SI 7
10		*Total number of injuries and fatalities relative to workforce	SI 8

11		*Availability and adherence to policies on occupational and global health issues.	SI 9
12		*Human rights issues or statement in company's Human Resources and Suppliers Policies.	SI 10
13		*Number of grievances about human rights impacts filed, addressed, or resolved.	SI 11
14		*Details and impact of Corporate Social Responsibility (CSR)/Community based programmes.	SI 12
15	Anti-corruption	*Report on how the organisation's adherence to Bribery/Anti-Corruption Code (BAC).	GI 1
16		*Training of employees on the anti-corruption	GI 2
17		*Incidents, fine or exposure related to anti-corruption	GI 3
18	Product and Services Responsibility	*Product innovation to reduce impacts (e.g. eco-friendly, less chemicals/toxic substances etc.).	ENI 1
19		*Product stewardship (product's impact on the environment).	EnI 2
20	Waste management	*Total weight or volume of hazardous waste / non-hazardous waste generated	EnI 3
21		*Ratio of waste to production.	EnI 4
22		*Recycling initiatives.	EnI 5
23	Water	Total volume of water used.	EnI 6
24		* Percentage of water recycled.	EnI 7
25	Energy	*Total energy consumption	EnI 8
26		* Amount of reduction in energy consumption achieved as a result of conservation and efficiency initiatives	EnI 9
27		Alternative energy research (e.g. wind, biomass, solar, clean fuels) (investment amount and plans).	EnI 10
28		* Use of renewable energy (MWh)	EnI 11
29	Compliance	*Total monetary value of fines for non-compliance to environmental laws and regulations.	EnI 12

Source: Researchers' construction of composite compliance index from NSE sustainability principles

Conference theme 9:

DYNAMICS OF MANAGEMENT ACCOUNTING

BUDGET PARTICIPATION AND BUDGETARY SLACK: EVIDENCE FROM QUOTED FIRMS IN NIGERIA

C. A. Okafor, [1] and J. I. Otalor, [2*]

1. Department of Accounting, University of Benin, P. M. B 1154, Benin-City, Edo State, Nigeria
2. Department of Accounting, University of Calabar, P. M. B 1115, Calabar, Cross-River State, Nigeria

* E-mail of the corresponding author: john.otalor@gmail.com

Abtract

The study examine the effect of allowing subordinate managers and employees to take part in budgeting on budgetary slack creation in Nigeria. Survey research design was adopted for the study. The data used in the study were obtained from questionnaire administered on 1,340 employees of the 129 firms quoted on the main board of the Nigerian Stock Exchange as at June, 2016. Out of the 338 forms retrieved, only 269 (79.58%) were usable. A model was specified and descriptive statistics, correlation analysis, Lagrangian ratio (LR) statistic, factor analysis and ordered logit and probit regression analysis, were carried out. To ensure reliability and validity of the results, diagnostic tests such as normality, multicollinearity and heteroscedasticity were carried out as well. The study reveals that coefficient of budget participation is positive and statistically significant at both 95% and 99% confidence intervals. Thus, in Nigeria, budget participation leads to creation of budgetary slack. The study recommends that when subordinate managers and employees are allowed to take part in the budgeting process, they should be closely monitored to obviate information asymmetry and budgetary slack creation.

*Keywords:*Budget participation, budgetary slack, information asymmetry, target

Introduction

Individuals, firms and government budgets reflect how financial resources are allocated on the basis of planned activities and short run objectives. Thus, budget serves as a tool for clarifying goals and objectives, communicating, coordinating plans and allocating resources among competing needs. Budgeting is a very important component of planning which together with organizing, staffing, coordinating, implementing, evaluating, and rewarding constitute the key functions of management. Budgets are used for planning and controlling organizations including motivating employees, especially, through participation in the budgeting process. Budget participation describes a situation where subordinates have influence over what the target should be. But participation in the budgeting process is often associated with a behavioural problems which results from communication of inaccurate information to their superiors by employees (Omolehinwa, 2013; Otalor & Oti, 2017). Allowing subordinates take part in the budgeting process affords them the opportunity to influence decisions concerning expectations of their superiors by creating slack in the budget (Kren, 2003). Budgetary slack has negative impact on the budget process as it provides the potential for a budget to be easily achieved as well as gives a false perception of mangers' performance, defeats the basic purpose of budgets bycreating inefficiency and wastage including eroding the quality of comparing actual output with budgeted targets (Merchant, 1985; Yuen, 2004).

When subordinates are allowed to take part in the budget, it affords them the avenue for exhibiting opportunistic behaviour by exploiting privileged information to bargain results which furthers their personal interests, especially when the goals negotiated in the budget forms the basis for variable compensation (Otalor & Oti, 2017). This dysfunctional behaviour results in the creation of budgetary slack, thus participation in budgeting tends to discourage employees from disclosing their actual abilities since they can use it to bargain result and ease pressure for achievement of targets (Faria & Silva, 2013). As observed by Leavins, Karim, and Siegel (1997) "managers' perception of the likelihood of participating in the formulation of the budget tends to increase the expectation of being able to inject budgetary slack". Involvement of managers in the budgeting process plays a crucial role in the creation of budget slack, consequently, the objective of this paper is to examine the impact of budget participation on budgetary slack creation by employees of quoted firms in Nigeria.

While some studies have shown that budget participation helps to create an opportunity for subordinates to prioritize their interest above organisational goals, other studies find that participation in budgeting results in higher quality decisions, motivates employees to work harder to achieve targets and leads to enhanced information flow between subordinates and superiors.From the literature reviewed, there is an apparent lack of consensus on the relationship between budget participation and budgetary slack. Moreover, studies conducted in Nigeria such as Ogiedu and Odia (2013) and Ajibolade and Akinniyi (2013) dwelt on the relationship between budget participation and managerial performance, and the influence of organizational culture and budgetary participation on the propensity to create budgetary slack respectively. This study seeks to contribute to existing literature on budget participation and budgetary slack by providing evidence on the likelihood of budgetary slack creation by employees of quoted firms in Nigeria. Consequently, the main research question of this study is what is the impact of budget participation on the tendency to create budgetary slack in Nigeria? The remainder of this paper is divided into sections: (2) Literature review and hypotheses development, (3) Methodology, (4) Estimation results and Discussion of findings and (5) Conclusion.

Literature Review

Employees and managers, as agent, act on behalf of the organization, and as rational beings there is the tendency that they may not always act in the interest of the organization but seek ways to maximize personal goals. This creates agency problem, hence this study rests on the opportunistic behaviour perspective of the agency theory.

Agency theory and budgetary slack

Modern agency theory derives its root from the pioneering work of Berle and Means (1932) on the consequences of separation of ownership from control which results in conflict between the interest of managers and owners of the firm (Manawaduge, 2012). In the views of Leitner (2009: 23) "agency theory points to the important influence of incentives and selfish behaviour of the proponents in organizations and establishes the idea that much of the actions carried out in organizations are motivated by self-interest".From the Agency Theory perspective, organizational slack is created in the form of budgetary slack as a result of discretionary behaviour which occurs in the agency relationship as a consequence of the existence of bonding and monitoring costs which gives the agent sufficient control over certain resources that can be exploited to satisfy personal preferences at the expense of the organization (Jensen

& Meckling, 1976; Leitner, 2009). This is what Williamson (1964) refers to as opportunism. Opportunism is defined as a serious attempt to satisfy individual gains through dishonesty or insincerity in business dealings (Sun & Rath, 2008). Opportunistic behaviour is the result of asymmetric information, with the agent possessing more information than the principal (Bradshaw, Richardson, & Sloan, 2001).

The origin of budget and budgeting

While the principles of budgeting were derived from the budgeting techniques in government, Hofstede (1968) reports that in Europe, the use of budget for business derives from the works of Henri Fayol (1841-1925), but it was Thomas Bata (1876-1925) who initiated the use of departmental profit-and-loss control as a measure for managing his decentralized firm (an international shoe company which was split into federating unit of small businesses operated independently) that popularized the idea of budgeting. In the views of Hope and Fraser (1997), the quest to ease the complexities of managing more than one strategy and engender rapid growth as products and market expanded led multidivisional organizations like Dupont, General Motors, Siemens, Saint Gobain and Eléctricité de France to adopt the use of budget in the 1920s. The diversity in product markets necessitated new systems and measures for decentralized operations. Consequently, budgets and return on investment measures became ready tools for the evaluation of the divisions and motivation of managers including proper allocation of resources among divisions (Banovic, 2005; Johnson & Kaplan, 1991).

Another source of budgeting principles which was the dominant practices among United States (US) industries between 1911 and 1935 was the scientific management movement. Thus, to all intents and purposes, the budgeting system in the US is an offshoot of Fredrick Taylor's Scientific Management Movement (1911-1935) — an idea that explains the management of firms from the shop floor through the length and breadth of the organization.

Budgetary Slack

The concept of organizational slack introduced into accounting literature in the 1930s is the harbinger of studies on budgetary slack (Banovic, 2005; Barnard, 1938). Budgetary slack has been defined in several ways. Young (1985, p.831), defines budgetary slack "as the amount by which a subordinate underestimatehis/ her productive capability when given a chance to select a work standard against which his/her performance will be evaluated". Budgetary slack has also been defined as the intentional underestimation of revenues and productive capabilities and/or overestimation of costs and resources needed for the completion of a proposed task (Dunk & Nouri, 1998). Steven (2002) defines budgetary slack as the amount by which a subordinate underestimate his productive capability at the time of preparing the budget/estimates against which his performance will be measured. Budgetary slack is created when a subordinate understates their capabilities (by overestimating costs and underestimating revenue) or the capabilities of a business unit in their budget (Hobson, Mellon, & Stevens, 2011). Budgetary slack is the difference (excess/shortfall) between the budgeted resources and the resources required for the efficient attainment of the goals of the organization (Kilfoyle & Richardson, 2011). Otalor (2017) defines budgetary slack as the intentional biasing of performance targets by subordinates below their expected levels and capabilities during budget proposal section in order to make budgeted targets more easily achievable.

Budget participation and Budgetary slack

Budget participation is a process which entails the active involvement of subordinates and superiors in the determination of budget targets. Budget participation has been defined as "the process whereby the superior selects the form of the compensation contract and the subordinate is permitted to select specific value for each parameter in the contract" (Young, 1985, p.830). Mah'd, Al-Khadash, Idris and Ramadan

(2013, p.135) defines budget participation as a means of communicating and influencing managers in the budgetary process, and as the extent of subordinate influence over setting budgetary targets. Budgetary slack is created by managers who are able to conceal some private information from their supervisors and deliberately misrepresent that information in order to maximize their own benefit through the introduction of slack (Damrongsukniwat, Kunpanitchakit, & Durongwatana, 2013). When managers' perceive that they are likely to take part in the formulation of the budget, the perception tends to increase the expectation of being able to inject budgetary slack (Leavins, Karim, & Siegel, 1997).

Swieringa and Moncur (1972) and Benke and O'Keefe (1980) show that in a highly participative budgetary systems, the opportunities for the injection of budget slack abounds. Similarly, Onsi (1975) opines that the greater the degree of participation of managers in the budgetary process, the greater the opportunity for managers to influence resource allocation resulting in budgetary slack creation. Dunk (1993) finds a relationship between budget participation and slack but opines that the relationship depends upon the levels of budget emphasis and information asymmetry. He further asserted that the existence of budget slack may be influenced by the extent of budget participation and concludes that budgetary slack may be connected to degree of budget participation. Leavins, Karim and Siegel (1997) conducted a research to establish the sources of budgetary slack creation by sending a total of 307 questionnaires to departmental managers in some companies seeking to ascertain the respondents' perception on budget slack. The result indicates that modern companies provide ample opportunity and scope for management to create and maintain considerable budgetary slack to satisfy personal objectives. They thus, find that budget participation, the level of decentralization, and the use of budget in organisation' reward system increases budget slack.

Kren (2003) reports that participating in the budget process and control systems leads to creation of budget slack. Maiga and Jacobs (2007) who used data collected from a survey of 163 managers in the United States of America and structural equation modeling, investigated the influence of participants on budget slack. The result of the study shows that budget participation impacts both procedural fairness and distributive justice and these in turn affects trust. Moreover, they found that fairness and trust have significant impact on budget goal commitment which influences the propensity to create slack in a negative manner. Bradshaw, Hills, Hunt and Khanna (2007) investigated whether budgetary slack can be used as a risk management strategy in New Zealand's new public management (NPM) control setting, and examined how successful the reforms are, after more than 20 years of adoption. They concluded that budget slack still has the potential to exist within the NPM of New Zealand. This was implicated for four independent variables: high accruals, revenue growth, ministry size, and ministry stability. However, the study failed to recommend any measure to reduce budgetary slack. Similarly, Ajibolade and Akinniyi (2013) conduct a study to ascertain the association between budgetary participation, organisational culture and the propensity for holders to create budgetary slack through data obtained from 272 budget holders in ten Nigerian Universities. The result shows that participation in budgeting has some mediating effect on the relationship between organisational culture and the creation of slack. These researchers conclude that measures aimed at using budget participation to reduce budgetary slack in public sector organisations may not yield the desired result, but did not suggest what can be done to reduce budgetary slack in public sector organisations.

But the participation in the budgeting process does not adequately explain slack because it is necessary that the slack is not known to superiors such that the manager can establish a reserve and protect himself from an unsatisfactory performance evaluation, prioritising his own interests over that of the organisation (Dechow & Shakespeare, 2009; Junqueira, Oyadomari & Moraes, 2010; Libby, 2003). According to Stevens (2000) management may not be able to detect the level of slack in the budget due to subordinates' private information (asymmetry) regarding local operating conditions. Damrongsukniwat, Kunpanitchakit, and Durongwatana (2013) find that the propensity of budgetary slack creation is inversely related to the extent of participation allowed in the budgeting process possibly due to positive communication between superiors and subordinates. Consequently, the relationship between budget participation and budgetary slack is hypothesized as follows:

Hypothesis 1: There is no significant relationship between budget participation and tendency to create budgetary slack.

Methodology

The population of the study consists of the employees of 129 out of the 177 quoted on the Nigerian Stock Exchange as at September, 2017. The sample was drawn from the firms in all the sectors except Construction and Real Estate, ICT, Oil and Gas, and Services which the study believes may find it difficult to set target for individual employee or manager in view of the nature of the products or services offered which cannot be easily moved from one place to another but can only be marketed pictorially.

In view of the difficulty in reaching all members of the population of interest or sampling frame, a subset of the population was determined using the table developed by Krejcie and Morgan (1970) based on the following formula for an infinite population is given as:

$n = \{Z^2 x\, p(1-p)\}/M^2$ ------------------------------------- (3.1)

Where:

n = Sample size for infinite population
Z = Z value (e.g. 1.96 for 95% confidence level)
P = population proportion (expressed as decimal) (assumed to be 0.5 (50%)
M = Margin of Error at 5% (0.05)

As the study was unable to determine the exact number of employees of the selected firms, the study adopted the formula for infinite population which gives a sample size of 400 and since the researchers in their judgement expected a 50% response rate, 800 questionnaire were distributed to the respondents in person and through e-mail addresses for those we could not reach in person. A total of 338 questionnaire were retrieved, out of which 269 (representing 79.58%) were found usable. Primary data was used in the study. The data were extracted from the responses to the administered instrument. The questions relating to the variables of study: budgetary slack creation and budget participation were designed on a seven-point Likert scale of strongly agree to strongly disagree and factor analysis was employed to determine the validity and reliability of the test items. This method used by Presslee (2013) was adopted to give the respondents a wider range of choice.

The specified model was estimated using a qualitative response (the ordered logit and probit) model due to the qualitative nature of the data used in the study. The ordered logit and probit model built around the latent regression similar to the binomial probit model (Greene, 2003; Greene & Hensher, 2008, 2010) is given as:

$Y_i^* = \beta'\boldsymbol{X}_i + \varepsilon i, i = 1, \ldots, n$ ------------------------------------ (3.2)

The residual diagnostic test carried out include: (i) Normality test (ii) test for Multicollinearity, and (ii) test for heteroscedasticity.

Model Specification and Operationalization of Variables

The model used in this study is specified as follows:

BUDSLACK = f (BUDPART) -------------------------- (3.3)

Where:

BUDSLACK = Budgetary slack creation

BUDPART = Budget Participation

Data analysis and discussion of results

Validity and Reliability

Table 4.1 presents the result of the factor analysis for test items measuring the creation of budgetary slack and budget participation.

Table 4. 1

Validity and reliability of measurement

Variable	T	λ^2 BUDSLACK	λ	T	λ^2 BUDPART	λ
Statistic	2	0.924	0.961	6	0.731	0.829
	1	0.911	0.954	2	0.692	0.824
	3	0.308	0.555	5	0.861	0.893
				4	0.771	0.599
				1	0.406	0.518
				3	0.859	0.903
Cronbach's alpha		0.67(0.657)			0.62(0.584)	
Eigen value		2.210			2.343 1.155	1.038
KMO		0.549			0.557	
Bartlett's test: X^2		909.61			259.747	
$X^2 - p$		0.0000			0.0000	

Source: Researchers' computation (2017) from IBM SPSS Statistics 23. "T" are the test items.

From the table, it can be seen that all test items for the dependent variables loaded highly with **λ**of 0.961, 0.954 and 0.555 and eigenvalue of 2.210 indicating that the items are practically significant. The factor explains between 92, 91 and 31 percent of the variation {communality (λ^2)} in the distribution of test items. The Kaiser-Meyer-Olkin (KMO) value of 0.549 shows that the sample size is adequate, while the unstandardized Cronbach-Alpha of 0.657 confirms the reliability of test items or the existence of internal consistency. Similarly, the test items measuring budget participation loaded highly with test items 6 and 2 loading on factor 1 as 0.829 and 0.824 respectively, test items 5, 4 and 1 loaded on factor 2 as 0.893, 0.599 and 0.518 respectively, while test item 3 loaded highly on factor 3 as 0.903. Factor 1 explains between 73 and 69 percent of the variation {communality (λ^2)} in the distribution of items. In the same vein, Factor 2 explains of 86, 77 and 41 percent of the variation in the distribution of the items, while factor 3 explains 90 percent of the variation in the distribution of test item 3. While the Kaiser-Meyer-Olkin (KMO) value of 0.557 shows that the sample size is adequate, the unstandardized Cronbach-Alpha of 0.584 confirms the existence of internal consistency.

Regression Diagnostic tests
In line with the ordinary least square (OLS) regression assumptions, we tested for normality, heteroscedasticity, and multicollinearity. The result of the diagnostic test in Table 2 shows that both the dependent and independent variables are normally distributed as follows: BUDSLACK = 9.61 (0.008); and BPART = 28.30 (0.000). The multicollinearity test reveals that there is no problem of collinearity as the regressor has variance inflation factor (VIF) of 1.11 which is less than 10. Similarly, both the Bruesch-Pagan-Godfrey and the Ramsey's RESET indicate that there is no problem of heteroscedasticity as the probability of the F- statistic and observed R-squares in both are greater than 5% (p >0.05)

Table 2
Diagnostic test for the regression results

Variable	Normality	Heteroskedasticity	Multicollinearity Centered VIF
	J-B Statistic	*Bruesch-Pagan-Godfrey*	
C	NA		NA
		F= 1.753 (F12,255); Prob. = 0.056	
BUDSLACK	9.61(0.008)	Obs*R^2 = 20.43; Prob chi (12)= 0.056	-
BUDPART	28.30(0.000)	Ramsey's RESET	1.11
		F= 3.286 , Prob F(12,255) = 0.07	
		t = 1.83; Prob (255)= 0.07	

Source: Researchers' computation (2017) from E-view 9.5.

Three approaches are used for the estimation of the censored model. The main statistics of interest for the ordered estimation are the coefficient estimates and their corresponding significance. The choice of the best model to interpret is based on the LR value with the smallest probability for each of the reports. However, in this study we interpreted the result of all three estimates.

Budget participation and Budgetary slack
Table 3 shows that a significant positive relationship exists between budgetary slack creation and budget participation. The coefficient of BUDPART is 0.516, 0.92 and 0.637 for the probit, logit and extreme values; z-value = 6.05(p=0.0000); 5.83(p=0.0000) and 5.86 (p=0.0000) respectively. The implication of this result is that allowing subordinates to take part in the budgeting process leads to budgetary slack creation. The finding is in tandem with the conclusions of Ajibolade and Akinniyi (2013); Bradshaw, et al., (2007); Dunk (1993); Kren (2003); Leavins, Karim & Siegel (1997) and Maiga and Jacob (2007); but negates the finding of Damrongsukniwat, Kunpanitchakit, and Durongwatana (2013) who report a negative relationship between budget participation and budgetary slack creation.

Table 3

Estimation Results for Model) BUDSLACK and BUDPART

Variable	Probit			Logit			Extreme value		
	Coef.	z-Stat.	Prob.	Coef.	z-Stat.	Prob.	Coef.	z-Stat.	Prob.
BUDPART	0.516	6.05	0.0000	0.92	5.83	0.0000	0.637	5.86	0.0000
Pseudo R-squared		0.06			0.07			0.08	

LR statistic	118.91	0.000	110.12	0.000	126.42	0.000

Source: Researchers' computation (2017) from IBM SPSS Statistics 23.

The estimated latent values (Y*) indicates the tendency of each respondent to create budgetary slack. Although, the study interpreted the result of the probit, logit and extreme values, the threshold test focused on the probit estimates only as the result for the other estimates are similar. Considering the threshold limits (not reported here), none of latent values for the observations is lower than both the lowest threshold value of -12.63 and the highest threshold value of -7.80. Thus, from the estimated model, all the respondents exhibited high tendency to create slack in their budgets.

Conclusions

Budgetary slack commonly called budget biasing constitutes a crucial component of the behavioural dimension of budgeting which has been widely researched in view of the pervasive influence of budgeting on individuals, firms and government. Budget participation which results in the exhibition of opportunistic tendencies affords employees the chance of exploiting privileged information to satisfy personal interest at the expense of organisational goals. The finding of this study indicates that budget participation has a positive impact on budgetary slack creation suggesting that in Nigeria, there is a high prospect of building slack into the budget by employees of quoted firms in order to make the budget more easily achievable. In fact the estimated latent values reveal that all the respondents exhibited tendency to create slack in their budget. The study recommends that monitoring employees at the point of preparing the budget may help obviate the possibility of creating slack and therefore recommends that firms should closely monitor employees to reduce budgetary slack creation which results from information asymmetry.

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APPENDIX

QUESTIONNAIRE

TOPIC: BUDGET PARTICIPATION AND BUDGETARY SLACK: EVIDENCE FROM QUOTED FIRMS IN NIGERIA

SECTION I: RESPONDENT BIODATA

1. Age (a) 25-40 years [ ], (b) 41-50 years [ ], (c) 51 years and above [ ].
2. Sex: (a) Male [ ], (b) Female [ ].
3. Academic Discipline: (a) Sciences [ ], (b) Social Sciences [ ], (c) Art [ ], (d) Humanities [ ].
4. Educational Qualification: (a) HND [ ], (b) B. Sc and others [ ].
5. Job Experience: (a) 10-15 years [ ], (b) 16-25 years [ ], (c) 26-30 years [ ], (d) 31 years and above [ ].
6. Official Status: (a) Senior staff [ ], (b) Management staff [ ], (c) MD/Chief Executive [ ].
7. Place of work: ____
8. Are you involved in the budgeting process? YES/NO: If YES, proceed to Section II; if NO, go to item no 9
9. Is target set for you or your unit/department/branch? YES/NO: If YES, proceed to Section II; If NO, *STOP* and return the questionnaire.

SECTION II

Please tick as appropriate. NB: *SA* stands for strongly agree, *MOA* for Moderately Agree, *MIA*for mildly agree*N* stands for Neutral, *MID* for Mildly Disagree and *MOD* for Moderately Disagree and *SD* for Strongly Disagree

Budget Participation

1. I am involved in setting my unit/departmental/branch budget or targets. SA [], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]
2. My contribution to the budget is very important. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]
3. My superior initiates frequent budget discussions when the budget is being prepared. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]
4. My superiors and I frequently discusses budget-related issues initiated by me. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]
5. I have considerable influence over my unit/departmental/branch final budget. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]
6. My superior clearly explains budget revision to me. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]

Creation of slack

1. Managers in my organisations tend to submit budget which can be easily achieved. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]

2. Slack in the budget is good so that things can be done that cannot be officially approved. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]
3. Department managers tend to influence their evaluations by adjusting the figures submitted in the budget. SA [ ], MOA [ ], MIA [ ], N [ ], MID [ ], MOD [ ], SD [ ]

CASH FLOW PATTERNS REVEALRANDOMORGANIZATIONAL DEVELOPMENT

ChizobaEkwueme
Department of Accountancy, NnamdiAzikiwe University, Awka, Anambra State, Nigeria

&

Rosemary Obasi
Department of Accounting, Benson Idahosa University, Benin City, Edo State, Nigeria
E-mail: bsrosemary@yahoo.com

Abstract

The purpose of this study is to determine whether companies' life cycle stages follow a random or sequential developmental pattern using their cash flow patterns. This is with a view to asctertaining the optimum life cycle stage of Nigerian companies. Data were obtained from the annual reports of 79sampled companies listed on the Nigerian Stock Exchange (NSE) from 2009 to 2013 (i.e., T_0 to T_4). The cash flow patterns of the firms were thematically analysed as a proxy of developmental patterns, and transition rates between developmental stages were determined. The study reveals thatIntroduction firms at T_0 transited quickly to the Mature stage (70% in T_1 through T_3), whereas Growth firms developed most rapidly into Shakeout firms (38% at T_1). The Mature stage was most stable; 57–65% of firms in this stage at T_0 remained so. By contrast, 60% of Decline firms remained in this stage at T_1 before transiting to the Mature and Growth stages at T_3 and then ultimately fading away at T_4, leaving only the Introduction (20%) and Decline (20%) stages. Thus, the development of firms from one life cycle stage to another is random and not sequential.The study therefore recommends that, Nigerian companies experience their optimum life cycle stage at the matured stage and firms should employ the use of cash flow patterns to identify theirbusiness life cycle stage as, this will enable companies apply strategies tosustain themselves at a target stage of the life cycle.

Keywords: Business Life Cycle, Cash Flow Patterns, firm Development Pattern, Mature Firm, Nigeria

Introduction

Accounting researchers are to companies what medical doctors are to humans; just as it is important for a doctor to understand the ailment of his patients by knowing the patient's life cycle stage – child, adult, or aged, so it is important for the accounting researcher to classify the companies to their various life cycle stages- introduction, growth, mature, shakeout or decline stages. However, the importance of identifying the life cycle stage of any person, country or even animals cannot be over-emphasized. According to John Bergman as cited in Parker (2018, p. 1): ''Everything has a life cyle, and there is actually a life cycle for countries. A number of philosophers and sociologists have written about this. It's like a plant where you plant the seed, it grows to a seedling, sprouts, matures, droups its seeds and dies. We are seeing that… and without understanding that, you are not going to survive''. This quote summaries how political researchers and sociologist perceive the importance of societal life cycle talkless that of companies; the ability to achieve this feat by the accountant is one of the challenges which this study helped to throw more light on. Obasi and Ekwueme (2016) showed that the use of cash flow patterns best classified companies into its life cycle in Nigeria.

Despite the importance of the Organisation Life Cycle (OLC) concept, two major problems arise in understanding and employing the concept. First, there appears to be no agreement on the operational definition that should be employed to distinguish the life cycle stages. This results in a wide variation in the models of organisation life cycle or the number of organisation life cycle stages. For example, there are five-stage (Miller & Friesen, 1983, 1984, Dickinson, 2011), four-stage (Pashley&Philippatos, 1990), and three-stage models (Anthony & Ramesh, 1992). Second, there is also a lack of an established methodology for identifying each life cycle stage. The various methods proposed in existing life cycle studies, therefore, offer inconsistent approaches to the firm life cycle classification procedure. This had been solved using the cashflow patterns as proposed by Dickson (2011) in the United State and supported by Obasi and Ekwueme (2016) using Nigerian companies. Obasi and Ekwueme (2016) showed that the cashflow patterns best classify Nigerian companies into their life cycle stages as compared to the use of Age as proxy for firm life cycle classification. In furtherance of Obasi and Ekwueme'sstudy, this study ascertained whether all companies evolve through the same series of stages. As a result, the following questions were posed: do the life cycle patterns of companies proceed through stages sequentially or randomly? Is it possible to identify the optimum life cycle stage for Nigerian companies?

Finally, most of the life cycle literatures are conceptually rather than empirically structured. This suggests that further empirical evidence is needed in this area of research. Also, Nigerian firms were studied in this case because studies on life cycle stages only covered developed countries. There are no life cyclestudies on Africacompanies, hence, Nigeria as one of the largest African countries was studied and the results can explain the circumstances of other African countries. However, the evolution of companies is a global phenomenon; such that, the relevance of the result cuts across Local and International boundaries.

The results of this study will be of significance to stakeholders seeking to estimate the stage of an entity forpurposes of investment or monitoring. The results also contribute to the life cycle literature by shedding light on arguments against the random hypothesis of the firm life cycle. In all,understanding firm life cycle lies in the ability to identify where the firm is in its life cycle and to recognise critical organisational evolutions as well as drawbacks that the firm should seek to avoid. This, in turn, will enable managers to make strategic and more informed decisions and also, for researchers to identify and make recommendations to address the category of firmsstudied instead of spurious recommendations as we observe presently.

The remainder of this paper is organized as follows. The next section reviews the relevant literature, followed by the description of the methods and data obtained. After analysing and discussing the results, conclusions and recommendations are presented.

Literature Review

Firm life cycle as a concept

The expected sequence of advancements experienced by a firm is known as firm life cycle (Bess, 1984). There is no concensuson the definition of the life cycle stages (Jaafar&Halim, 2015). However, researchers have shown that the concept of a life cycle also applies to organizations (Anthony & Ramesh, 1992; Dickinson, 2011; Obasi&Ekwueme, 2016). Mason Haire's 1959 work ''Modern Organizational growth'' is generally recognized as among the first to use a biological model for organizational growth. Hanks, Watson, Jansen, and Chandler (1993) define a life cycle stage as "a unique configuration of variables related to organisation context and structure" (p. 5) and argue that the lack of an explicit definition of life cycle stages leads to difficulties in applying the concept to specific cases. Based on the descriptions used in each life cycle stage, they make two prominent observations. First, the life cycle stage construct appears to be a multi-dimensional phenomenon and second, while there is considerable variability between life cycle models, all of them include some dimensions relating to organisational context and organisational structure. Examples of organisational context are firm size, sales growth rate, key strategies and focal tasks and challenges facing the firm, while examples of organisational structure include structural form, formalisation, centralisation and leadership and management style. These dimensions are interrelated and connected to each other and it is the differences in the pattern and magnitude of these dimensions that separates one life cycle stage from another(Jaafar&Halim, 2015).

Extant studies on Life cycle developmental stages

The use of firm age as a proxy of life cycle stage implicitly assumes that a firm moves sequentially through its life cycle stages. However, substantial product innovations, expansion into new markets or structural changes can cause firms to recycle through the life cycle stages in a non-sequential manner. Moreover, firms of the same age may learn at different rates due to imperfections in their feedback mechanisms (such as accounting quality), and thus firm age may differ from firm life cycle stage (Dickinson,2011). The life cycle stage of a firm is a composite of many overlapping but distinct product life cycle stages and thus may be difficult or impossible to determine (Anthony and Ramesh, 1992). However, researchers have shown that the firm life cycle can be determined given certain assumptions (Anthony and Ramesh, 1992; Dickinson, 2011; Obasi and Ekwueme, 2016).

Most subsequent accounting studies (for example, Black 1998, Martinez, 2003, Jenkins, Kane, &Velury, 2004, Kousenidis, 2005) that examine firm life cycle rely on the four basic classification method introduced by Anthony and Ramesh (1992). The Four classifications are; percentage of income (DP), percentage of sales growth (SG), capital expenditure as a percentage of total value of the firm (CEV), and age of the firm (AGE). These variables are chosen for their frequency of reference in the economics, management and management accounting literature. Further, Anthony and Ramesh (1992) argue that because the financial classification variables used are also directly related to firm risk, firms sorted on these variables could have a differential response to performance measures, even without life cycle considerations. Thus, a non-financial variable (AGE) is chosen to minimise the effect of possible correlation of risk with life cycle stages. The argument is that firms in early life cycle stages, on average, exhibit higher sales growth, have higher investment in plant and equipment and have lower dividend payout ratios given their opportunity set of positive net present value projects. Moreover, younger firms are more likely to have new products. Firms are classified into their respective life cycle stages using both univariate and multivariate ranking procedures. In the univariate procedure, firms are ranked on each of the four life cycle descriptors and grouped into various life cycle stages in each year. Then, each firm is given a score: growth=1, mature=2 and stagnant=3. In the multivariate ranking procedure, a composite score is computed by summing the individual variable scores. Based on this composite score, each firm-year observation is assigned to five life cycle groups: growth, growth/mature, mature, mature/stagnant and stagnant. Similar to other previous methods, there are also several issues about this life cycle classification procedure.

Haire, (1959) was the first researcher to postulate that organizational growth and development follow a regular sequence. His model of the organisational life cycle proposes that business firms move through a fairly predictable sequence of developmental stages over time (Gibson *et al.*, 1994; Adizes, 1989; Quinn & Cameron, 1983;Greiner,1972). The OLC model is based on a biological metaphor; i.e., business firms exhibit a regular pattern of development and thus resemble living organisms. Quinn and Cameron (1983) actually characterised these developmental stages as sequential and following a hierarchical, largely irreversible progression involving a wide variety of organizational activities and structures.

On the other side of the divide, some researchers believe that the firm life cycle cannot be likened to the human life cycle, which has a sequential growth pattern (Tichy, 1980; Miller & Friesen, 1984; Dickson, 2011). However, attempts to test the sequential hypothesis have failed due to a lack of agreed-upon indicators of the life cycle stage. Obasi and Ekwueme (2016) recently obtained support for Dickinson's (2011) suggestion that cash-flow patterns best explain firm life cycle stage as compared to the proxy Age. Based, on this finding, this study strives to test the random hypothesis of firm life cycle.

The conceptual literature generally postulates a fairly consistent, structured and not easily reversed sequence of stages, progressing from start-up to growth to maturity and finally to revival or decline (Quinn & Cameron, 1983, Adizes, 1989, Greiner,1972) subsequent longitudinal empirical studies provide some evidence of a non-deterministic sequence of life cycle stages (Tichy, 1980; Miller & Friesen, 1984; Lester, Parnell, &Carraher, 2003, Dickson, 2011). Specifically, it is found that although a majority of the firms tend to demonstrate long-term evolutionary patterns similar to those proposed by the life cycle literature, there are still some firms that fail to exhibit the common life cycle progression. This suggests a large number of transitional paths available to organisations and that firm development does not necessarily conform to the predictable paths proposed in the life cycle theory. Generally, it is essential to make out that there are inherent precincts in the development and application of the life cycle concept.

Studies such as Miller and Friesen (1984) and Lester, Parnell, and Carraher (2003) reveal non-deterministic life cycles of firms and argue that most firms do not pass inexorably from one stage of development to another in the traditional biological sense. For example, Miller and Friesen (1984) highlight that firms that simply get older, but do not grow and diversify, are unlikely to move between stages. Although older firms tend to be more complex, elaborate and bureaucratic than their younger counterparts, they state that this is attributable largely to growth and strategy than maturity. Second, classifying firms into life cycle stages by ranking them among all the firms in each year can result in misclassification and compromise the power of the tests. This is because every firm is different and has a unique path of development (Fischer,2006). For example, while a 10 percent sales growth may be fairly high for a firm in a stable industry, such as food and beverage, it may be considered low for a firm in the pharmaceuticals and biotechnology industry. Nonetheless, the main advantage of this method is that it incorporates some interactions among different variables in determining life cycle stages. While a univariate classification that uses only one proxy has the potential to result in a misclassification (Black, 1998, Gaver& Gaver,1993), a multivariate classification can provide more accurate results. This is because the joint presence of, for example, high sales growth and high capital expenditure, are likely to preclude misclassification of firms with cash flow problems that are not growth firms. Other studies that applied the method introduced by Anthony and Ramesh, (1992) did so with some modifications. For example, sample firms in Black (1998) are also assigned into growth, mature and decline stages. However, the method of classification into three life cycle stages depends on the quintile of combined scores. More recently, Park and Chen (2006),and Yan and Zhao (2010) consider the potential effect of industry by ranking firms relative to other firms in their industry and using only industry-adjusted sales growth rate, respectively.

Based on extant literature, there is no consensus development pattern of organisation life cycle. This is because of two main factors; firstly, there is no clear cut definition of life cycle and secondly, the proxies used so far to classify firms have been criticised. Thus, this study proposes to address the research question, the following hypothesis is proposed: *Nigerian companies do not develop sequentially.*

Classificationproxy for life cycle stages

A superior model for firm life cycle classification was proposed in Dickinson (2011) study that have been tested and supported in Obasi and Ekwueme (2016). The use of cash flow patterns to classify firms into their life cycle stages. The classification model when tested in comparison with age as a proxy showed support for most of the predictions (see Dickinson, 2011, Obasi&Ekwueme, 2016). The cash flow patterns criteria are needed to broaden the use of the model in analysis of financial reporting practices of firms. Therefore, using cash flow patterns as life cycle proxies, the classification procedure is as follows.

From the statement of cash flow, there are three subsections, which are, the operating activities, investing and financing sections. The sign of the end products of these sections are patterned in refined combinations as they exhibit the nature and stage of a firm. Below is a description of the patterns:

Life Cycle Stagecash Flow Pattern	
Introduction stage	CFO (-), CFI (-) and CFF (+)
Growth stage	CFO (+), CFI (-) and CFF (+)
Maturity stage	CFO (+), CFI (-) and CFF (-)
Shake-out stage	CFO (-/+), CFI (-/+) and CFF (-/+)
Decline stage	CFO (-/+), CFI (+) and CFF (+/-)

Source: Dickson, 2011

Methods And Data

The descriptive research design was adopted in this study. The sample comprised companies listed on the Nigerian Stock Exchange (NSE) as of 2016. As of June 2016, the NSE included 13 main sectors, several subsectors, and 223 listed entities. Many of the listed entities have foreign or multinational affiliations and represent a cross-section of the economy ranging from agriculture to manufacturing and service (NSE Factbook, 2015). Each company in the sample fulfilled its obligation to deliver an annual report for the year 2015. This study focused on ten (10) sectors that are not classified as regulated sectors. Three sectors (banking and insurance, brokers and services; and memorandum quotations) were omitted because they are highly regulated or too specialized and thus might not experience natural developmental tendencies (Dickinson, 2011). The final sample thus comprised 79 companies as shown in Table 1 in appendix A.

Secondary data were obtained from the selected listed companies' financial reports for the years 2009–2013, focusing on firms with six to seven years of continuous reports. Data were available for 77 entities in 2010, and this number decreased to 46 in 2013; thereafter, it was difficult to collect continuous data for the companies. To collect the data, a list of publicly listed companies on the NSE was first compiled from the NSE library using the NSE fact book. Additional information about these companies was subsequently extracted from their websites via Google search and from their published annual reports. When necessary, the data sources were complemented by the NSE statistical bulletin. The cash flow patterns proposed by Dickinson (2011) were adopted because the findings of Obasi and Ekwueme (2016) support Dickinson's claim that Cash Flow Patterns determine firm life cycle stages better than firm Age. After grouping the firms into their various stages from as denoted by the patterns, the companies were therefore analysed thematically from the year of classification through some number of years to show the trend in their development over the years.

Data analysis and discussion of results
The collected data were analysed using the descriptive statistical analysis technique. The life cycle stages of the entities at time T_0 were compared with those at T_1, T_2, T_3, etc. This analysis revealed changes in the life cycle stages of the entities over several years.

Table 3: Life cycle stages as determined by cash flow pattern.

	2009	2010	2011	2012	2013	TOTAL
Introduction	7	6	4	5	2	24
Growth	8	9	14	7	6	44
Mature	41	52	41	37	31	202
Shakeout	7	4	6	3	2	22
Decline	13	6	5	9	8	41
Total	76	77	70	61	49	333

Source:This study

As shown in Table 3, in 2009, 7 companies were in the Introduction stage, 8 in the Growth stage, 41 in the Mature stage, 7 in the Shakeout stage and 13 in the Decline stage. A thematic analysis of these companies was performed using the year 2009 as T_0 and 2010 to 2013 as T_1 to T_4, respectively.

To determine if firm development follows a regular sequence, the transition rate, i.e., the rate at which the firms proceeded from one life cycle stage to another was examined. The transition rates, as reflected by the proportion of companies in each stage at each time point, are shown in

Table 4.
Table 4: Development analysis: Proportion of firms transiting beyond the portfolio formation period.

Stage at portfolio formation (T_0)	Stage in future period	T_1 %	T_2 %	T_3 %	T_4 %
Introduction	Introduction	10	10	20	20
	Growth	10	-	-	-
	Mature	70	70	70	80
	Shakeout	-	-	-	-
	Decline	10	20	10	-
Growth	Introduction	13	25	-	-
	Growth	25	13	13	25
	Mature	25	38	63	38
	Shakeout	38	-	13	13
	Decline	-	25	13	-
Mature	Introduction	5	5	3	3

Stage at portfolio formation (T_0)	Stage in future period	T_1 %	T_2 %	T_3 %	T_4 %
	Growth	22	11	14	19
	Mature	57	60	65	57
	Shakeout	3	5	-	5
	Decline	5	5	5	8
Shakeout	Introduction	17	-	8	-
	Growth	33	-	-	8
	Mature	50	58	58	42
	Shakeout	-	8	17	17
	Decline	-	8	17	8
Decline	Introduction	-	-	-	20
	Growth	20	20	20	-
	Mature	20	-	80	-
	Shakeout	-	20	-	-
	Decline	60	40	-	20

Source: This study

As indicated by the data in the table, Introduction firms transited quickly to the Mature stage (e.g., 70% in T_1 to T_3), reaching 80% in T_4. This profile is illustrated graphically in Figure 1.

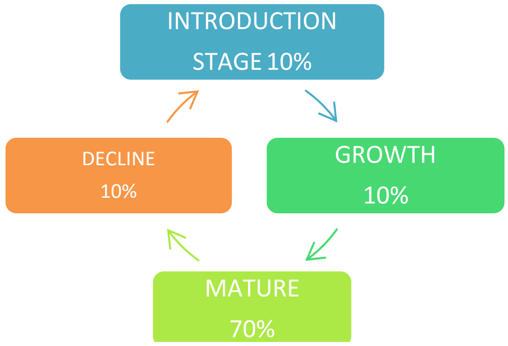

Figure 1:The life cycle stages at T_1 of entities in the Introduction stage at T_0.
Source: This study

As shown in Figure 1, among the entities that were in the Introduction stage at time T_0, 10% progressed to the Growth stage, 70% to the Mature stage, and 10% to the Decline stage. The final 10% remained in the Introduction stage, and none were in the Shakeout stage, indicating a four-stage life cycle. The T_0–T_2 movements of these companies are shown in Figure 2.

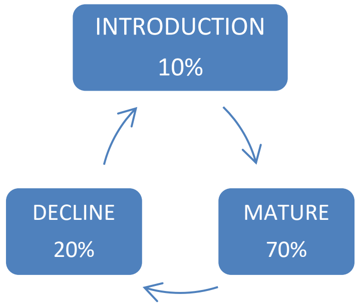

Figure 2.The life cycle stages at T_2 of entities in the Introduction stage at T_0.
Source: This study

As shown in Figure 2, one year after T_1, no companies were in the Growth stage, and the percentage of companies in the Decline stage exhibited a corresponding increase. This finding indicates that companies can migrate to any stage at any time.
The pattern of these companies at T_3 is shown in Figure 3.

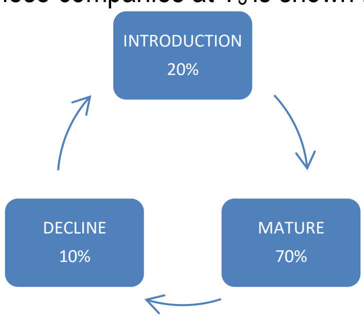

Figure 3. The life cycle stages at T_3 of entities in the Introduction stage at T_0.
Source: This study

At T_3, companies moved back to the initial stage, i.e., the Introduction stage (20%), with a corresponding decrease in the percentage in the Decline stage to 10%. By contrast, the percentage of companies in the Mature stage remained constant from T_1 through T_3 at 70%. Thus, over the time period of the study, the companies gradually returned to their original state or developed into more mature companies.

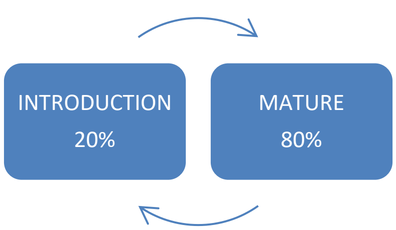

Figure 4: The life cycle stages at T_4 of entities in the Introduction stage at T_0.
Source: This study

As shown in Figure 4, at T_4, only two stages characterized the companies that were in the Introduction stage at T_0. That is, 20 percent back to introduction stage while 80 percent of the companies were at matured stage.

Similar analyses were performed for companies in the Growth through Decline stages at T_0 to elucidate the trends of development of these companies. The results are shown in Table 4.Growth firms developed most quickly into Shakeout firms (38% at T_1), but at T_2, Shakeout firms were absent, with corresponding increases in the Mature and Decline stages at a ratio of approximately 1:2 (i.e., from 25% to 38% and from 0 to 25%, respectively). At T_3, 63% of the Growth firms at T_0 had developed into the Mature stage, and only 13% remained in each of the Growth, Shakeout, and Decline stages. At T_4, only 38% of these firms were in the Mature stage, 25% remained in the Growth stage, and none moved to the Decline stage. The percentage of Shakeout firms remained unchanged compared to T_3.

The Mature stage appeared to be the most stable firm stage. Firms in this stage at T_0 largely remained so (ranging between 57% and 65%). Mature firms were more likely to transit to the Growth stage than to the Shakeout stage at T_1.Shakeout firms developed to the Mature stage rapidly (ranging from 42% to 58%). By T_3 and T_4, 17% of Shakeout firms had transited back to that stage. Among Decline firms, 60% remained in the Decline stage at T_1, but this percentage decreased to 40% at T_2. By T_3, 80% and 20% of the firms had transited to the Mature and Growth stages, respectively. However, in year T_4, these companies faded away, leaving 20% in each of the Introduction and Decline stages. Thus, in the fourth year, the probability of extinction of a Decline company was 60%. These results indicate that the development of a firm's life cycle stage does not follow a regular sequence, supporting the null hypothesis.

Conclusion

This study aimed to ascertain whether organisational development is sequential, as reported by Walton (1980), Quinn and Cameron (1983), Miller and Friesen (1984), andGibson *et al.* (1994), or random, as predicted by Tichy, (1980), Miller & Friesen, (1984), Lester, et al, (2003) and Dickinson (2011). In this study, OLC theory was tested based on an analysis of the development patterns of organisations in Nigeria over a period of five years (2009 to 2013) using cash flow patterns as a classification proxy. The results indicate that the organisational life cycle develops in a random or stochastic manner and not sequentially, consistent with Dickinson (2011). Mature stage is the most stable, as they persistently remained in the stage and the shakeout stage the most unstable stage. However, if a shakeout firm can remain in that stage after two years, there is the probability that it could be stable at that stage for a while. Firms in their introductory stage easily transit mature stage or remain in introductory stage. They seldom transit to shakeout and growth stages. Life cycle stages are not sequential, and the optimum stage is the matured stage. This is because companies in that stage remained stable most of the time.The researchers recommend that organisations should use their cash flow pattern to understand their life cycle stage and which will enable management to apply strategies to enhance their entity's life cycle stage. Also, researchers should use Cash Flow Patterns(CFP) to identify and make recommendations to address the category of firms studied. This will help to address the specific problems of specific organisational stage. Future studies should include longitudinal analyses to reveal long-term trends and, potentially, interesting inferences.

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EFFECT OF HUMAN RESOURCES ACCOUNTING ON FIRM PERFORMANCE USING DUPOINT APPROACH

Babatunde R. Yusuf
Department of Accounting
Lagos State University
babatunde.yusuf@lasu.edu.ng

Abstract
The objective of this study is to determine the relationship between Human Resource Accounting (HRA) information and firm performance of 10 Listed Manufacturing companies for 10-year period, 2007-2016. Panel data analyses including unit root test, fixed effect, random effect and linearity test were used to examine the relationship between HRA information and firm performance in terms of efficiency and profitability (DuPoint approach). This paper controls for firm size using log of total assets. Findings revealed that training and development costs have negative effect on profitability (when measured using net profit margin and return on assets) of manufacturing firms while a positive relationship was established with the operational efficiency (measured as asset turnover). Number of employees turnover significantly affect both operational performance and profitability. However, high employees have negative effects on return on assets. Firm size has significant nexus with operational efficiency and profitability. It concludes that training and development costs, and number of employees move in a supply direction with the operational efficiency of manufacturing firms in Nigeria. Findings on human resource accounting supports the resource-based theory when considered for asset turnover.

*Keywords:*Human Resource Accounting, Training and Development Costs, Manufacturing Companies, and Profitability.

Introduction
Over the past decade there has been increasing recognition in management circles as to the significance and value of human resources to the organisation. The transformation of many mature economies from manufacturing to service-based, and rapid advancements in new technology, has emphasized the importance of the human input to organizational success. Human Resources Accounting was advanced as a means by which managers could improve their utilization of human resources using various techniques and models designed to measure the economic contribution of the human side of the organisation. Thus, it was envisaged as a way of providing managers with the information they needed to manage human resources more effectively and efficiently and for reporting the value of human assets to external stakeholders. The success or otherwise of an organization depends on how best the scarce physical resources are utilized by the human resource (Olaniyan& Lucas 2008).It is in the light of the foregoing that Fariborz and Rajashekar (2011) posited that like an organization's physical properties and investments, skillful and specialized human resources are important to the organization. Human resources through their skills, knowledge, abilities, and talent assist companies in achieving their goals (Yogini, 2016).

The term Human resource at macro level indicates the sum of all the components such as skills, creative abilities, innovative thinking, intuition, imagination, knowledge and experience possessed by all the people. Schultz (1961) highlights the importance of human resources, stated that organization performance has a direct relationship with the quality of the workforce. Most firms that have embraced the notion of human capital have a good competitive advantage that will enhance higher performance (Marimuthu, Arokiasamy& Ismail 2009; Bassey&Arzizeh, 2012). Hence, firms need to understand human capital that would enhance employee's satisfaction and improve performance. Despite assertions and submissions from the studies conducted on human resource as vital assets that need to be reckoned with in an organization, there is still a problem of not giving human resource adequate recognition in the financial statement (Enyi and Adebawojo, 2014). And, thus result in distortion of their financial statement presented.This paper therefore aims to examine the connection between human resource accounting and organizational performance in terms of operational efficiency and profitability using DuPoint approach.

Literature Review

Conceptual Framework

Human Resource Accounting

In the words of Flamholtz and Lace (1981), "Human Resource Accounting may be defined asthe measurement and reporting of the cost and value of people as organizational resources. It involves accounting for investment in people and their replacement costs, as well as accounting for the economic values of people to an organization". Human Resources Accounting (HRA), involves measurement of all the costs/ investments associated with the recruitment, placement, training and development of employees, and the quantification of the economic value of the people in an organization (Okpala&Chidi, 2010). Flamholtz et al (2002) also defined human resource/capital accounting as accounting for people as an organizational resource. It involves measuring the costs incurred by organizations to recruit, select, hire, train and develop human assets.

Woodruff (1973) defined Human Resources Accounting as the identification, accumulation and dissemination of information about Human Resources in dollar or Naira term. He further explained that Human Resources Accounting is the systematic accumulation of information about changes in investments made in human resources and reporting back that information to operating managers to assist them to make better decisions than they would have been able to make without such additional information. Bullen and Eyler (2010) state that Human Resource Accounting involves accounting for expenditure related to human resources as assets as opposed to traditional accounting which treats these costs as expenditures that reduce profit.

Raghav (2011) states that Human Resources Accounting is a method of measuring the effectiveness of personnel management activities and the use of people in an organization.Parameswaran and Jothi (2011) referred to the American Accounting Association's definition of human resources accounting as the measuring of data of human resources and communicating the information to the interested parties. Going by the various definitions above, human resource accounting in simple term is accounting for the value of people in organization to enhance information for decision making by the users of financial information.

Baker (1974) defines Human Resource Accounting as "the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization". Thus, human resources accounting may be defined as a process of accounting which identifies, quantifies and measures human resources for the use of management to cope up with the changes in its quantum and quality so that equilibrium could be achieved in between the required resources and the provided human resources (Johanson, et al, 1999).

Parameswaran and Jothi (2011), referred to American Accounting Association's definition of human resource accounting as the process of measuring data of human resources and communicating the information to the interested parties. Going by the various definitions above, human resource accounting in simple term is accounting for the value of people in organization to enhance information for decision making by the users of financial information.

Organisation performance

Performance refers to the analysis of company's performance as compared to its set goals and objectives. Adebawojo, Enyi, Adebawo (2015) see performance as one of the key determinant factors that are widely used in measuring the success or failure of organisations. Yucthman and Seashore (1967) defined performance as an organization's ability to exploit its environment for accessing and using the limited resources. Lebans and Zuske (2006), describe performance as a set of financial and non-financial indicators which offer information on degree of achievement of objectives and results. For an organisation to effectively and efficiently achieve its goals and objectives, human asset should be considered as a germane factor contributing to organization's performance.

Rogers and Wright (1998) categorized performance of an organization in line with the Tobin's Q into human resource which could be measured in terms of turnover; organizational category which could be measured in terms of productivity, quality, customer satisfaction and manufacturing flexibility; financial accounting category which could be measured in terms of return on assets (ROA), return on equity (ROE), profits, sales, and employee value; while the financial market category could be measured in terms of stock prices or the measure of the ratio of the market value of the firm's assets to their replacement cost. Gavrea, Illes and Stegrean (2011) suggested the following as the attributes of organizational performance as performance is dynamic, requiring judgment and interpretation; performance may be illustrated by using a casual model that describes how current actions may affect future results; performance may be understood differently depending on the person involved in the assessment of the organizational performance. For instance, performance can be understood differently by a person within the organisation compared to one from outside.

Theoretical Review

The Resource Based Theory in Human Resource Accounting

The notion of the resource-based theory in the human resource accounting literature (Wright, Dunford& Snell, 2001; Abhayawansa&Abeysekera, 2008; Kraaijenbrink, 2011; Cherian &Farouq, 2013; Edom, Inah&Adanma, 2015) has been rooted from the seminar paper of Barney (1991) who argued that the firm's internal resources can be used to achieve competitive advantage. According to barney, the nature of firm's resources characterized by value, will make the firm to achievecompetitive advantage. Moreover, since the study on human resource accounting, several authors have argued that the firm's employees is required to achieve the overall firms' outcome level (Adebawojo, Enyi&Adebawo, 2015). Bassey and Tapang (2012) submitted that the resource-based theory of HRA assumes that the skills of employees, their intellectual competence, employees' functions, and training and development are information to achievecorporate goals. Since human resource is an internal resource of the firms characterized by value, rare, imitable and organization, operational efficiency should be improved, and increased profitability achieved. Although, resource-based theory has been critiqued for its indeterminant nature of resource and value, Kraaijenbrink (2011) concludes that RB theory is advantageous in the sense that no evidence of how human capital differentiates from other type of firm's resources. Thus, human capital is conceptually equivalent to other types of resources owned by the firm.

Review of prior studies

Akintoye, Awoniyi, Jayeoba and Moses (2016) examined the effect of adoption of IFRS on Human Resource Accounting Disclosure (HRAD) in the financial statements of banks in Nigeria. Data for the study were sourced via a content analysis of the financial statements of the selected banks from 2009 to 2013. Descriptive statistics, ANOVA, Regression Analysis and the Hausman Test were conducted on the collected data. The ANOVA test revealed that there is no difference in the means of HRAD of financial statements prepared under SAS compared with HRAD of financial statement prepared under IFRS for the period pre and post adoption of IFRS in Nigeria. It was also found that adoption of IFRS has an insignificant effect on HRAD practices.Bassey and Arzizeh (2012) examined the influence of human resources cost on corporate productivity of ten (10) companies listed in the Nigerian Stock Exchange. An ex-post facto design was adopted and data were gathered through survey questionnaire. The study found that acquisition and development costs are important determinants of human resources cost and does significantly influence corporate productivity. Also, human resources cost approach to corporate performance measurement provides further opportunities for utilization of human resource accounting measures.

Syed (2009) studied the relationship between corporate characteristics and Human Resource Accounting Disclosure (HRAD) level in fifty five (55) randomly selected companies of Bangladesh. The findings, using a HRAD Index (HRADI) under a number of hypotheses, revealed that companies averagely disclose 25% of the total HRAD items. Also, HRAD was found to be significantly related with the size of the company, category of the company (financial or non-financial) and profitability. However, it was found that HRAD had no influence on the age of companies.Izedonme, Odeyile andKuegbe (2013) investigated the linkage between human resource accounting and organizational performance in Nigeria. Using regression as a tool of analysis, the study gathered cross-sectional data drawn from the 2009 edition of the Nigerian Stock Exchange Fact Book. The study revealed that human capital and intangible asset had a positive and insignificant impact on organizational performance.

Micah, Ofurum and Ihendinihu (2012) examined the relationship between the financial performance and human resource accounting disclosure of 52 listed companies on the Nigeria Stock Exchange Fact Book of 2005-2009 across all sectors. Using descriptive, correlation and regression statistical techniques, the study revealed that the combined effect of firms' financial performance accounted for 75.9% of the variation in Human Resource Accounting Disclosure(HRAD) with an F– ratio of 3.581 being significant at 5% confidence level. The findings show a positive correlation between Return on Equity (ROE) and Human Resource Accounting Disclosure (HRAD) which is an indication that an increase in ROE encourages firms in reporting human capital information so as to establish trustworthiness with stakeholders; enhance external reputation; appear legitimate in the public eye and avoid cost for non-legitimacy.Ekundayo and Odhigu (2016) investigated the determinants of human capital accounting in Nigeria. Having sourced for secondary data from the annual reports of 30 companies listed on the Nigerian Stock Exchange (NSE) Fact Book as at 31st December, 2014, the study adopted Pooled Data research design and used the ordinary least square regression technique to test the relationship between the variables. The study showed that the size of employees as well as welfare and training costs have significant impacts on human capital accounting in Nigeria.Yogini (2016) investigated the recording and analysis of Human Resource data by companies irrespective of whether they are reported in their annual reports or not. The study found that the two investigated private limited software companies do calculate cost and value of their employees, though the reporting norms are not applicable to them. It was therefore concluded that the non- disclosure of HRA does not mean that it is not used by companies. Though HRA generated data is not reported to external stakeholders, it is internally reported and used very extensively to improve the quality and accuracy of human resource planning and management.

Therefore, the inconsistencies in the findings on human resource accounting and the inability of prior studies to categorically explain HRA contribution to the operational efficiency and the overall profitability of firms. We assumed that human resource of firms should be more important in the firm's productive use of its assets thereby increasing turnover for improved shareholders value. It is hypothesized that:

Hypothesis: There is a positive relationship between human resource accounting, operational efficiency and profitability of firms.

Research Methods

Data was obtained for ten manufacturing firms judgmentally sampled(Nigerian Breweries, PZ, Unilever Plc., Seven Up Plc, Julius Berger, Cadbury, Dangote Flour, Flour Mills, Oando Plc. and, Nestle Plc.) whose market capitalization constitute over 70% of the manufacturing industry capitalization. We also limit the firms into ten due to available data on the independent variable of this study and to ensure a balanced-data for this study. The test period of the study is 2007 to 2016. This aim is to capture the period of macroeconomic factors (such as crisis) that have unraveled the economy and post some systematic risks in the manufacturing industry.

Measurement of Variables:

Asset Turnover (AT)

AT measures how efficient a firm uses its asset to generate sales income or revenue. Pervan and Visic (2012) noted that AT gives information on the productivity of the firm's assets. It is measured as Sales or revenue divided by Total Assets (Pervan&Visic, 2012; Niresh&Thirunayukkarasu, 2014).

Net Profit Margin (NPM)

This study measures NPM using net margin divided the total sales or revenue of the company. This supports standard measurement as evidenced in past studies (Niresh&Thirunayukkarasu, 2014).

Return on Assets (ROA)

This study measures ROA using the ratio of net profit after taxes to total assets. This measure supports that of prior studied on human resources accounting (Micah et al., 2012; Dogan, 2013; Niresh&Thirunayukkarasu, 2014).

Return on Equity (ROE)

ROE measures stockholders' interest in what percentage they earned as a percentage of their investment in the firm. This paper measures ROE as profit before taxation divided shareholders' funds. The use of ROE in HRA literature is supported (Obara& Gabriel, 2013; Adebawojo et al., 2015; Onyinyechi&Ihendinihu, 2017).

Number of Employees (NE)

This is the total number of employees working in the firm as at the end of the reporting year. This is in line with one of the variables used to determine the human resource accounting disclosure as documented by Al-Mamun (2009).

Training and Development Costs (TDCs)

TDCs has been acknolwedegd as important for the performance of human in the organization (Bassi, van Buren &Bugarin, 1997). TDCs has also been listed in the 16 varaibles used to compute the Human Resource Accounting Disclosure index (Al-Mamun (2009). This study measures TDCs as the expenses incurred on employees for training on job development.

Firm Size:

Several factors have been used to measure the size of the firms, with majority using the total assets (Kartikasari&Merianti, 2016). Logarithm of total assets have similar been used (Niresh&Thirunayukkarasu, 2014; Dogan, 2013). This study used the logarithm of total assets to measure firm size as the control variable used in this study. The bigger the size of the firm, the more the number of employees required and the higher the costs of training and development.

The empirical model of this study is presented below taken into consideration the time effects and cross-sectionalform of the sampled manufacturing firms.

$$Dit = \beta 0 + \beta iXit + \varepsilon it \qquad \text{(Pooled Model)} \qquad (1)$$
$$Dit = \beta i + \beta iXit + \varepsilon i,t \qquad (FixedEffectModel)(2)$$
$$Dit = \beta 0 + \beta iXit + (\varepsilon i,t + \mu i) \qquad \text{(Random Effect Model)} \qquad (3)$$

Where i is the number of firms, t is the time and explanatory variable, isnumber of observation, β0 is constant, βi are regression coefficients, Xi,t are variables of firm i at time t. Di,t represent the dependent variable.

$ATi,t = \beta_0 + \beta_1 LTDCsi,t + \beta_2 LNEi,t + \beta_3 LFSi,t + \varepsilon i,t$ …(Model 1)
$NPMi,t = \beta_0 + \beta_1 LTDCsi,t + \beta_2 LNEi,t + \beta_3 LFSi,t + \varepsilon i,t$ …(Model 2)
$ROEi,t = \beta_0 + \beta_1 LTDCsi,t + \beta_2 LNEi,t + \beta_3 LFSi,t + \varepsilon i,t$ …(Model 3)
$ROAi,t = \beta_0 + \beta_1 LTDCsi,t + \beta_2 LNEi,t + \beta_3 LFSi,t + \varepsilon i,t$ …(Model 4)

Models 1-4 modified to control for firm size. All the explanatory variables were presented in the log forms.

Where, AT = Asset Turnover
NPM = Net Profit Margin
ROE = Return on Equity
ROA = Return on Assets
TDCs = Training and Development Costs
NE = Number of Employees
FS = Firm Size

Panel data analysis was conducted. Regression analysis, appropriateness tests and robustness test for heteroscedasticity were performed using Stata software 14.0.

Data analysis and discussion of results

Model I>H1: There is relationship between asset turnover and human resource accounting.

	(1)	(2)	(3)
VARIABLES	OLS	FEM	REM
LTDCs	6.7281	17.1958*	21.3957**
	(9.4791)	(10.1888)	(10.1525)
LNE	50.0492***	28.6244**	37.5724***
	(16.3447)	(12.2244)	(12.7134)
LFS	-31.4972**	-98.8482***	-74.7689***
	(14.5556)	(14.7803)	(14.0248)
Constant	151.9692***	678.9339***	439.5079***
	(55.5257)	(110.6680)	(90.7761)
Observations	74	74	74
R-squared	0.1349	0.4176	
Number of Firm		8	8

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 1 shows the relationship between asset turnover and human resource accounting as measured by the training and development costs, and the number of employees. At Pooled OLS, training and development costs do not significantly affect the asset turnover of selected Manufacturing firms in Nigeria. Results from table 5 (Appropriate model) shows that the fixed effect model is appropriate to establish the nexus between, asset turnover, training and development costs, and the number of employees. Results showed that training and development costs, and the number of employees have positive influence on asset turnover of the sampled Manufacturing firms in Nigeria. Firm size has negative influence on asset turnover. Table 1 shows that the coefficient of TDCs shows that TDCs is positively related to Asset Turnover; and that 1 percent change in TDCs will lead to 0.1719 units change in the mean of Asset turnover. The coefficient of number of employees (NE) shows that NE is positively related to Asset Turnover; and that 1 percent increase in NE will lead to 28.62 percent increase in Asset turnover. However, firm size has a negative relationship with asset turnover. 1 percent increase in Firm size, will lead to 98.84 percent decrease in Asset turnover. This implies the small magnitude of the turnover of the sampled manufacturing firms as they keep high total assets with significant low sales. Overall, the model states that 41.76% of assets turnover is explained by TDCs and NE.

Table 2: Robustness Tests

	(1)	(2)	(3)
VARIABLES	FEM-Robust SE	REM-Robust SE	OLS-Robust SE
LTDCs	17.20*	21.3957**	6.7281
	(8.192)	(9.3290)	(20.1311)
LNE	28.62***	37.5724***	50.0492*
	(6.063)	(14.5091)	(22.1531)
LFS	-98.85***	-74.7689***	-31.4972
	(14.89)	(14.6500)	(27.5482)

Constant	678.9***	439.5079***	151.9692**
	(109.2)	(117.3198)	(47.7434)
Observations	74	74	74
R-squared	0.418		0.1349
Number of Firm	8	8	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 2 shows the robustness test after correcting for the heterogeneity among firms. The FEM results are not different, but the standard errors reduced from that of table 1. The difference is that NE is now significant at 1% as against the 5% significant.

Model II**>** H2: There is relationship between net profit margin and human resource accounting.

	(1)	(2)	(3)
VARIABLES	OLS	FEM	REM
LTDCs	-3.4417	-1.8781	-2.1347
	(2.2546)	(2.5127)	(2.3147)
LNE	6.8384*	11.2774***	11.0122***
	(3.9109)	(3.0468)	(2.9362)
LFS	-1.3006	-6.1260	-5.6371*
	(3.4877)	(3.6774)	(3.2246)
Constant	16.1471	30.2664	28.7206
	(13.3474)	(27.4823)	(20.7744)
Observations	72	72	72
R-squared	0.0757	0.1993	
Number of Firm		8	8

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3 shows the relationship between net profit margin, TDCs and NE among the sampled manufacturing firms in Nigeria. TDCs and FS are negatively significant with net profit margin. As the TDCs and FS increase, the NPM reduces. However, as the Number of Employees, NE increases, the NPM increases and vice versa. Overall, 19.93% of the variation on NPM is accounted for by TDCs, NE and FS. This is in contrary to that of the model 1, where TDCs and NE, and FS explain 41.76% of Asset turnover in sampled Manufacturing firms in Nigeria. 1 percent change in TDCs and NE will lead to 2.1% percent decrease and 11.012% percent increase in NPM respectively.

ROBUSTNESS TEST

VARIABLES	(1) OLS-Robust SE	(2) FEM-Robust SE	(3) REM-Robust SE
LTDCs	-3.4417	-1.8781	-2.1347
	(4.5228)	(1.3521)	(1.6271)
LNE	6.8384	11.2774***	11.0122***
	(5.1577)	(1.0067)	(1.2379)
LFS	-1.3006	-6.1260**	-5.6371***
	(4.8434)	(1.8167)	(1.5675)
Constant	16.1471	30.2664*	28.7206***
	(21.4920)	(14.3130)	(8.4869)
Observations	72	72	72
R-squared	0.0757	0.1993	
Number of Firm		8	8

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4 also showed related results however the standard errors for REM has reduced after solving for heterogeneity in the sampled Manufacturing firms in Nigeria.

Model III**>** H3: There is relationship between return on equity (ROE) and human resource accounting.

VARIABLES	(1) OLS	(2) FEM	(3) REM
LTDCs	14.7197	-8.8334	7.1749
	(10.8629)	(13.9251)	(13.1775)
LNE	-53.2951***	-78.1266***	-61.8902***
	(18.8430)	(16.8850)	(17.5449)
LFS	29.3467*	-27.4203	14.1957
	(16.8043)	(20.3794)	(18.1185)
Constant	-110.5896*	540.6093***	75.5213
	(64.3090)	(152.3012)	(102.0861)
Observations	72	72	72
R-squared	0.1383	0.3326	
Number of Firm		8	8

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 5 shows the nexus between return on equity, TDCs and NE. TDCs has positive nexus with return on equity but insignificant. Only NE significantly affect ROE. 1 percent change in NE will lead to 61.89 percent decrease in return on equity of the sampled Manufacturing firms in Nigeria. The NE has great impact on ROE as 33.26% of variation (decrease) in ROE is accounted for by the significant NE.

ROBUSTNESS TEST

VARIABLES	(1) OLS-Robust SE	(2) FEM-Robust SE	(3) REM-Robust SE
LTDCs	14.7197*	-8.8334*	7.1749
	(7.0667)	(4.4236)	(4.7279)
LNE	-53.2951	-78.1266***	-61.8902**
	(33.7495)	(11.1109)	(29.5047)
LFS	29.3467	-27.4203*	14.1957
	(27.0586)	(12.7063)	(23.8858)
Constant	-110.5896	540.6093***	75.5213
	(80.3197)	(98.7620)	(158.2030)
Observations	72	72	72
R-squared	0.1383	0.3326	
Number of Firm		8	8

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Model IV**>** H4: There is relationship between return on assets (ROA) and human resource accounting.

VARIABLES	(1) OLS	(2) FEM	(3) REM
LTDCs	-1.2203	-1.3068	-0.5656
	(2.5490)	(2.2983)	(2.2505)
LNE	6.7720	7.2927**	8.1854***
	(4.4216)	(2.7868)	(2.7983)
LFS	-2.4013	-16.1972***	-13.2365***
	(3.9432)	(3.3636)	(3.1848)
Constant	13.5834	118.7511***	88.4599***
	(15.0903)	(25.1371)	(21.9553)
Observations	72	72	72
R-squared	0.0422	0.3156	
Number of Firm		8	8

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 7 shows the nexus between human resource accounting (TDCs and NE) and return on assets. Results showed that TDCs negatively affect ROA, but NE positively and significantly affect ROA. Firm size negatively affects ROA at 1% significant level. 1% percent change in TDCs will lead to 1.3% decrease in ROA while 7.2% increase when measured by number of employees.

ROBUSTNESS TEST

VARIABLES	(1) OLS-Robust SE	(2) FEM-Robust SE	(3) REM-Robust SE
LTDCs	-1.2203	-1.3068	-0.5656
	(4.9973)	(1.5091)	(1.9423)
LNE	6.7720	7.2927***	8.1854***
	(3.6288)	(0.7203)	(1.3966)
LFS	-2.4013	-16.1972***	-13.2365***
	(5.4835)	(3.6717)	(2.9699)
Constant	13.5834	118.7511***	88.4599***
	(18.8108)	(29.5974)	(28.2293)
Observations	72	72	72
R-squared	0.0422	0.3156	
Number of Firm		8	8

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 9: Test for Appropriateness

Dep.		Poolability F-Test (OLS vs FEM)	BP-LM Test (OLS vs REM)	Hausman Test (FEM vs REM)
Asset Turnover	Chi-Sq.		31.58	11.26
	Prob.		0.0000	0.0104
	Appropriate	OLS	REM	FEM
Net Profit Margin	Chi-Sq.		80.14	1.54
	Prob.		0.0000	0.6740
	Appropriate	OLS	REM	REM
Return on Assets	Chi-Sq.		114.36	5.58
	Prob.		0.0000	0.1339
	Appropriate	OLS		REM
Return on Equity	Chi-Sq.		10.51	12.87
	Prob.		0.006	0.0049
	Appropriate	OLS		FEM

Table 9 shows that the fixed effect model is appropriate for models 1 and 4 for measure of profitability using asset turnover and return on equity while the random effect model is appropriate for models 2 and 3 (when profitability is measured by net profit margin and return on assets). This implies that for models 1 and 4, the individual-specific characteristics and effects of the sampled firms are correlated with the TDCs and NE. It is not surprising that asset turnover and return on equity established the same FEM estimate since the DuPont method has divided the ROE into six components; leverage effect, fixed costs effect, interest burden, gross sales margin, asset turnover and tax burden. This implies that firms' specific characteristics such as tax burden (effective tax rate), leverage effect and interest rate all have relationship with the asset turnover of firms as well as the return of equity. However, these characteristics (effective tax rate, leverage effect and interest rate) are uncorrelated with the TDCs and NE when Net Profit Margin and ROA are considered to measure the profitability of manufacturing firms.

Conclusions

This study examined the relationship between human resource accounting and profitability of manufacturing firms. Specifically, the study focused on the extent to which human resource accounting affect firms' profitability, operational efficiency and financial leverage. These three-performance measurements define the methodology of the DuPont analysis method. We argued that does human resource accounting contribute to the overall financial health of the company and investors' choice of equity holdings. Using asset turnover, net profit margin, return on assets and return on equity to capture financial health of the company and investors' choice of equity holdings, we established the extent to which HRA affects these indicators.

Firstly, it is found that TDCs positively affect asset turnover and return on equity but negatively affect net profit margin and return on assets of the sampled manufacturing firms. Secondly, number of employees significantly and positively affect AT, NPM and ROA except ROE. Thirdly and lastly, firm size significantly andpositively affectsreturn on equity but negatively affects asset turnover, net profit margin, and return on assets of the manufacturing firms in Nigeria. The paper concludes that human resource accounting positively influences operational efficiency while negatively influencing profitability when HRA is measured in terms of TDCs but HRA positively influence profitability when measured in terms of number of employees.

Recommendations

Based on the established relationship between Human Relations, Accounting and the financial performance indices, the study recommends as follows:-

i. Firms should strengthen their investment on training and development to boost their performance.
ii. There should be reasonable and competitive packages to forestall cases of high labour turnover.
iii. A proper documentation and monitoring should be put in place for proper analysis of the human resource assets of firms.

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EFFECTS OF ACCOUNT RECEIVABLES AND DEBT RATIOS ON THE PROFITABILITY OF SELECTED NIGERIAN QUOTED FIRMS

Abata, Matthew Adeolu
&
Adebanjo, M.Adebola
Department of Accounting, Faculty of Management Sciences,
Lagos State University, Ojo, Lagos.
Email: matthew.abata@lasu.edu.ng

Abstract

Maintenance of an optimal balance between liquidity and profitability in any organization has been a contestable issue in financial management research, coupled with the strategic position Manufacturing and Oil and Gas sectors occupy in the Nigerian economy. This debate attracts more interest when capital structure is considered in the equation. This study therefore investigates the effects of Account Receivables and Debt Ratios on profitability of the selected quoted Manufacturing and Oil and Gas Sectors. Secondary data were used for the study. Annual reports of ten (10) firms from two sectors were used to analyze for twelve years (2005 – 2016). Descriptive analysis, panel unit root test, co-integration and panel data estimation techniques were employed for the estimation of the model to test the two hypotheses. In the model, Return on Assets serves as proxy for profitability indicators while Account Receivables Ratio and Debt Rate serve as proxy for account receivables management and Debt ratio indicators respectively. The result shows that Account Receivables and Debt Ratios do not have significant effect on profitability of the selected companies in Manufacturing Sector. In contrast, the results also indicate that Account Receivables have negative and significanteffect on profitability, while Debt ratioshave positive and significant effect on profitability of the selected companies in Oil & Gas Sector.While this study concludes, on one hand, that liquidity and Debt ratiobear no significant relationship with profitability of selected manufacturing firms; Account receivables and debt ratios, on the other hand, have significant effect on profitability of Oil and Gas Firms. The study therefore recommends that for firms in the Oil and Gas and manufacturing sectors to achieve increased profitability, there is the strident need to pay a great deal of attention to how they manage their account receivables, in terms of instituting effective credit policies.

*Keywords:*Account Receivables, Debt Ratio, Account Receivables Management, Profitability

Introduction

Accounts receivable is the money that a company is owed for selling its products on credit to customers. The major determinants of the firm's investment in accounts receivable are the industry, the level of total sales along with the company's credit and the collection policies. Establishment of credit and collections policy is the accounts receivable management components. Credit period, discounts given for early payment, credit standards and collection policy are four variables of credit policy. The three primary issues in accounts receivable management are to whom credit should be extended, the terms of the credit and the procedure that should be used to collect the money.

The determination of the amount and terms of credit to be extended to customers is a crucial decision concerning accounts receivable. Management needs to consider the amount of credit to be giving to customers and review the payment policy of the customer based on the past transaction they have engaged in. The volume of credit sales and the average length of time between sales and collections are the two determining factors for calculating the total amount of accounts receivable outstanding. Credit terms offered by companies have direct implication on the associated costs and revenue to be generated from receivables. In a case where the credit terms are tight, there will be less of an investment in accounts receivable and fewer bad debt losses, but there will also be lower sales and reduced profits.

The important of determining the effect of firm's debt rate on profitability is a major concern of various researchers since the Modigliani and Miller (1958) study. Thus, the effect of debt on profitability remains a major point of attraction in research study which various researchers as Weill (2008), Nunes., Serrasqueiro, & Sequeira(2009) and Margaritis and Psillaki (2010). More so, various researchers have tried to analyze debt ratio and thereby considering if there is an existence of optimal debt ratio or not. Hence, optimal debt ratio is defined as a process in which companies cost of capital is minimized, whereas value of the company is maximize. It simply means process of maximizing company's profitability.

Profitability can be defined as part of benefit that accrued to the company in ordinary course of business. It can also be defined as profit generation which is based on a comparative measure Weetman (2006). Hence, profitability rate is determined by the average collection period, the average payment period and the average inventory period. By dividing sales or revenue with total assets, one derivesoperational efficiency and profitability (Sari, 2007). Profitability is measured based on sales and investments. The maintenance of trade-off between profitability and liquidity is a major financial management task facing management. Since the trade-off is a major determinant of the profitability of firms, there is need for firm to link it to the ability of meeting its short term financial obligations. Furthermore, granting credit sales have effect on the liquidity position of firms and this is due to over investment in receivables especially when the debtors are of high risk class. A company suffering from liquidity problem implies that the cost of obtaining funds from other sources may be high and a credit sale beyond the optimal level of credit is dangerous. On the other hand, sales level and profitability are reduced as a result of high or tight credit policy or not granting credit at all. According to Atuche, (1999), profitability and liquidity positions of firms is properly managed when credit sales is properly monitored. Management of firm needs to consider the changes in credit policy and it should include collection period, volume of credit sales and investment in accounts receivable. Credit standards, credit terms and collection efforts are credit policy decision that influence management objectives towards account receivable management.

Much as a lot of researches have been done on the effects of account receivables management on the profitability of manufacturing organizations, most of the local studies have leaned heavily towards the various tools and techniques of account receivables and strategies used by the various institutions. The objective of this paper therefore, is to investigate the effects of account receivables and debt ratios on the profitability of Manufacturing and Oil and Gas sectors. The research hypotheses to be tested are:

Ho: Account Receivables and Debt Ratios do not have significant effect on profitability of the selected companies in Manufacturing Sector.

Ho: Account Receivables and Debt Ratios do not have significant effect on profitability of the selected companies in Oil & Gas Sector.

Literature Review

Theoretical Framework

The techniques used by business managers in ensuring effective accounts receivables management depends on the analyzing intersection of shortage cost and carrying costs, EOQ, cash budgeting, and JIT are applied to manage different components of accounts receivables like inventories, cash and accounts receivables. The effect of increase in accounts receivables shows that the business current assets have increased. Consequently, this study aimed at filling the gap that has been leftunattended to because of the very little attention given to the above- mentioned dimensions in the manufacturing industry. The following are the theories that relates to the accounts receivables and debt rate in analyzing corporate financing via financial statement element.Portfolio theory approach in trade credit decisions, transaction cost economics theory, agency theory and operating cycle theory explains the effect of account receivables ratio on profitability while trade-off theory explains the effect of debt ratio on profitability.

Portfolio Theory Approach in Trade Credit Decisions

Portfolio is a combination of assets by considering the liquidity (for example, accounts receivable). The importance of portfolio approach is that it helps in analyzing profitability by evaluating accounts receivable management, which determines the level of potential benefit of assets). The purchaser needs to make decision concerning the amount of trade credit that will be giving by the firms and this will help encourage trade credit (Jajuga, Jajuga, 1994). The profit rate resulting from the trade credit can be defined as:

$$RnAR = \frac{ÄCR - ÄCosts}{ÄCosts}$$

Where *RnAR*= profit rate from giving the trade credit to purchasers *n*, Ä*CR* = cash from sales growth generated from additional sale to *n* customers instead of the cash sale, and Ä*Costs*= growth of costs resulting from offering the trade credit to purchaser *n*.

There is need to examine the conditions of risk and uncertainty is based on the present rate of profit. Probability is the variable factor in determining the rate of profit changes. These probabilities result from customers' marketable situations which influence their ability to regulate their accounts payable to the seller in an appropriate manner. The risk measure connected with the accounts receivable of a particular purchaser varies according to the following equation:

$$\text{\V} = \sum_{k=0}^{n} \mathrm{P1} * (Ri - R)^2$$

Where *pi* = based on historical data probability of *Ri*, and *Ri* = expected rate of return from accounts receivable from the group of purchasers *i*; *m* – number of observations. Both the variation and the standard deviation can be estimated for the historical data of a purchaser.

There is need to correlate trade credit to the purchaser (or to the group of purchasers) and profitability by considering the profits of the trade credit is given to other purchasers (or to different groups of purchasers). Thus, there is need to distinguish between two or more homogeneous groups in relation to the profit and risk from giving the trade credit by firm completing the transactions with more than one group of purchasers. In this case, in determining the relationship between trade credit and accounts receivable management, the portfolio approach can be used.

Transaction Cost Economics Theory

In evaluating the transaction, cost economics theory there is need to determine the optimum level on the basis of a trade-off between costs and benefits associated with the levels of inventory. There is need to determine the costs of holding inventory by evaluating ordering and carrying costs. Ordering costs are cost in which inventory is acquired which includes cost of requisition form, receiving, preparing a purchase order, recording and inspecting goods received.Furthermore, the carrying costs are cost of maintain or carrying inventory to the factor which includes cost of storing the inventory and forgone alternative. The policy of determining the motives for higher or lower levels of inventories depends on company's policy. Transaction Cost Economics (TCE) theory is determined based on cost motive (Emery and Marques, 2011) is the most widely and simple motive of managing inventories. In a competitive business, cost leadership is meant for achieving competitive advantage by decreasing their costs through reasonable minimum costs of stock-in inventory. This practice is also highly valued by stock market analysts (Sack, 2000). In determining the total costs of inventory, there is need to estimate the total ordering cost, total carrying cost and total purchase cost.

Agency Theory

Agency theory is to examine the relationship between the shareholders (principals) and managers (agents) of firms. In examining accounts receivables management decision in relationship to agency theory is for the shareholders (principals) to analyze the accounts receivables variables which relates to lower cost which facilities the cost leadership strategy of the company in order to have competitive advantages in the business environment. The intermediary in the negotiation in aspects of costs and adequate inventory for production process is the agents (managers) in order to ensure availability at needed time. Berle and Means (1932) agency theory also contributes to the decision concerning Accounts receivables management. The difference between the interests of shareholders (principals) and managers (firm's agents in inventory dealing for productivity) brings about agency conflicts. Generation of returns for the interest of shareholders is the primary duty of manager's and the manager should ensure reduction of costs of production that will increase their cash flow, liquidity and profit ratio.

According to (Jensen, 1994), there is always a conflict interest between the shareholders' and managers' decision and this results in agency cost of agency problem in manufacturing company.

Furthermore, Fama and Jensen, (1983) discussed the remedy to the agency problem which organizations faced is based on monitoring of decisions and separation of the ratification should be from initiation stage to implementation stage.

Operating Cycle Theory

The Statement of Financial Position analysis is important in determining the potential liquidation value coverage to include income statement measures of a firm's operating activity. Mainly, liquidity management is reliance on the current and acid test ratio indicators of solvency by incorporating accounts receivable and inventory turnover measures into an operating cycle concept. According to Weston, (1979) there are three basic activities- production, distribution (sales), and collection - are non-instantaneous and un-synchronized which recognize that the life expectancies of some accounts receivable components as liquidity measures. The average outstanding accounts receivable balance maintained which is related to a firm's annual sales have impact on changes in credit and collection policy.The major component of inventory is raw material, work-in-process, and finished goods that have effect on product sales. The inventory turnovers is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. The days in the period can then be divided by the inventor turnover formula to calculate the days it takes to sell the inventory on hand. It is calculated as sales divided by average inventory. Extensive inventory commitments per naira of anticipated sales produces a lower turnover ratio by adopting purchasing, production scheduling, and distribution strategies.

Basically, the measurement of cash flow concerning liquidity requirements based on time dimension imposed on a firm of its current liability commitments and obligation is not sufficient in calculating the operating cycle concept. Liquidity analysis is important because of cash flow time pattern requirements of firm's current liabilities generated by the transformation of its current asset investments (Richards, 1980). More so, potential deterioration in liquidity causes increased receivables collection period and lower receivables turnover by proportionate increase in receivables

Trade-Off Theory

The trade off theory explained the effect of debt ratio on the profitability of the firms. By balancing the costs and benefits of including additional debt, trade-off theory explained that companies needs to define their optimal financial structure. The tax deductibility of interest and improvement in cash flow are the benefits of leverage which have effect on profitability of firms;

Bankruptcy costs and conflict interest cost between the bondholders and shareholders are included in the borrowing costs, so for an optimal leverage level, the marginal gain balances the cost of debt. By increasing the finance through borrowed funds will help firm's valuation maximization which can be shown through the static trade-off phase (it is period whereby firms operates above the mentioned theory assumptions which indicates target debt ratio) while the dynamic trade-off phase which allows steps for successive adjustment for gradually achieve firms target debt level).Finally, trade-off theory explains that marginal value of the tax advantages occurs when are firm borrowed up the point in which increase in the bankruptcy costs present value is balanced.

According to Deloof (2003) conversion of payables, receivables and profitability have a negative relationship to an extent in which increases in profit of an enterprise is due to reduction of indices of conversion of receivables and payables.

Teruel and Solano (2005) explained that by firm's dropping the number of day's accounts receivable and inventories, that managers can create value. Also, firms' profitability can be improves by shortening the CCC.Siddiquee and Khan (2009), suggested that firms that build competitive advantage must be better at managing working capital by counter cyclical flow of operating system. They are also explained that why seeking external sources of financing, firms faces much trouble than when generating fund internally.

Amarjit, Nahum and Neil (2010) studied the relationship between dependent variable profitability and independent variables indictor working capital management in the United States with 88 American firms listed on the New York Stock Exchange for a period of 3 years (2005 - 2007). Their study measured the variables as; (independent) number of days account receivable, number of days account payables, cash conversion cycle; (dependent) gross operating profit; (control variables) firm size, fixed financial asset ratio and financial debt ratio by applying co-relational and non-experimental research design. Their study indicated positive relationship between profitability and cash conversion cycle and a negative relationship between profitability and average days of account receivable. Based on these findings, they suggest that by reducing the debtor's collection period managers can create value for their shareholders. More so, less profitable firms will pursue a decrease of their debtors in an attempt to reduce their cash conversion cycle. Hence, they concluded that if firms can efficiently manage their working capital it will enhance profitability.

According to ksenija (2013), who investigates how accounts receivable management during recession times in listed companiesin the republic of Serbia using a sample of 108 firms. The accounts receivable polices were examined in the crisis period of 2008-2011. The study tested the short-term effects between accounts receivables and two dependent variables on return on total asset, profitability, and operating profit margin, it shows an insignificant relationship but positive relationship. This suggests that in times of crisis the account receivables have impact on profitability of firms.Venkata and Haji (2013) collected data from the Annual Reports of selected cement companies in India from 2001 -2010 to study the impact receivables management on profitability and working capital. Using receivable to total assets ratio, receivables to current assets ratio, receivable to turnover ratio, and receivable to sales ratio, average collection period, working capital ratio, and profitability ratio has the ratios which denotes the efficiency of receivables management through ANOVA statistical tool to determine the impact of working capital and profitability of the selected cement companies. The investigation across the cement industry revealed that receivable management is efficient and also have significant impact on working capital and profitability.

Hassani (2013) investigated working capital management of Iranian cements sector companies measured. The finds revealed that there is a negative correlation between ROI and inventory turnover & current ratio.According to Afza and Nazir (2007) they conducted a study on sample size of 263 listed public limited companies at Karachi Stock Exchange from 1998 to 2003 to examine the relationship between working capital and profitability. There finding showed a negative impact of working capital policies on firms profitability in Karachi.The empirical review aspects of debt effect on profitability was examined by various authors which Majumdar and Chhibber (1999), Eriotis., Franguoli, and Neokosmides(2002), Goddard., Tavakoli and Wilson(2005), Rao., Al-Yahyaee,and Syed(2007), Zeitun and Tian (2007) and Nunes *et al.*(2009) confirmed that debt have negative effect on profitability whereas Baum., Schafer and Talavera(2006), Berger and Bonaccorsi (2006), Margaritis andPsillaki (2007, 2010), examined that debt have positive effect on profitability.

Mazen (2013) conducted a research on 2325 French companies of trade sector using unbalanced panel via generalized method of moments (GMM) for a period of 1999-2006 for empirical examination of the impacts of debt on profitability. The author also analyzes the linear effect and non-linear effect of debt on profitability using quadratic model estimate. The study established that debt has a negative influence on profitability in all size classes of trade enterprises; but this influence becomes larger in small and medium enterprises (SMEs) using linear model while in all size classes there is a concave relationship between debt and profitability, but it is only in small and medium enterprises (SMEs) that the non-linearity is significant.Falope and Ajilore (2009) used a sample of fifty Nigerian firms listed on the Nigerian Stock Exchange by utilizing panel data econometrics in a pooled regression, where time-series and cross-sectional observations were combined and estimated. They revealed a significant negative relationship between inventory turnover in days, the average collection period, average payment period, cash conversion cycle and net operating profitability is the dependent variable. Also, Mathuva (2009) established that there is a relationship between the time it takes the firm to pay its creditors (average payment period) and profitability and the relationship is highly significant positive.

Literature Gap

Much as a lot of researches have been done on the impact of account receivables ratios on profitability of Manufacturing sector at both international and national levels, the emphasis of most of the local studies have leaned heavily towards the various tools and techniques of account receivables and strategies used by various institutions. Besides, debt ratios have not been brought together with account receivable ratios as independent variables in both sectors. According to Padachi (2006), high investment in inventories and receivables are associated with lower profitability. He used return on total assets as a measure of profitability for a sample of 58 small manufacturing firms in Mauritius for the period 1998–2003. His findings disclosed an increasing trend in the short-term component of working capital financing. The studies did not establish a clear relationship between account receivables, working capital and profitability of various sectors in Nigeria by considering comparative analysis of firms. In addition, and to the best knowledge of the researchers, no other publishedstudy has successfully used the two variables of account receivables ratio, and debt ratio as independent variables on profitability. Thus there exists a gap necessitating this study.

Research Method

The data for this study were obtained from mainly secondary sources, particularly from the Nigerian Stock Exchange (NSE) publications, relevant journals, textbooks, and annual report from the companies or from their Registrars. The data collected include: Return on Assets, Account Receivables Ratio, and Debt Rate. This study adopts the Simple Random Sampling Technique to select Ten (10) firms from two sectors which are manufacturing companies, and Oil & Gas sector

The manufacturing sectors are (7-Up Nigeria Plc, Cadbury Nigeria Plc, Flour Mills Nigeria Plc, Nestle Plc and Nigerian Breweries Plc), and Oil & Gas sector Forte Oil, Mobil Nigeria Plc, Total Nigeria Plc, Conoil Plc, and Oando Plc from more than 200 listed firms on the Nigerian Stock Exchange (NSE). The selection was based only on those firms with web presence and whose annual reports for the period (2005 and 2016) under review are in domain of the NSE. It outlines nature and sources of data also techniques used in analysis and its possible limitation.

The companies under study are quoted firms on the Nigerian Stock Exchange that are perceived of doing well in their various sector looking at the market share captured by them.The procedure for analyzing the data will be econometric procedure in estimating the relationship between account receivable ratios, debt ratio and profitability of listed Nigerian Manufacturing and Oil and Gas companies. Panel regression was usedto derive the estimates of the parameters of the relationship from the statistical observations in X and Y related with a linear function under the standard assumptions. E-views statistical software 9.0 was used to analyze the data.

Model Specification

The modelfor the study of eachsectors specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 ARR_{it} + \beta_2 DR_{it} + \mu_{it}$$

Where;

ROA = Profitability

ARR = Account Receivables Ratio

DR = Debt Ratio

β_0 = Intercept Coefficient

β_1 = Partial Regression Coefficients of ROA with respect to ARR

β_2 = Partial Regression Coefficient of ROA with respect to DE

μ = The error term containing other determinants of ROA except ARR and DR

i= 1, 2, …, 5 (individual company)

t = 2005, 2006, … ,2016

Definitions of Variables

Dependent Variable
This research considered dependent variable by the choice primary guided by precious empirical studies along this line; variables are consistent with Basley and Brigam (2005), andSamiloglu and Demrigunes (2008).

Profitability is the dependent variable (profitability) of this study and is to determine the relationship with account receivables. Return on total assets (ROA) was used to analyze the impact of account receivable management on the firm's profitability (Pandey, 2008, Lazarridis and Trynidis, 2006).

$$\text{Profitability (ROA)} = \frac{\text{PBT}}{\text{Total assets}} \quad \text{------------1}$$

Independent Variables
Accounts receivable
Accounts receivables are customers who have not yet made payment for goods or services which the firm has provided. In this respect account receivable is calculated as accounts receivable divided by sales. This variable represents the receivable that the firm will collect from its customers (Basley and Bring ham, 2005 Samiloglu and Demrigunes, 2008).

$$\text{Accounts receivable} = \frac{\text{Receivables (Debtors)}}{\text{Sales}} \quad \text{------------2}$$

Debt Ratio
When external funds are borrowed from banks at a fixed rate they are assumed to be invested in the company and a higher interest paid to the bank. This is measured by long-term debt divided by total assets.This variable represents the relationship between debt and profitability which is proofing by total debt divided by total assets (Mazen, 2013)

$$\text{Debt} = \frac{\text{Total debt}}{\text{Total assets}} \quad \text{------------3}$$

A Priori Expectation of the Variables
As earlier stated, the variables include ROA is taken as the dependent variable, ARR and DR are the independent variables. As such, it is expected that all the independent variables will have positive effect on the dependent variable. That is, an increase in any of these variables will lead to an increase in the dependent variable. This can be expressed mathematically as; $\beta_0, \beta_1 > 0$

Limitation of Research
The annual reports of companies are not easy to get because of the presence of competition in each sector and 2016 annual reports of some companies were not published. In addition, the some information for the year 2017 is not yet available. Therefore, the data will cover only the period between 2005 and 2016

Data analysis and discussion of results
The data are presented in tables, collected from the annual reports and accounts of year (2005-2016) of the companies under study in the Manufacturing sector and Oil & Gas sector. Data obtained were analyzed using both descriptive and econometrics approaches. The econometric approach was unit root tests, co-integration test and panel data analysis.

Manufacturing Sector

Descriptive Analysis

	ROA	ARR	DR
Mean	0.168275	0.128602	0.205136
Median	0.121878	0.065228	0.158500
Maximum	1.164000	2.496323	0.755149
Minimum	-0.194270	0.015954	0.000000
Std. Dev.	0.202819	0.317261	0.195873
Skewness	2.151855	7.103278	1.358697
Kurtosis	11.30826	53.47777	4.207917
Jarque-Bera	218.8726	6874.580	22.10822
Probability	0.000000	0.000000	0.000016
Sum	10.09651	7.716139	12.30815
Sum Sq. Dev.	2.427006	5.938624	2.263604
Observations	60	60	60

Source:Computation using E-View Statistical Package, Version 9.0, 2018.

ROAwas observed to have a mean value of 0.168275 and a standard deviation of 0.202819. The maximum, minimum and median values are 1.164000, -0.194270 and 0.121878 respectively. The Jacque-Bera statistic of 218.8726 alongside its p-value (p=0.000<0.05) indicates that the seriesROA is not normally distributed.

ARRandDRserieswere observed to have a mean value of 0.128602 and 0.205136 respectively and a standard deviation of 0.317261 and 0.195873 respectively suggesting considerable clustering of return on assets for the distribution around the mean value. The maximum (2.496323 and 0.755149 respectively), minimum (0.015954, and 0.000000 respectively) and median values (0.065228, and 0.158500 respectively). The Jacque-Bera statistic of 6847.580 and 22.10822 respectively alongside its p-value (p=0.000000 and 0.000016 <0.05) indicates that the data the seriesARR and DR are not normally distributed.

Oil & Gas Sector

Descriptive Analysis

	ROA	ARR	DR
Mean	0.221017	0.374233	0.230200
Median	0.100500	0.204500	0.095000
Maximum	1.334000	9.574000	1.329000
Minimum	-1.119000	0.000000	-0.222000
Std. Dev.	0.387423	1.216471	0.342178
Skewness	0.315629	7.386073	2.023854
Kurtosis	5.347048	56.38471	6.177958

Jarque-Bera	14.76780	7670.359	66.20838
Probability	0.000621	0.000000	0.000000
Sum	13.26100	22.45400	13.81200
Sum Sq. Dev.	8.855677	87.30836	6.908050
Observations	60	60	60

Source: Computation using E-View Statistical Package, Version 9.0, 2018.

Similarly, each of the series is not normally distributed since the P-values are less than 0.05.

ROAwas observed to have a mean value of 0.221017 and a standard deviation of 0.387423. The maxim/um, minimum and median values are 1.334000, -1.119000 and 0.100500 respectively. The Jacque-Bera statistic of 14.76780 alongside its p-value (p=0.000621<0.05) indicates that the seriesROA is not normally distributed.

ARRandDR were observed to have a mean value of 0.374233 and 0.230200 respectively and a standard deviation of 1.216471 and 0.342178 respectively suggesting considerable clustering of return on assets for the distribution around the mean value. The maximum (9.574000 and 1.329000 respectively), minimum (0.000000 and -0.222000 respectively) and median values (0.204500 and 0.095000 respectively). The Jacque-Bera statistic of 7670.359 and 66.20838 respectively alongside its p-value (p=0.0000 and 0.0000 <0.05) indicates that the data the seriesARR and DR is not normally distributed.

Table 4.4: Panel Unit Root Test

Manufacturing Sector

Variables	ADF Statistics		ADF Statistics		ADF Statistics	
	Level	Critical Values	1st Difference	Critical Values	2nd Difference	Critical Values
ROA	-3.271960 Remarks: stationery at 5%	1% -3.546099 5% -2.911730 10%-2.593551	-	-	-	-
ARR	-6.800824 Remarks: stationery at 5%	1% -3.546099 5% -2.911730 10%-2.593551	-	-	-	-
DR	-4.144780 Remarks: stationery at 5%	1%-3.546099 5%-2.911730 10%-2.593551	-	-	-	-

Source:Computation using E-View Statistical Package, Version 9.0, 2018.

Oil & Gas Sector

Variables	ADF Statistics		ADF Statistics		ADF Statistics	
	Level	Critical Values	1st Difference	Critical Values	2nd Difference	Critical Values
ROA	-4.577962 Remarks: stationery at 5%	1% -3.546099 5% -2.911730 10%-2.593551	-	-	-	-

ARR	-7.423345 Remarks: stationery at 5%	1% -3.546099 5% -2.911730 10%-2.593551	-	-	-	-
DR	-4.914453 Remarks: stationery at 5%	1% -3.546099 5% -2.911730 10%-2.593551	-	-	-	-

Source:Computation using E-View Statistical Package, Version 9.0, 2018.

Panel Unit Root Test

In the literature, most time series are non-stationary and using non-stationary variables in the model might lead to spurious regressions. The first or second difference term of most variables will usually be stationary. Following Engle and Granger (1987) procedure, we start with the testing for the order of properties of the variables of interest, the Augmented Dickey-Fuller (ADF). Adopting the simple economic relationship of random walk with drift, the results of the unit root tests are reported in table 4.4. The decision rule is that the ADF test statistic value must be greater than the Mackinnon critical value at 1 % or 5% and at absolute value. From the above analysis, it can be seen that ROA, ARR & DR are stationary at level. From the above results, the Co-integration test would not be pertinent because the variables exhibit level of stationarity i.e. at level alone, the co-integration test would not be necessary.

Regression Results

Having given a careful analysis of the data obtained from the annual reports of ten (10) companies from two (2) sectors which is Manufacturing sectors (7-Up Nigeria Plc, Cadbury Nigeria Plc, Flour Mills Nigeria Plc, Nestle Plc and Nigerian Breweries Plc) and Oil & Gas sector (Oando Group Plc, Forte Oil Plc, Conoil Plc, Mobil Nigeria Plc and Total Nigeria Plc) from year 2005 to 2016, the hypotheses earlier formulated in this study will now be tested and the results fully discussed below. In all, there are two hypotheses, which are to be tested, and in doing so, Eview version 9.0, specifically Ordinary Least Square, is employed, with a value of 0.05 (level of significance) that corresponds to a 95% confidence level. The parameter estimates were appraised on A-priori, statistical and econometric grounds.

Regression

In the panel data regression analysis, the ultimate goal is estimation of the relationship between dependent and independent variables. This goal can be achieve through the estimation of the coefficients of each independent variable in a model. The sign of coefficients of independent variables indicate their relationship with dependent variable, while the magnitude of the coefficients implies the responses of dependent variables to independent variables.

Hypothesis One

Ho: Account Receivables and Debt Ratios do not have significant effect on profitability of the selected companies in Manufacturing Sector.

Least Squares Analysis-Manufacturing Sector

Dependent Variable: ROA
Method: Panel Least Squares
Sample: 2005 2016
Periods included: 60
Cross-sections included: 5
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.159469	0.039921	3.994610	0.0002
ARR	-0.155742	0.081951	-1.900430	0.0624
DR	0.140567	0.132739	1.058979	0.2941

R-squared	0.088663	Mean dependent var	0.168275
Adjusted R-squared	0.056686	S.D. dependent var	0.202819
S.E. of regression	0.196987	Akaike info criterion	-0.362651
Sum squared resid	2.211821	Schwarz criterion	-0.257934
Log likelihood	13.87954	Hannan-Quinn criter.	-0.321691
F-statistic	2.772731	Durbin-Watson stat	0.759810
Prob(F-statistic)	0.070934		

Source:Computation using E-View Statistical Package, Version 9.0

Y = 0.159469- 0.155742ARR+ 0.140567DR

Interpretation of Results

The partial regression coefficient (B1) of ROA with respect to ARR is – 0.1557. This implies that for every 1 % increase in ARR, ROA drops by approximately 0.16 %. This is not in line with the theoretical expectation of positive slope coefficient between ROA and ARRi.e B>0.

The P-value of 0.0624 of the regression coefficient (B1) indicates that ARR is statistically insignificant to influence ROA. Thus, ROA has negative insignificant effect on ARR. The coefficient of determination (R^2) is 0.088663. This means that the value of the dependent variable can be explained by about 8.9% percent of the independent variable. This can be considered sufficient because Return on Assets (ROA) can also be influenced by other factors representing the remaining 91.1% besides Account Receivables Ratio and Debt Ratio respectively. The individual effects of the variables are, Return on Assets (ROA) is statistically significant at 0.0002 that is below 0.05 criteria, and Account Receivables Ratio is statistically insignificant at p-value of0.0624 that is above 0.05. Finally, Debt Ratio is statistically insignificant at p-value of 0.2941 that is above 0.05 criteria.

Again, the overall statisticalsignificance of the function was evaluated by examining the probability of F-statistic. P-value of 0.0709 indicates that Account Receivables and Debt Ratio do not jointly explain profitability of the Manufacturing Sector. The Durbin-Watson statistic of 0.759810 falls within the criteria of 1 to 2.5 which indicates the absence of auto-correlation. This implies that the problem of serial auto-correlation does not constitute a problem in the research analysis.

Hypothesis Two

Ho: Account Receivables and Debt Ratios do not have effect on profitability of the selected companies in Oil & Gas Sector.

Least Squares Analysis-Oil & Gas Sector

Dependent Variable: ROA
Method: Panel Least Squares
Sample: 2005 2016
Periods included: 60
Cross-sections included: 5

Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.185753	0.050026	3.713163	0.0005
ARR	-0.159839	0.033380	-4.788445	0.0000
DR	0.413035	0.118670	3.480545	0.0010

R-squared	0.374362	Mean dependent var	0.221017
Adjusted R-squared	0.352410	S.D. dependent var	0.387423
S.E. of regression	0.311770	Akaike info criterion	0.555607
Sum squared resid	5.540445	Schwarz criterion	0.660325
Log likelihood	-13.66822	Hannan-Quinn criter.	0.596568
F-statistic	17.05352	Durbin-Watson stat	1.363862
Prob(F-statistic)	0.000002		

Source: Computation using E-View Statistical Package, Version 9.0, 2018.

Y = 0.185753- 0.159839ARR+ 0.413035DR

Interpretation of Results

Results obtained show that the estimates of the model conform to the priori expectations. The estimated Panel regression above revealed that dependent variable Return on Assets (ROA) has an autonomous value of 0.185753 and a negative and positive relationship with the explanatory variables; Debt Ratio and Sales Growth Rate with the coefficient of -0.159839 and0.413035respectively.

This result indicates that each component of the explanatory variables has variant impact on the dependent variable. Hence, financial variables such as Account Receivables Ratio affect Return on Assets negatively and Debt Ratio affects Return on Assetspositively. The coefficient of determination (R^2) is 0.374362. This concisely means that the value of the dependent variable can be explained by about 37.4% percent of the independent variable, which can be considered sufficient because Return on Assets (ROA) can also be influenced by other factors representing 62.6% besides Account Receivables Ratio and Debt Ratio respectively. The individual effects of the variables are, Return on Assets (ROA), Account Receivables Ratio (ARR) and Debt Ratio (DR) is statistically significant at 0.0005, 0.0000 and 0.0010 respectively, which is below 0.05 criteria.

Again the overall statistically significant of the function was evaluated by examining the probability of F-statistic. P-value of 0.000 indicates that Account Receivables and Debt Ratio have joint effect on profitability of the selected companies in Oil & Gas Sector.The Durbin-Watson statistic of 1.363862 that falls within the criteria of 1 to 2.5: which indicate the absence of auto-correlation. This implies that the problem of serial auto-correlation does not constitute a problem in the research analysis.

Data analysis and discussion of results

This research considered dependent variable by the choice primary guided by precious empirical studies along this line; variables are consistent with Basley and Brigam (2005) Samiloglu and Demrigunes (2008). Profitability that is the dependent variable (profitability) of this study is to determine the relationship with account receivables. Return on total assets was used to analyze the impact of receivable management on the firm's profitability (Pandey, 2008, Lazarridis and Trynidis, 2006). Thus, the studies agreed with hypothesis two that Account Receivables and Debt Ratio have effect on profitability of the selected companies in Oil & Gas Sector.

According to ksenija (2013), who investigates how accounts receivable management during recession times in public companies listed at the regulated market in the republic of Serbia. A sample of 108 firms is used. The accounts receivable polices are examined in the crisis period of 2008-2011. The study tested the short-term affects between accounts receivables and two dependent variables on return on total asset, profitability, and operating profit margin, it shows that insignificant relationship but a positive relationship. This suggests that in times of crisis the account receivables have impact on profitability of firms. Based on this empirical review in consideration of hypothesis two, this research study agreedthat Account Receivables and Debt Ratio have effect on profitability of the selected companies in Oil & Gas Sector. In Nigeria, the research analysis shows that Account Receivables and Debt Ratio have effect on profitability of the selected companies in Oil & Gas Sector.

In addition, Azhar&Noriza (2010) evaluate the effect of Working Capital Management on the firm's profitability and market value by randomly selected 172 Malaysian firms. Results show working capital variables and firms performance have a strong negative association. Hence, the study disagreed with a strong negative association but revealed that Account Receivables have effect on profitability of the selected companies in Oil & Gas Sector.

Furthermore, Venkata& Haji (2013) collected data from the Annual Reports of selected cement companies in India from 2001 -2010 to study the impact receivables management has on profitability and working capital. Using receivable to total assets ratio, receivables to current assets ratio, receivable to turnover ratio, and receivable to sales ratio, average collection period, working capital ratio, and profitability ratio has the ratios, which denotes the efficiency of receivables management through ANOVA statistical tool to determine the impact of working capital and profitability of the selected cement companies. The dependent variables were working capital management and profitability while the independent is accounts receivables ratios computed. The research analysis agreed with Venkata& Haji (2013) that Account Receivables have effects on profitability of the selected companies in Oil & Gas Sector.

More so, Mazen (2013) conducted a research on 2325 French companies of trade sector using unbalanced panel via generalized method of moments (GMM) for a period of 1999-2006 for empirical examination of the impacts of debt on profitability. The study established that debt has a negative influence on profitability in all size classes of trade enterprises; but this influence becomes larger in small and medium enterprises (SMEs) using linear model while in all size classes there is a concave relationship between debt and profitability, but it is only in small and medium enterprises (SMEs) that the non-linearity is significant. Thus, this study agreed with Mazen (2013) that debt ratio have positive effect on profitability in manufacturing and Oil & Gas sector in Nigeria but it is statistically insignificant in manufacturing sector and statistically significant in Oil & Gas sector. Berger and Bonaccorsi (2006), Margaritis andPsillaki (2007, 2010), examined that debt have positive effect on profitability which agreed with the study hypotheses that Debt Ratios have positive effect on profitability of the selected companies in Manufacturing and Oil & Gas Sector in Nigeria.

The statistical analysis is conducted above on the hypotheses as stated above on the study, revealed that the asymptotic significance of each of the tested hypothesis is less than 0.05 decision criterion and regression analysis is the statistical technique which can be used for estimation and forecasts.

Using panel data regression techniques in analyzing hypothesis one and two under manufacturing companies revealed that the overall statistically significant of the function was evaluated by examining the probability of F-statistic. Probability of F-statistic = 2.772731 $< F_{tab}$ 2.82 this suggests that Account Receivables and Debt Ratio does not have effect on profitability of the selected companies in Manufacturing Sector. At 5% significant level, the level regression passed the overall significant test (F-test), this is an indication that none of the estimated coefficient is equal to zero and that there is a linear relationship between the dependent variable and the explanatory variables. While the Oil & Gas companies revealed that the overall statistically significant of the function was evaluated by examining the probability of F-statistic. Probability of F-statistic = 17.05352 $> F_{tab}$ 2.82 this suggests that Account Receivables and Debt Ratio have effect on profitability of the selected companies in Oil & Gas Sector. At 5% significant level, the level regression passed the overall significant test (F-test), this is an indication that none of the estimated coefficient is equal to zero and that there is a linear relationship between the dependent variable and the explanatory variables.

Implications of Findings

The data obtained from the two (2) sectors- Manufacturing and Oil and Gas for the period 2005 to 2016 have been analyzed and required calculations were been done to plot the effect of account receivables management on profitability using tables and percentages from Panel data Regression techniques through Eview 9.0. The analysis of hypothesis one accepted that Account Receivables and Debt Ratio do not have significant effect on profitability of the selected companies in Manufacturing Sector. Hypothesis two indicates that Account Receivables and Debt Ratio have effect on profitability of the selected companies in Oil & Gas Sector. These findings have far-implications for management of firms in these two sectors.

Managers of human, financial and materials resources in the Nigerian manufacturing sector who are strongly poised to increase corporate profitability and by extension, create wealth for shareholders need to know that accumulating account receivables and gearing will not help increase profitability. To achieve this all-important corporate objective, they have to look in other directions such as devising other measures and mapping out cutting-edge competitive strategies reputed to engender increased profitability. In the Nigerian Oil and Gas sector, however, the combined effect of account receivable and debt ratio are vital considerations for increasing profitability of firms in these sectors. Put differently, how they manage account receivable and debt balances would tend to determine its profit level.

Conclusions

This study examined the effects of account receivables and debt ratios on the profitability of listed Manufacturing and Oil and Gas sectors of the Nigeria from 2005 to 2016 using panel data regression technique. On the strength of the above findings, the study conclude that Account Receivables and Debt Ratio do not have significant effect on profitability of the selected Manufacturing firms Sector but, Account Receivables and Debt Ratio have significant effect on profitability of the selected Oil & Gas Sector firms.

In the light of the above,the study recommends that there should be regular and continuous update of policy of account receivables of firms in Nigeria by evaluating the debtors' collection period and prepayment on sales growth and profitability. In addition, there is the need for firms to analyze sales growth by environmental forecasting and scanning to consider business environment, and nature of their businesses to set up a good credit policy in their account receivables management policy. Equally, firm management should improve the return on assets through sales growth via marketing mix strategy and as well as sales promotion, trade exhibition and trade fair**.** Besides, investors should critically appraise companies' strengthen through sales growth and debt (gearing) rate. Finally, the economy and financial sectors in

Nigeria needs to focus on debt proportion and consider the resources utilization that enables leverage and liquidity performance by expanding the sectors and amount of capital investment on fixed asset in manufacturing and Oil & Gas sector in Nigeria.

The study further recommends that management should improve the return on assets through sales growth via marketing mix strategy and as well as sales promotion, trade exhibition and trade fair. Besides, proper attention should be given to the rate of gearing (debt) and liquidity position by recovery of bad debt promptly and increasing debtors' collection period, which will improve the return on assets.

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IMPROVING ORGANISATIONAL PERFORMANCE THROUGH MANAGEMENT ACCOUNTING PRACTICES

AGBESANYA, E. OYEBOLA[1]
&
OLADEJI, W. SOLAGBADE[2]
THE POLYTECHNIC, IBADAN
DEPARTMENT OF ACCOUNTANCY
[1]lizzy_oyebola@yahoo.com
[2]sollydy@yahoo.com

Abstract
The study examined how management accounting practices can improve the performance of organizations from the perspective of effectiveness, efficiency and economy. The methodology used by the study was primary data with a further review of existing literatures covering a number of tools/techniques being used by management accounting for conducting an organizational performance assessment with a view to determining their relevance in ensuring that all the parts of organizations work together to achieve greater results measurable in terms of value delivery. Structured questionnaire was used as data collection instrument from different organizations. Annuity of Variance Analysis (ANOVA)was adopted to analyse the formulated hypotheses at 5% level of significance which revealed that organizations are always in shamble where there is inadequacy in management accounting practices and that a timely and integrating reporting incorporating both financial and non- financial information play an influential role in enhancing high organizational performance necessary to fulfil the needs of stakeholders group. It is therefore recommended that the need to have management accounting in strategy setting roles is imperative in order to enhance healthy performance.

*Keywords:*Financial Information, Management Accounting, Non- FinancialInformation,Performance.

Introduction

Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. High organizational performance is when all the parts of an organization work together to achieve great results that are being measured in terms of the value delivery to customers. Organizations must therefore identify and exploit opportunities to generate value for stakeholders, while proactively managing costs and risks.

Evaluating and improving organizational effectiveness and efficiency is one strategy used to help assure the continued growth and development of an organization. In this regards, management accounting plays practical role of increasing knowledge on how organizational performance can be improved by making relevant information and analysis to generate and preserve value available to decision-makers on a timely basis. Management Accounting Practices also assist decision makers who use the information they generate, and evaluate the implications of past and future events on proposed plans or decisions. It also work to ensure the integrity of the information that it produces and strives to implement a system of reporting that contributes to the effective measurement of management and organizational performance.

Statement Of Problem

Many organizations lack performance measures by which each area of their activities could be evaluated while some develop measures outside their goals and the strategies put in place to achieve those goals. Thus, lacking correlation to subsequent management activities. (Nayebzadeh, SH. &Ashrafe Ganjavi, A., 2012). Different aspects of performance encompass the production of outputs, the conversion of inputs to output and the procurement of inputs which can all be represented in financial terms in commercial organization.Many organizations lack remarkable measures of overall performance for all these aspects while some develop measures that lack connection to subsequent management actions which work against organizational improvement.Thus the study aims to unveil management accounting practices tools suitable for assessment and improvement in all functional areas.

Objective Of The Study

1. To examine the extent to which management accounting practices improve organizational performance.
2. To ascertain the influence that the use of management accounting tools has on organizational performance.

Study Hypotheses

The research hypotheses of the study are formulated as;

H_{01}: The use of Management Accounting Practices tools does not improve Organizational Performance

H_{02}: Organizational Performance cannot be influenced by Management Accounting Practices tools.

Literature Review

Conceptual Framework

Management accounting is the process of identifying, measuring, gathering, analysing, providing, interpreting and presenting the management's useful financial information in order to plan, evaluate and control an organization's operations.Johnson, (1981)defined management accounting as a system of measuring and providing operational and financial information that gives managerial action, motivates behaviours and supports and creates the cultural values necessary to achieve an organization's strategic objectives.

The definitions above show that management accounting practices are generally regarded as important controlling tools in providing managers with financial and non-financial information to help them make better business decisions and maintain effective control over corporate resources. Management accountants are therefore seen as value-creators who are more concerned with forward looking and taking decisions that will affect the future of the organization, than in the historical recording and compliance (book keeping) aspects of the profession.

Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. High organisational performance is when all the parts of an organisation work together to achieve great results with results being measured in terms of the value delivered to customers.Professionals within an organization who perform the management accounting function generally support two primary purposes. First of all, they generate routine reports containing information regarding cost control and the planning and controlling of operations. Secondly, they produce special reports for managers that are used for strategic and tactical decisions on matters such as pricing products or services, choosing which products to emphasize or de-emphasize, investing in equipment, and formulating overall policies and long-range planning. The knowledge and experience required for this can be obtained from varied fields functions within an organization, such as information management, treasury, efficiency auditing, marketing, valuation, pricing and logistics.

In order to remain competitive in today's global market, organization must continually improve. Good management accounting practices help the organization to improve continually. Hence so many management accounting tools/ techniques are developed and practiced.(Encyclopedia of Business, 2nd Ed. Man-Mix Managerial Accounting)

Main Activities in Management Accounting

Management accounting activities include some or all of the following: recognizing and evaluating transactions and economic events; quantifying and estimating the value of those events; recording and classifying appropriate transactions and events; and analyzing the reasons for, and relationships between, the transactions and events. These activities are categorized (as cited in www.costmanagement.eu/project-cost-management) as follows:

1. *Reporting to management*: It is the primary role of management accounting to inform and advise the management about the latest position of the company. It covers information about the performance of various departments on regular basis to the management which is helpful in taking timely decisions. A management accountant works in the capacity of an advisor to overcome any existing financial or other problems of an organization.
2. *Aid in decision-making*: the success of any organization depends upon accurate effective decision-making, which is in turn based on informational networks as provided by management accounting. Applying techniques of differential costing, absorption costing, marginal costing, and management accounting provides useful data to the management to aid in their decision-making.
3. *Planning and formulating policies*: a management accountant provides necessary and relevant information to achieve the targets of the company. Management accounting uses regression analysis and time series analysis as forecasting techniques.

4. *Controlling performance:*in order to assure effective control, various techniques are used by a management accountant such as budgetary control, standard costing, management audit, et cetera. Management accounting provides a proper management control system to the management. Reports are provided to the management regarding the effective and efficient use of resources.
5. *Interpreting financial statements*: collecting and analyzing accounting data is a key role of management accounting. This provides relevant information in a systematic way that can be used by the management in planning and decision-making. Cash flow, fund flow, ratio analysis, trend analysis, and comparative financial statements are the tools normally used in management accounting to interpret and analyze accounting data.
6. *Motivating employees*: management accounting provides a selection of best alternative methods of doing things. It motivates employees to improve their performance by setting targets and starting incentive schemes.

7. *Coordinating among departments*: management accounting is helpful in coordinating the departments of an organization by applying thorough functional budgeting and providing reports for the same to the management on a regular basis.

Management Accounting Tools

There are many tools and techniques available to assist management accountants in their practice areas. Management accounting adds value to each area of its practice. The organisations must select and regularly review the approaches that are mostappropriate for their needs.

1. *Balanced Scorecard*

   Balance Scorecard popularized by Robert, S. Kaplan and David, P. Norton (1996)encompasses the financial measures of an organisation and key non-financial measures relating to customers or clients, internal processes, organizational learning and growth needs. It places these into a concise 'scorecard' that can be used to monitor performance.

   The Balanced Scorecard processattempts to identify important links between financial performance and the underlying customer, internal processes and organisational metrics. This creates a mechanism for translating the strategic vision into concrete actions necessary to achieve success. This characteristic of the Balanced Scorecard places strategy at the coreof management. When implemented properly, it can be used to align measures, actions and rewards to create a proper focus on the execution of strategic initiatives and achievement of strategic objectives, rather thana sole focus on the annual budget.

   The Balance Scorecard provides a means to clarify, articulate and communicate strategy. It is a shorthand way of putting all key measures into a 'dashboard' that can be used to monitor results. By including nonfinancialmeasures, it can be used to show how the non-financial aspects of performance, such as customer satisfaction drive financial performance. The Balanced Scorecard is a useful tool for motivating employees andfocusing their attention on factors that are deemed to be critical to long-term performance rather than simply short-term financial results. (http://www.cimaglobal .com)

2. *Bench Marking*

   Benchmarking is the establishment,through data gathering, of targets and comparators that permit relativelevels of performance (and particularly areas of underperformance)to be identified. Its development was associated with Xerox who introduced the practice in 1983 and claimed that the adoption of its identified best practices should improve performance. Benchmarking exercises may involve either the whole organisation, or a part of it, but always require the involvement of more than one party orpartner. They may be classified as either results-based, which compares performance metrics, or process-based, which looks behind the metrics to analyse the processes that generate them.

   Benchmarking programmes comprise four steps:

   * . Identification and/or calibration of performance gap
   * Clarification of the strategic impact of the benchmarked process
   * Identification and implementation of process improvements or strategic changes
   * Maintaining stimulus for continuous improvement.

Several different types of benchmarking can be used namely: Internal benchmarking compares one operating unit or function with another within the same industry; Functional benchmarking (also known as operational or generic benchmarking) compares internal functions with those of the best external practitioners, regardless of their industry; Competitive benchmarking that gathers information about direct competitors through techniques such as reverse engineering and Strategic benchmarking which is a type of competitive benchmarking aimed specifically at strategic action and organisational change.

3. *Activity Based Budgeting (ABB)*

Activity-Based Budgeting (ABB) is a methodof budgeting based on an activity framework, using cost driverdata in the budget setting and variance feedback processes. The most basic form of ABB uses cost drivers (identified through activity based costing, ABC) to help derive budgets. As its name suggests, ABBfocuses on activities rather than functions.

In simple terms, ABB follows three stages:

1. Identify activities and their cost drivers
2. Forecast the number of units of cost driver for the required activity level
3. Calculate the cost driver rate (cost per unit of activity).

Like activity-based costing, activity-based budgeting draws attention to overhead activities and their associated costs. It emphasises that activity costs may be controllable if activity volume is controlled. Where traditionalbudgeting tends to focus on input costs, ABB takes an outputs-based approach, recognising that activities drive costs. ABB views the business as a collection of activities, a perspective that links well with organisational strategy. – CIMA Official Terminology

4. *Activity Based Costing (ABC)*

Weygandt, Kimmel and Kieso (2010) explainedActivity-based costing as an approach to the costing and monitoring of activities, which involves tracing resource consumption and costing final outputs. Resources are assigned to activities and activities to cost objects. The latter use cost drivers to attach activity costs to outputs. ABC was first defined in the late 1980s by Johnson and Kaplan. It can be considered as the modern alternative to absorption costing, allowing managers to better understand product and customer net profitability. This provides the business with better information to make value-based and therefore more effective decisions.

ABC focuses attention on cost drivers, the activities that cause costs to increase. Traditional absorption costing tends to focus on volume-related drivers, such as labour hours, while activity-based costing also uses transaction-based drivers, such as number of orders received. In this way, long-term variable overheads, traditionally considered fixed costs, can be traced to products. ABC enables effective challenge of operating costs to find better ways of allocating and eliminating overheads. It also enables improved product and customer profitability analysis. It supports performance management techniques such as continuous improvement and scorecards.

5. *Total Quality Management (TQM)*

Total Quality Management (TQM) is the integrated and comprehensive system of planning and controlling all business functions so that products or services are produced which meet or exceed customer expectations. TQM is a philosophy of business behaviour, embracing principles such as employee involvement, continuous improvement at all levels and customer focus. It is also a collection of related techniques aimed at improving quality – such as full documentation of activities,clear goal-setting and performance measures from the customer perspective.

The aim of TQM is to get things ‘right first time’, an approach that increases prevention costs, suchas system design, but helps to prevent internal and external failure costs. (Lemak, D.J., Reed, R., &Satish, P.K., 1997)

6. *Value Chain Analysis (VCA)*
   According to CIMA Official Terminology, the value chain is a sequence of business activities by which, in the perspective of the end-user, value is added to (or costs incurred by) the products or services produced by an entity. Value chain analysis is based on the principle that organisations exist to create value for their customers. In the analysis, the organisation’s activities are divided into separate sets of activities that add value. The organisation can more effectively evaluate its internal capabilities by identifying and examining each of these activities. Each value-adding activity is considered to be a potential source of competitive advantage.

The three steps for conducting a value chain analysis are:

- Separate the organisation’s operations into primary and supportive activities
- Allocate cost to each activity
- Identify the activities critical to customer satisfaction and market success

Value chain analysis can help organisations to gain better understanding of key capabilities,how competitors create value; identify areas for improvement and decide whether to extend or outsource particular activities.

The importance of information to managers has been documented extensively (Macintosh 1994;Mintzberg 1973; Tushman& Nadler 1978; Walsh 1995). While managers can choose from a wide range of internal or external information sources, one of the main sources within organizations is the management accounting system (Auster&Choo 1994; Macintosh 1994; Mintzberg 1973). The use of management accounting information by Chief Executive Officers (CEOs) is particularly important as they perceive and interpret information for the entire company and take action based on this information (Daft &Weick 1984; Hambrick& Mason 1984). Due to their position they have the greatest capacity to affect their company’s behaviour and thus, performance (Tripsas&Gavetti 2000; Vandenbosch& Higgins 1996).

Johnson and Kaplan (1987) argue that organizations need management accounting practices to provide timely and accurate information in order to facilitate the control of costs, pricing decision, as well as the measurement and improvement of productivity. Several researchers have claimed that the new techniques have influenced the management accounting practice, and have turned its focus from a simple role of financial control to a complex role of creating value by better employing resources (Otley 1999; Fullerton & McWatters 2001).

Every successful organization must employ an effective accounting information system. The effective accounting information system ensures that the every accounting as well as related activities is going on properly and according to plan. It helps to find out the deviation and take corrective action and ensures efficient and effective management system. (AchyutGnawali, 2017). The conducted research indicate that management accounting can be used in order to provide the managers’ needed information and consequently it can be used to improve the organization’s performance (Nayebzadeh&Ganjavi, 2012, 3).

The recent progress of researchers in the field of competitive markets indicates that organizations needs management accounting in order to improve their performance according to the changing competitive conditions. (SepidehSoltani, ShahnazNayebzadeh & Mahmoud Moeinaddin, 2014).
Langfield-Smith (1998) found a greater use of advanced management accounting practices, such as quality improvement programs, benchmarking and activity-based management, in firms that placed a strong emphasis on product differentiation strategies, ultimately resulting in high performance. Mia and Brian (1999) expressed the usefulness of management accounting system information that could assist the company for the implementation of their plans in response of competitive environmental. Management accounting system information by managers can assist them in making more accurate decision, which will lead to improvement in performance (Mia, 1993)

Molanazar et al investigated about relationship between management accounting information with organizational learning and manufacturing performance as cited by Kasravi A., Morteza G. and Najafizadeh N. (2017) in "The Effect of Management Accounting, Financial Performance and Organisational Performance". Their results show that, there is positive relationship between information provided by management accounting information system and improvement in the production efficiency.

This study is in consonance with observations of the previous researchers on the contribution of management accounting to organizational improvement and thereforeserveas a basis for further analysis carried out by the study to establish that tools used by management accounting in its practice areas as well as its main activities with organizations still add value to the organization for improvement in all its functional areas.

Theoretical Review

Contingency Theory

Contingency theory provides an approach to developing a descriptive theory of management accounting systems (MAS) based on the idea that the effectiveness of a management accounting system is contingent on an organization's structure. One popular view of contingency theory is that the structure of an organization depends on the company's technology and environment, and that the effectiveness of managerial processes (including the management accounting system), is contingent on the organization's structure (Waterhouse & Tiessen, 1978; 1983).The location of information in relation to technology and environment has an important influence on organization structure. In uncertain environments with non-routine technology, information is frequently internal. Where environments are certain, or where technology is routine, information is external.The dimensions of structure and control include authority structure and activities structure, i.e., rules and procedures that determine the discretion of individuals. Authority relates to social power. In the contingency model, decentralized authority is more appropriate where uncertain environments or non-routine technology exist. Centralized authority is more appropriate when environments are certain.(Lawrence & Lorsch, 1967)

Agency Theory

Agency theory is developed around the concept of contractual relationships between two groups with conflicting objectives, i.e., principals and agents. The objective in agency theory is to structure the contractual relationship between these groups so that agents take actions to maximize the welfare of principals. Agency theory is concerned with resolving problems that can exist in agency relationships due to unaligned goals or different aversion levels to risk.(Biaman, 1982)

Methodology

This study is exploratory in nature and built on the analysis of discourses within the range of archival evidence, observations of other researchers and examination of major publications and documentary materials. Also, primary data was gathered through the use of questionnaire to capture the view of intellectuals and practitioners about the subject matter.One hundred questionnaires were administered to randomly selected management staff in different organizations while eighty were collected. The questions were on the four point likert-type statements, with a choice of strongly agree, agree, strongly disagree and disagree. Furthermore, the questionnaire consisted of two sections (for each of the hypotheses). Annuity of Variance Analysis (ANOVA) while Tablesand Bar Charts were used in the analysis of the data gathered.

Data analysis and discussion of results

Section A: Socio –Economic Characteristic of Respondents

Table 1:Distribution of Respondents by Sex

Sex	*Frequency*	*% Frequency*
Male	66	82.50
Female	14	17.50
Total	80	100.00

Source: Author's Field Survey (2018)

Table2:Distribution of Respondents by Academic/Professional Qualifications

Academic/Professional Qualifications	*Frequency*	*% Frequency*
HND/B.Sc./B.Ed.	30	37.50
Ph.D./M.Sc./M.Ed./MBA	25	31.25
Others (Professional)	25	31.25
Total	80	100.00

Source: Author's Field Survey (2018)

Table 3: Distribution of Respondents by Length of Service

Years of Work Experience	*Frequency*	*% Frequency*
Below 5	12	15.00
5-10	32	40.00
Above 10	36	45.00

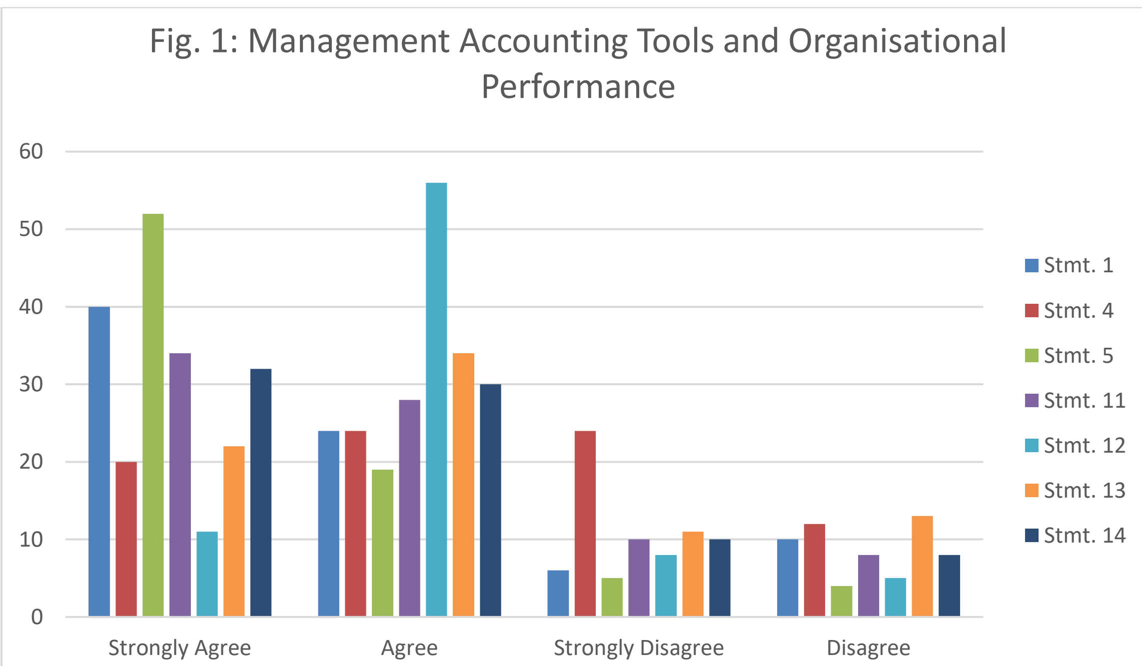
Total	80	100.00

Source: Author's Field Survey, 2018

Table4: Distribution of Respondents by Position

Groups of Staff	*Frequency*	*% Frequency*
Management Accountants	22	27.5
Director of Operation	25	31.25
Human Resources Manager	22	27.50
Others	11	13.75
Total	80	100.00

Source: Author's Field Survey (2018)

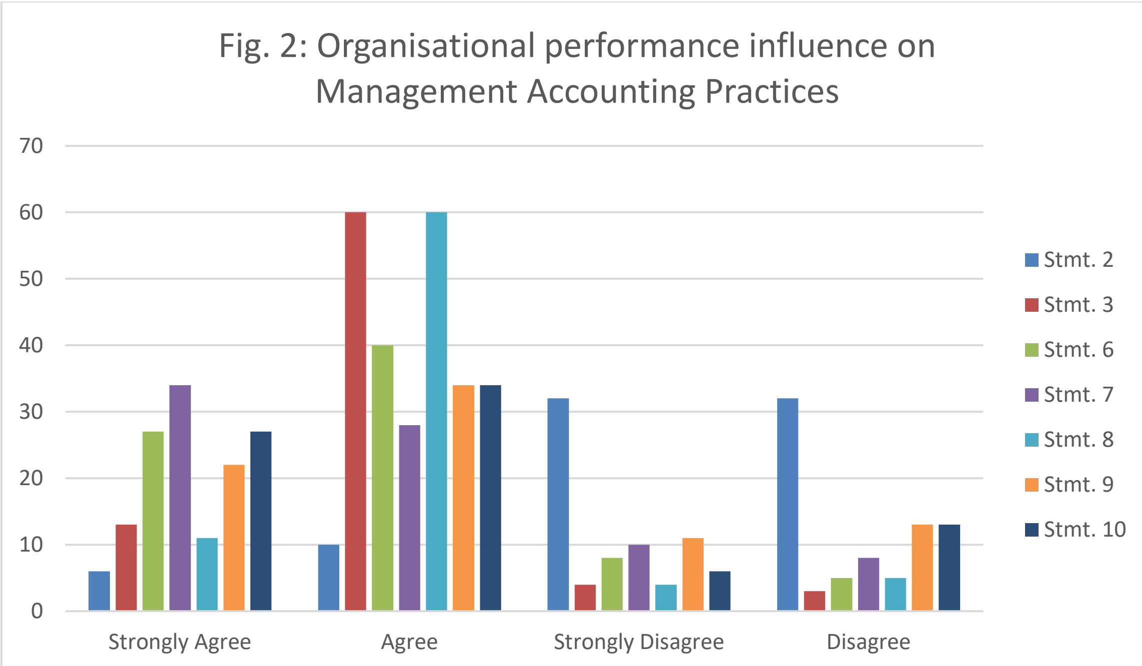


Source: Author's Field Survey (2018)

Table 5: Summary Of Annuity Of Variance Analysis (Anova)For Hypothesis 1:The Use Of Management Accounting Tools And Its Improvement On Organisational Performance (Appendix 4)

Source of Variation	*Sum of Square*	*DF*	*Mean of Square*	*F- Ratio*	*F – Critical*
Between Group	3060	3	1020	10.54	2.3274
Within Group	2321.72	24	96.74		

Source: Author's Field Survey (2018)



Source: Author's Field Survey (2018)

Table 6: Summary Of Annuity Of Variance Analysis (Anova)For Hypothesis 11: Organisational Performance And Management Accounting Practices(Appendix 7)

Source of Variation	*Sum of Square*	*DF*	*Mean of Square*	*F- Ratio*	*F – Critical*
Between Group	3403.14	3	1134.38	7.46	2.33
Within Group	3648.86	24	152.04		

Source: Author's Field Survey (20186)

Decision Rule:Accept $H_{0,}$ if F – calculated is lower than F – Tabulated and reject if otherwise.

Interpretation of Test of Hypotheses
From the table above, F – calculated is 10.54 while the tabulated value is 2.3274 for Hypothesis 1 and F – calculated is 7.46 while the tabulated value is 2.33 for Hypothesis 2 respectively.

Since the F-calculated is more than the F-tabulated judging from the statistical result for the two hypotheses; the null hypotheses are therefore rejected and the alternate hypothesis are accepted.The implication of this, is that there is improvement in organizational performance through management accounting practices. This result is in conformity with the studies of Johnson and Kaplan (1987), Mia, L. (1993), Scherrer, (1996)SepidehSoltani, ShahnazNayebzadeh and Mahmoud Moeinaddin(2014) and AchyutGnawali,(2017)who concluded that there is a sufficient evidence that management accounting practice has a positive impact on organizational performance.

Conclusions
Sequel to the analysis of primary data and empirical studies above, the study comes up with the conclusion that management accounting practices improve the organizational performance in all its functional areas. Extensive use of the management accounting tools assist in measuring and evaluating performance in

multiple directions to determine areas requiring more attention so that improvement can be reinforced.However effective use of these tools lean on the skill, resources and support of senior management especially in the coordination and communication of timely financial and non- financial information which enhances high organizational performance necessary to fulfil the needs of stakeholders group. Therefore a further research is required on the nexus between Organized Management Information System and use of management accounting tools for performance management.

Based on the above, the study recommends that:

- Effective coordination and communication of timely information provided by the management accounting tools should be ensured.
- Organization should determine the type of tools suitable for the achievement of its goals.
- There should be an institution of vigorous training and re-training to help the workforce improve continuously on the use of the tools.
- Employees support is highly required for successful management accounting practices.
- Management accounting tools should be used in line with planning and inter-organisational particular control according to the available facilities.

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SURVEY QUESTIONNAIRE
APPENDIX 1: QUESTIONNAIRE ON IMPROVING ORGANISATIONAL PERFORMANCE THROUGH MANAGEMENT ACCOUNTING PRACTICES

All responses shall be treated in strict confidence. Your participation is greatly appreciated.Kindly answer all the questions by ticking or writing in the appropriated space provided:

SECTION A
SOCIO-ECONOMIC CHARACTERISTIC OF RESPONDENTS

Please, answer all the questions by ticking (√) or writing in the appropriate space provided:

1. Sex of Respondent: Male [ ] Female [ ]
2. Educational Qualification:…………………………….
3. Tertiary Education: HND/B.Sc./B.Ed. [ ] M.Sc./M.Ed./MBA[ ]Others (Professional) [ ]
4. Professional (Specify):
5. Area of Specialization/Discipline …………………………………
6. Length of service: Below 5 years [ ], 5 -10 years [ ], Above 10 years [ ]
7. **7.** What is your position?
   Management Accountants [ ] Director of Operation [ ]
   Human Resources Manager [ ] Others (specify)**…………………….**

SECTION B
GENERAL INFORMATION

S/No.		SA	AG	DA	SD
	IMPROVING ORGANISATIONAL PERFORMANCE				
1.	Management Accounting Practices has relationship with organizational performance.				
2.	Organisation can achieve its goal without Management Accounting Practices.				
3.	Management Accounting Practices use measuring tools to show effectiveness of organizational performance.				
4.	Value Chain Analysis is one of the major measuring tools used in Management Accounting Practices.				
5.	Level of satisfaction with customers through management accounting practices improves organizational performance.				
6.	Management Accounting Practices can strategically influenced organizational performance.				
7.	Successful organizational performance can be equated with successful Management Accounting Practices.				
8.	Management Accounting Practices can lead to better understanding of customers.				
9.	Profitability of a Company is enhanced when managers are evaluated by using direct measuring tools of Management Accounting Practices.				
10.	Higher organizational performance is enhanced through a reliance on Management Accounting Practices.				
11.	Value Chain Analysis helps organization to understand how competitors create value.				
12.	Balanced Scorecard is a measure of organizational performance in Management Accounting Practices.				
13.	Total Quality Management (TQM) enhances continuous improvement in organizational performance				
14.	Benchmarking exercise in Management Accounting Practices improves organisational performance.				

KEYS: STRONGLY AGREE (SA), AGREE (AG), DISAGREE (DA), STRONGLY DISAGREE (SD)

APPENDIX 2: HYPOTHESIS TESTING

TABLE 1: RESPONSES IN PERCENTAGE ON IMPROVING ORGANISATIONAL PERFORMANCE THROUGH MANAGEMENT ACCOUNTING PRACTICES

S/No.		SA	AG	SD	DA
	H_{01} : *The use of Management Accounting tools does not improve Organizational Performance*	%	%	%	%
1.	Management Accounting Practices has relationship with organizational performance	40	24	6	10
4.	Value Chain Analysis is one of the major measuring tools used in Management Accounting Practices.	20	24	24	12
5.	Level of satisfaction with customers through management accounting practices improves organizational performance.	52	19	5	4

11.	Value Chain Analysis helps organization to understand how competitors create value.	34	28	10	8
12.	Balanced Scorecard is a measure of organizational performance in Management Accounting Practices	11	56	8	5
13.	Total Quality Management (TQM) enhances continuous improvement in organizational performance	22	34	11	13
14.	Benchmarking exercise in Management Accounting Practices improves organisational performance.	32	30	10	8

APPENDIX 3

TABLE 2: ANOVA CALCULATION FOR HYPOTHESIS 1

S.A	*$S.A^2$*	*A.G*	*$A.G^2$*	*S.D*	*$S.D^2$*	*D.A*	*$D.A^2$*
40	1600	24	576	06	36	10	100
20	400	24	576	24	576	12	144
52	2704	19	361	05	25	04	16
34	1156	28	784	10	100	08	64
11	121	56	3136	08	64	05	25
22	484	34	1156	11	121	13	169
32	1024	30	900	10	100	08	64
211	*7489*	*215*	*7489*	*74*	*1022*	*60*	*582*

APPENDIX 4: SUMMARY OF ANOVA RESULTS FOR HYPOTHESIS 1

Source of Variation	*Sum of Square*	*DF*	*Mean of Square*	*F- Ratio*	*F - Critical*
Between Group	3060	3	1020	10.54	2.327
Within Group	2321.72	24	96.74		

APPENDIX 5: HYPOTHESIS TESTING

TABLE 4: RESPONSES IN PERCENTAGE ON IMPROVING ORGANISATIONAL PERFORMANCE THROUGH MANAGEMENT ACCOUNTING PRACTICES

S/No.		SA	AG	SD	DA
	$H_{02:}$ *Organizational Performance cannot be influenced by Management Accounting Practice.*	%	%	%	%
2.	Organisation can achieve its goal without Management Accounting Practices.	6	10	32	32
3.	Management Accounting Practices use measuring tools to show effectiveness of organizational performance.	13	60	4	3
6.	Management Accounting Practices can strategically influenced organizational performance.	27	40	8	5
7.	Successful organizational performance can be equated with successful Management Accounting Practices.	34	28	10	8
8.	Management Accounting Practices can lead to better	11	60	4	5

	understanding of customers.				
9.	Profitability of a Company is enhanced when managers are evaluated by using direct measuring tools of Management Accounting Practices.	22	34	11	13
10	Higher organizational performance is enhanced through a reliance on Management Accounting Practices.	27	34	6	13

APPENDIX 6

TABLE 5: ANOVA CALCULATION FOR HYPOTHESIS 11

S.A	*S.A²*	*A.G*	*A.G²*	*S.D*	*S.D²*	*D.A*	*D.A²*
06	36	10	100	32	1024	32	1024
13	169	60	3600	04	16	03	09
27	729	40	1600	08	64	05	25
34	1156	28	784	10	100	08	64
11	121	60	3600	04	16	05	25
22	484	34	1156	11	121	13	169
27	729	34	1156	06	36	13	169
140	*3424*	*266*	*11996*	*75*	*1377*	*79*	*1485*

APPENDIX 7

TABLE 6: SUMMARY OF ANOVA RESULTS FOR HYPOTHESIS 11

Source of Variation	*Sum of Square*	*DF*	*Mean of Square*	*F- Ratio*	*F - Critical*
Between Group	3403.14	3	1134.38	7.46	2.33
Within Group	3648.86	24	152.04		

PERFORMANCE EVALUATION AS A MANAGEMENT ACCOUNTING TOOL ON THE PRODUCTIVITY OF TOURIST SITES IN KATSINA STATE, NIGERIA

Mbazulike, Juliet Uche
Business Education Department, School of Vocational and Technical Education,
Federal College of EducationKatsina, Katsina State, Nigeria
uchemba2007@yahoo.com
&
Kabiru Isa Dandago
Department of Accounting, Faculty of Social and Management Sciences,
Bayero University, Kano, Nigeria
kidandago@gmail.com

Abstract
The study examines the effect of management accounting as a performance evaluation tool on the productivity of tourist sites in Katsina state, Nigeria. This is to find out whether or not performance evaluation has an effect on the productivity of tourist sites in Katsina, Nigeria towards attaining sustainable economic development. To achieve this, the study uses primary data obtained through administration of copies of questionnaire. Descriptive statistics (mean and standard deviation) are employed to analyze the data. The population of the study consists of all the 9 major and developed tourist sites in Katsina state. The findings show that management accounting as performance evaluation tool has a significant and positive effect on the productivity of tourist sites in Katsina state. The study concludes that performance evaluation is good for the tourist sites in Katsina state since it helps to improve and increase their productivity; therefore a necessity and worthwhile practice for the tourist sites. The study, among others, recommends that it would be to the advantage of the managers of the tourist sites in Katsina state, Nigeria to uphold and consolidate on performance evaluation; as well as pay more attention on productivity enhancing factors like effectiveness of service delivery, innovation and creativity in the use of resources and facilities at the tourist sites.

*Keywords:*Performance Evaluation, Management Accounting, Productivity, Tourism, Tourist

Introduction

Tourism has been recognized and accepted as one of the largest and fastest growing industries in the world. In assertion to this, the World Travel and Tourism Council (WTTC) cited in Athur (2002) affirmed that tourism generates some 12% of the world Gross National Product (GNP). This is an indication that tourism is becoming one of the main focuses for economic revitalization globally and especially in developing countries where attention is being directed to serve as avenue for economic diversification (Awodele & Ayeni, 2011). It benefits the country as a whole as well as local economy (Bankole & Odularu, 2006). In view of this, the productivity of tourist sites in Nigeria and Katsina state in particular is very crucial. This therefore becomes an issue of concern to the government and other well-meaning stakeholders especially in this era of dwindling revenue occasioned by the global fall in the price of crude oil which is the mainstay of the Nigerian economy with its resultant effect on the decrease in allocation from the federal government.

The over-dependence on allocation from the federal government has adversely affected the development and ultimately the productivity of other equally important sectors. This is as result of excessive attention given to the oil sector at the detriment of the other sectors of the economy tourism inclusive, which can generate much revenue as well if adequately developed. The neglect is most often associated with low political will and lack of knowledge on how to diversify the economy of the country as a whole which is also replicated at state levels. With the recent challenge of decrease in revenue from the federal government, with its resultant effects on non-payment of staff salaries, lack of employment opportunities and under-development in all facets of the economy, states are expected to rise up to occasion and face the reality on ground by devising ways to generate additional revenue to meet its obligations, which tourism proves to be a veritable means towards addressing this problem. Subsequently, it is very important that tourist sites are adequately managed to increase their productivity. In tourism, as in other sectors of the economy, productivity refers to the efficiency with which resources are used, by relating the quantity of inputs, notably employment of labour and capital, to outputs (Adam, 2006).

Katsina state is blessed with several tourist sites, some of which date back to hundreds of years before the British colonization. One of such is the Goruba Minaret which is believed to be over 1000 years old. It used to be the watchtower in ancient times of war. Another is Daurama palace in Daura council area and the Kusugu Well; both have historic significance and recognition. Others include Katsina Teachers College, Katsina City gates, Emirs Palaces (Katsina and Daura), Jibya Holiday Resort and National Museum Katsina. Despite the potentials of these tourist sites, the state appears not to be serious at harnessing them to increase its productivity through performance evaluation as one of the management accounting tools.

Management accounting can be defined as the application of professional skills in the preparation and presentation of accounting information in such away as to assist the management in the formulation of policies, planning and control of the operation of undertaking (Sizer, 1996). Performance evaluation as a management accounting tool if adequately applied, is a powerful means capable of playing a big role in enhancing the productivity of tourist attractions in Katsina state. This is due to the fact that performance evaluation in an organization helps to improve the overall effectiveness of the entity. Unfortunately, it has been observed that tourist sites in Katsina state have remained a goldmine that has been neglected by successive governments. Some of them are under-utilized while others have been redundant in terms of expansion, innovations and ultimately the productivity. The state could realize substantial part of her revenue with proper application of performance evaluation in her tourist sites through increased productivity, thereby addressing some of the problems associated with dwindling revenue from federal allocation.

Problem Statement

It is no longer news that Nigerian economy is in a recess and as such struggling to meet up with her financial obligations. This is partly due to corruption by the successive governments, a fall in the global price of the crude oil and largely neglect of the other sectors of the economy, tourism inclusive; which would have been a place of succour for the government in the face of fall in crude oil. The same financial problem is also replicated at the state levels (Katsina state inclusive) due to their over-dependence on allocation from the federal government.

There is no doubt that Katsina state is endowed with immense natural and man-made tourism resources. These resources fall into cultural festivals, natural scenario, monuments and resorts which are located in the three zones that make up the state. Unfortunately, the management and productivity of these sites have become questionable and therefore an issue of concern. Low productivity in these sites has partly contributed to the financial incapacitation of the state government which is mostly manifested in unpaid salaries, lack of employment opportunities which culminates to insecurity; as the unemployed masses are ready tools for civil disturbances and unrest. Other problems include increased rate of poverty and lack of infrastructural facilities and development. Also attraction of investible opportunities to the state as well as supportive roles for other industries and professions by these tourist sites is hampered.The time for the state to look inward by exploring other avenues to source revenue so as to augment the federal allocation is now. This therefore necessitated the need to examine the effect of performance evaluation as a management accounting tool on the productivity of tourist sites in Katsina state with a view to proffering useful solutions.

Literature Review

Conceptual Framework

This section deals on literature review in which the conceptual framework examines the concept of management accounting as given by different authors. Also the concept of productivity was extensively discussed. Similarly, the concept of performance evaluation was also looked into in which diverse opinions and views by different authors were discussed. Furthermore, the review of the empirical studies related to management accounting, performance evaluation and productivity were examined.

Management Accounting

The *Institute of Management Accountants* (2008) defined management accounting as a profession that involves partnering in management decision making, devising planning and performance management systems and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy. Similarly, IFAC (1998) viewed management accounting as one of those important management techniques which distinctly adds value, by continuously probing whether resources are used effectively by people and organizations in creating value for customers and shareholders, or other stakeholders. According to the Statement of Management Accountants (2008), management accounting is;

> ...the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control an organization and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities.

Furthermore, management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities (Smith, 2009). Management accounting is a type of accounting which arranges the information and reports needed by business managers in taking managerial decisions and interpreting such reports and allowing managers to compare them with annual budget and standard practices. Traditional management accounting generally deals with the internal operations of a business (Yükçü, 1998).

A closer view of the above definitions shows that management accounting is the application of professional skills, a set of practices and techniques in the preparation and presentation of accounting information in such a way as to assist the management in formulation of policies, planning and control of the operation of undertaking. Unfortunately, many tourist sites have ignored the importance of management accounting and focused only on financial accounting. The fundamental use of management accounting would be more significant for planning and control operations when it is incorporated in the operation of tourist sites thereby enhancing productivity.

Productivity

The concept of productivity has been of great significance to competitiveness and world prosperity since the beginning of industrialization (Pekuril, Haapasalo & Herrala, 2011). This is apparently due to its importance and influential basic variables governing economic production activities (Singh, Motwani & Kumar, 2000 and Tangen, 2005). Productivity can be a major source of competitive advantage for companies and also contributes to the general well-being of a society (Grossman, 1993). Productivity as a concept is ambiguous in nature and as such has resulted in multiple interpretations and definitions. In view of this, Tangen (2005) observed that despite the fact that the term is commonly used by both academics and practitioners, it is often confused or used interchangeably with similar terms such as profitability and performance.

According to Bernolak (1997) productivity means how much and how good we produce from the resources used. Similarly, European Association of National Productivity Centers (EANPC, 2005) defined productivity as how efficiently and effectively products and services are being produced. Efficiency in this situation can be seen as doing things right or utilizing resources to accomplish desired results (Grunberg, 2004). Effectiveness, on the other hand, is often described as doing the right thing; it refers to the extent to which customer requirements are met (Neely, Gregory & Platts, 1995). Therefore, effectiveness highlights the importance of reaching a desired objective, whereas efficiency focuses on the process or means involved. Also Chad (2011) viewed productivity as efficiency in production and how much output is obtained from a given set of inputs. Furthermore, Krugma (1994) conceptualized productivity as a measure of how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. CBN (2001) sees productivity as the amount of output produced by each unit of factor input. They contended that it refers to the ratio of factor output to input by industry groups or sector. Productivity is also a measure of overall production efficiency, effectiveness and performance of the individual organization (Udo-Udoka, 1983). Productivity measures the relationship between the quantity and quality of goods and services produced and the quantity of resources needed to produce them (i.e. factor inputs such as labour, capital and technology) (Simbeye, 1992; Okojie, 1995; Roberts & Tybout, 1997). Furthermore, Obadan & Odusola (2000) viewed productivity as the instrument for continuous progress, and of constant improvement of activities.

From the above views, productivity can be said to be a relationship between output produced by a system and quantities of input factors utilized by the system to produce that output. The output in this case can be any outcome of the process, whether a resource, product or service, while input factors consist of any human and physical resources used in a process.

Performance Evaluation

Performance evaluation has been given different definitions by different people based on their different views and perceptions. According to Yong (1996), performance evaluation is a periodic evaluation of the output of an individual measured against certain expectations. Also Al-Qudah & Momani (2011) defined performance evaluation as the process of assessing activity of each member of staff during a specific time period estimated on the level and quality of performance itself which may include work implementation assigned to individual on his or their behaviour. Similarly, performance evaluation is a process by which employees are formally assessed at regular intervals so as to identify efficient employees, grant award and motivate them to have better performance (Abassi & Soltani, 2014). Furthermore, Byars & Rue (2008) viewed performance evaluation as a process of assessing and communicating with employees on how they can improve their performances. Performance evaluation also involves a formal process to measure and give feedback to employees on their qualities, performances and recognition of their potentiality to grow them in future (Foot & Hook, 1999). In the words of Senyah, Coffie & Adu-Pakoh (2016), performance evaluation is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. The analysis of the above views shows that performance evaluation entails assessing the activities of workforce so as to determine their efficiency and effectiveness towards the organizational set goals and objectives.

Review of related literature

Despite the world-wide discussions and research on management accounting, performance evaluation and productivity, there are contrary views and opinions on the effects of performance evaluation on productivity as shown by the previous related studies reviewed on this study.According to Pekuri, Haapasalo and Herrala (2011) in a study on productivity and performance management practices in the construction industry based on a conducted macro level analysis, the findings show that the rate of productivity development in the Finish Construction industry has been moderate at best, leaving it behind the best industries in Finland and some of its international counterparts. Also the study shows that productivity is inadequate measure for identifying improvement targets and control activities.

Similarly, Schaffer and Steiners (2004) conducted a study on the use of management accounting information; learning and organizational performance using structural equation modelling (LISREC) and the result shows that different types of management accounting information use have different effects on organizational performance.Also Joanna, Cheng-Jen and Anne (2011) on a study "the impact of management control system on efficiency and quality performance – An empirical study of Taiwanese Correctional Institution" using both non-parametric Stochastic Frontier Analysis (SFA). The findings show that correctional institutions in Taiwan have considerable technological efficiency attributable to unfavourable resource usage as well as management control system having higher efficiency and quality performance.

Furthermore, Semra and Ebru (2013) on the effects of strategic management accounting techniques on perceived performance of businesses revealed that participating businesses strategic management accounting have a positive relationship and effects on the performance of the businesses.Abassi and Soltani (2014) on the effects of performance evaluation on employees' efficiency and productivity found that there is a significant correlation between performance evaluation employees' efficiency and productivity.Also Senyah, Coffie and Adu-Pakoh (2016) on the study of assessment of the effectiveness of performance appraisal on work productivity, found that performance appraisal has much influence on work productivity. Similarly, on the effect of job evaluation on workers' productivity by Nweke (2016), the findings revealed that job evaluation increases organizational productivity.The review of the related literature above showed that all the studies are conducted in other sectors different from tourism sector and therefore presents a gap that this study tends to fill.

Methodology

Research Design

Research design is aimed at obtaining data to enable the researcher to answer the research salient questions. The research design for this study is the survey method**.** The main objective of the study is to evaluate the effect of performance evaluation as a management accounting tool on the productivity of tourist sites in Katsina state. To attain this objective, primary source of data via questionnaire was used.

Population

The population of the study consisted of all the tourist sites in the three senatorial zones in Katsina state, Nigeria, popularly known as the "Home of Hospitality". It is made up of all the nine (9) major and developed tourist sites in Katsina state which are both natural and man-made. They included Gobarau Minaret, Kusugu Well, Old Katsina College, Emirs of Katsina and Daura Palaces, Ganuwa Walls in different towns, Chama Dam, Ajiwa Dam, Katsina National Meuseum and Jibya Holiday Resort.

Sample Size and Sampling Technique

The sample size of the study consisted of six out of the nine (9) major and developed tourist sites in Katsina state in different local government areas where they are located. The tourist sites include Gobarau Minaret, Kusugu Well, Emir of Katsina Palace, Katsina National Museum, Jibya Holiday Resort and Chama Dam. Using simple random sampling technique, 3 staff were selected in each of the sampled tourist sites in addition to 17 staff of Katsina state ministry of culture and tourism which gave a total of 35 respondents. Structured questionnaires containing questions bothering on the effect of performance evaluation as a management accounting tool on productivity, the nature of the effect on productivity, the level at which performance evaluation has effect on the productivity measured on a 5 point-likert scale were administered on the respondents.

Method of Data Collection

The study used primary source of data collection. The primary source of data through questionnaire was used because it represents the best method to attain the objective of the study which bothers on the effect of performance evaluation on the productivity of tourist sites in Katsina state. Based on this, the data for the research were collected by means of questionnaire of five (5) point-likert scale administered on the respondents who are staff at the tourist sites sampled as well as few staff at the Ministry of Culture and Tourism, Katsina state.

Technique of Data Analysis

In analyzing the effect of performance evaluation as a management accounting tool on the productivity of tourist sites in Katsina, the responses obtained from each of the items in the questionnaire were coded, scored and tabulated in the master sheet. The data collected were analyzed using descriptive statistics. This presents the mean, standard deviations, minimum point and maximum point. The analysis was done using Statistical Package of Social Sciences (SPSS) 16.0.

Data analysis and discussion of results

The chapter presents and analyzes the data. The data for the research were collected by a means of questionnaire administered on the respondents who are staff of the sampled tourist sites and Katsina state Ministry of Culture and Tourism.

Table 1: Questionnaire Distribution and Return

Questionnaires	No of Respondents	Percentage
Returned and Usuable	29	82.8%
Returned and Unusuable	1	2.9%
Not Returned	05	14.3%
Total Questionnaire Administered	35	100%

Source: Author's Computation 2017, from the Questionnaires Distributed to the Correspondents

Table 1 gives the summary of questionnaire distribution. A total of 35 questionnaires were administered, out of which, 29 which represents 82.8% were returned and usable. 1 questionnaire which represents 2.9% of the questionnaires administered was returned but not useable. Furthermore, 5 out of the questionnaires administered which represents 14.3% were not returned by the correspondents.

Table 2: Descriptive Statistics of "Performance Evaluation" as a Management Accounting Tool on Productivity

VARIABLES	MIN	MAX	MEAN	STD DEV
1. Evaluation of performance leads to significant and positive impact on the productivity of tourist sites (MEPSP)	3	5	4.31	0.604
2. There is a significant and negative effect on the productivity of tourist sites through performance evaluation (MEPSN)	1	5	3.55	1.270
3.There is efficiency and effectiveness in service delivery in the tourist sites as a result of performance evaluation (MEPES)	1	5	4.28	0.882
4. Evaluation of performance adds value to the facilities and resources at the tourist sites (MEPVD)	2	5	3.97	0.906
5. Evaluation of performance at the tourist sites leads to innovation and creativity in the use of and management of resources and facilities (MEPIC)	1	5	4.17	0.928
6. Evaluation of performance improves staff and tourist's relationship (MEPSR)	1	5	4.00	0.886
7. Development and expansion of tourist sites is achieved through evaluation of performance (MEPDE)	1	5	3.93	0.961

Source: Generated by the Researcher from the Respondent's Responses, using SPSS (Version 16).

Table 2 shows the descriptive statistics of performance evaluation on productivity using the minimum, maximum, mean and the standard deviation. The table indicates that evaluation of performance leads to significant and positive effect on productivity (MEPSP) has the highest average of 4.31 and standard deviation of 0.604. This is an indication of strong and affirmative effect of performance evaluation on the productivity of tourist sites in Katsina state. Similarly, efficiency and effectiveness in service delivery in the tourist sites as a result of performance evaluation represented by MEPES has an encouraging mean score of 4.28 and a standard deviation of 0.882 a sign that performance evaluation is a great boost to efficient and effective service delivery of these tourist sites. However, productivity at the tourist sites is greatly influenced by innovation and creativity in the use of and management of resources and facilities (MEPIC) due to performance evaluation. This can be attested by the mean score of 4.17 and a standard deviation of 0.928 which are remarkable. Improved relationship on the staff and tourists (MEPSR)as a result of performance evaluation also increases productivity. This can be seen on the commendable mean and standard deviation of 4.00 and 0.886 respectively. The remaining variables namely MEPVD and MEPDE have a mean and standard deviation of 3.97, 3.93 and 0.906, 0.961 respectively show a reasonable support for productivity of tourist sites in Katsina state. On the overall, performance evaluation has a significant and positive effect on the productivity of tourist sites in Katsina state and is agreement with the studies by Semra & Ebru (2013); Soltani & Abassi (2014); Senyah, Coffie & Adu-Pakoh (2016) and Nweke (2016).

Conclusions

The study determined the effect of evaluation performance as a management accounting tool on the productivity of tourist sites in Katsina state. A primary source of data collection was employed. Descriptive statistics was used to analyze the data and the descriptive results showed that performance evaluation contributes greatly on the productivity of tourist sites in Katsina state. This can be seen on the mean score of 4.31, 4.28, 4.17 and 4.00 for MEPSP, MEPES, MEPIC and MEPSR respectively which are impressive and commendable. Sequel to the above, the study therefore concludes that;

(1) Performance leads to significant and positive impact on the productivity of tourist sites in Katsina state, therefore, this management tool must be considered for the success and survival of these sites.
(2) Productivity at the tourist sites is enhanced through efficient and effective service delivery as result of performance evaluation.
(3) Performance evaluation improves staff and tourist's relationship which ultimately improve productivity of tourist sites in Katsina state.

Recommendations

The study concludes that performance evaluation as a management accounting tool contributes greatly on the productivity of tourist sites in Katsina state. Based on the conclusion drawn above, the study recommends that;

(1) Since performance evaluation leads to significant and positive effect on the productivity of tourist sites in Katsina state, managers of these sites should effectively maintain and consolidate it; as well as devise ways to extend it to those tourist sites that are not yet developed and functional so as to increase benefits associated with productivity.
(2) There is need to pay more attention on productivity enhancing factors like effectiveness of service delivery, innovation and creativity in the use of resources and facilities at the tourist sites which are attainable through performance evaluation.
(3) The use of performance evaluation as a management accounting tool especially in the area of development and expansion (MEPDE)at the tourist sites does not contribute as much as other variables on the productivity. Therefore, the managers of the tourist sites should incorporate other management accounting tools like "planning" and "controlling" for an improved performance on the area of development and expansion. Also more attention should be given on the area of value addition on the facilities and resources at the tourist sites for better productivity.

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Conference theme 10:

TAX POLICY AND PLANNING

CORPORATE TAX AND PROFITABILITY OF DEPOSIT MONEY BANKS IN NIGERIA

Cordelia Onyinyechi Omodero[1] and Amah Kalu Ogbonnaya[2]
Department of Accounting,
College of Management Sciences,
Micheal Okpara University of Agriculture, Umudike, Abia State, Nigeria.
[1]E-mail: cordeliaomodero@yahoo.com.

Abstract
The study examined the impact of corporate tax on profitability of deposit money banks in Nigeria. The liquidity problem of banks in Nigeria since after the adoption of TSA could also be linked with high corporate tax payment. As a result, firms and individuals now have restricted access to capital for investment which is equally affecting the economy adversely. The specific objective of this study is to investigate the extent to which company income tax (CIT) affects the profit after tax (PAT) of commercial banks in Nigeria. The research adopted a causal research design and a sample of 12 banks out of the currently existing 21 banks were taken. The secondary data on PAT (dependent variable) CIT (independent variable) used were collected from the published financial statements of banks via their websites. The period covered were from 2006 to 2016. Multiple regression analysis and t-test were used to analyze the data with the aid of SPSS version 20. There were mixed results in the sense that the outcomes on the banks selected were not uniform. The regression result on the data for Access Bank Plc., Diamond Bank Plc. and GTB Plc., revealed a positive significant impact of CIT on PAT and existence of a positive relationship between PAT and CIT. While the rest of the other 9 banks showed both negative and lack of impact of CIT on PAT. The findings showed improper application of ability-to-pay theory in Nigeria. The study therefore recommends a review of the Nigerian fiscal policy and introduction of tax reforms that allow adequate tax incentives for banks especially during financial crises and to cope with liquidity challenges.

Keywords: Corporate tax, deposit money banks, liquidity, profitability and Nigeria.

Introduction

Companies Income Tax Act, 2007 (as amended) empowers the Federal Inland Revenue Service Board (FIRSB) to assess and collect taxes from all limited liability companies that operate from or within Nigeria. The Board operates through the FIRS (Federal Inland Revenue Service). Companies are required by the Act to pay 30% of their assessable profit as tax to the government after the deduction of all allowable expenses as specified by the Act. The Federal Inland Revenue Service (FIRS) is the body charged with the responsibility to collect this tax on behalf of the government. The management board that administers the tax on the profits of incorporated companies in Nigeria is the FIRS Board. Company Income Tax is calculated on the net profit of companies doing business in Nigeria except those exempted by the Act (Ezugwu & Akubo, 2014). The rate has remained 30% from 1996 year of assessment till date. There is also an additional 2% charge on companies' profits referred to as education tax. However, it has been noted that taxation is the major revenue source of the government in every country, the life wire of every nation and a function of the level of development seen in a nation. Infrastructures, public goods and services spring up from the revenue generated through tax (Omodero, Okafor, Azubike & Ekwe, 2016). Corporate taxes denote one of the main sources of income to finance government budget, but also an important determinant of a capital investment in every nation (Pitulice, Stefanescu, Minzu, Popa & Niculescu, 2016).

The government is concerned about raising more revenue to finance its expenditure responsibilities while investors are interested in a conducive business environment with a reduced tax burden (Pitulice et al., 2016). Therefore, the fiscal policy of every country has to strike the balance by including tax incentives that could make a country attractive for meaningful and sustainable economic investments. The payment of taxes is actually supposed to be according to income earned which ordinarily should not have been a burden, since those that earn higher pay more taxes and the low income earner pay less taxes (Bon, Remotin & Edgar, 2007). However, the high rate of company income tax has created the problem of tax evasion and avoidance of firms in Nigeria. Tax avoidance is the wilful and different lawful ways a taxpayer tries to reduce or eliminate his/her tax liabilities while tax evasion is the unlawful act to prevent payment of tax (Mughal & Akram, 2012). The struggle leaves the government with less revenue and at the same time has brought companies so many unresolved tax issues with the government. Due to the frustration, firms now employ the services of financial experts who could manipulate tax laws so as to reduce the burden of corporate taxation on them. This has led to a high profile of tax avoidance for companies who could afford to hire tax consultants to lessen their tax liability by all means. Commercial banks in Nigeria derive their income from interest accruing through the credits made available to private sectors.

The introduction of Treasury Single Account in 2015 affected the level of banks liquidity as all Ministries, Departments and Agencies (MDAs) of the government were instructed by the federal government to close all accounts opened with the commercial banks to avoid revenue leakages (CBN, 2016). Though, this effort was part of the corruption fight but it affected the economy by reducing the amount of credits banks could make available to the private sectors. Since the only investment banks make is majorly to give businesses loan facility to enable them earn the interest on it, the high company income tax on profitability of banks is also compounding the liquidity challenges they are facing. The study has been focused on the money deposit banks in Nigeria to know the effect of tax on them from 2006 to 2016. The major objective of this study is to investigate the impact of company income tax on the profitability of money deposit banks in Nigeria. The specific objective is to determine the impact of company income tax (CIT) on profit after tax (PAT) of Deposit Money Banks in Nigeria.

Research hypothesis

The following null hypothesis has been formulated for the study.

H0: Company income tax does not have significant impact on the profit after tax of Deposit Money Banks in Nigeria.

Literature Review

Conceptual framework.

The variables selected for the study were the amount of corporate tax expenses based on 30% CIT rate applied by banks on their profit before tax and profit after tax. The CIT amount is the independent variable while the dependent variable is the Profit after Tax (PAT) for the periods covered by the study.

Company Income Tax.

Tax is a compulsory contribution imposed by the government on the incomes, profits, goods, services or properties of individuals and corporate persons, trusts and settlements. These taxes are collected for the purpose of executing government responsibilities in form of defense, provision of education and health services, infrastructures and as a fiscal tool to control the control the economy (Institute of Chartered Accountants of Nigeria, 2014). Taxation is seen as a tool for National Development and growth (National Tax Policy, 2004). Company Income Tax as one of taxes collected by the government for national development, is levied on the chargeable profits of all companies operating in the country except those exempted as specified by the Act (Ezugwu & Akubo, 2014). According to Syed, Syed, & Zia (2011), company income tax is one that is charged on the profits generated by companies, public corporations and unincorporated associations such as industrial and provident societies, clubs and trade associations after every accounting period.

Profit after Tax

Profitability depends on the ability of a firm to generate revenue which is capable of absorbing all expenses, including tax and then leave a balance that could be pooled back into the business for expansion. Peavier (2012) defined profitability as the organizational performance indicator which reveals the return on sales and return on investment. Profit after tax is the net amount earned by a business after all tax expenses have been deducted (Ezegwu & Akubo, 2014).

Corporate profitability and taxation

Taxation of corporate profits, is a vital element of fiscal policy, it influences both macroeconomic and microeconomic. Therefore, tax law reforms targeted towards keeping tax rate low could increase the value of companies (Neghina, 2012). The importance of corporate profitability and of keeping corporate tax rate low cannot be overemphasized. It is such that every government that considers economic and employment growth a priority must reflect in their fiscal policy (Canadian Manufacturers & Exporters, 2015). The incidence of corporate tax is that it reduces the fund available for re-investment and growth of a business. It also affects dividend distribution thereby discouraging the investing public (Ezegwu & Akubo, 2014). In conclusion, when businesses make profit and pay little taxes, they will have enough fund to re-invest and expand. By so doing more employment opportunities spring up and the economy of the country improves. The reverse becomes the case when tax rates are high and there are not adequate tax incentives to reduce the tax burden on firms.

Banks' lending, liquidity and company income tax

Lending represents the fundamental investment feature of a bank's business model, as their earnings are derived primarily from the interest and fees accruing from loans and overdraft facilities (Gallemore, Mayberry & Wilde, 2017). Researches have shown that corporate income taxes have an economically meaningful effect on corporate behavior for non-banks, including capital structure and risk taking (Heider & Ljungqvist, 2015; Ljungqvist, Zhang, &Zuo, 2016). However, due to government's effort to prevent revenue leakages, all accounts kept by MDAs with the commercial banks in Nigeria have been closed following the adoption of TSA in Nigeria. This has left the commercial banks with less credit to lend to private sectors. The lack of liquidity in banks have restricted access to credit by small-scale businesses and individual businessmen (Uzor, 2015). Liquidity challenges prompt banks to limit lending (Cornette, McNutt, Strahan, & Tehranian, 2011; Ivashina & Scharfstein, 2010). Borrowers' run on credit lines to access capital only compound the shortage of liquidity and banks' ability to cope with this challenge depends on their exposures and the level of government's backing they have (Acharya & Mora, 2015; Cornett et al. 2011; Ivashina & Scharfstein, 2010). Corporate taxation affects bank liquidity management through its negative effect on operating cash flows. It diverts operating cash flows to the government and leaves banks with less liquidity to satisfy lending needs (Gallemore et al., 2017). In a nutshell, company income tax reduces the cash flows of banks because they rely on it to cope with their lending responsibility.

Foreign studies on the impact of corporate tax on companies

Some of the foreign studies reviewed in this paper have been outlined below.

Syed, Syed and Zia (2011) studied the effect of Corporate Income Tax and Firms' size on capital investment made in tangible assets by the manufacturing firms. The study used 65 manufacturing companies as the sample. These manufacturing companies used belong to the nine non-financial sectors listed in Karachi Stock Exchange Pakistan. In order to draw inference from the study, panel financial data on annual basis was gathered for the period of six years, spanning from 2004-2009. Multiple regression analysis was the statistical technique used with the aid of multiple statistical tools to have the most accurate result. The results indicated the existence of negative relationship between corporate income tax and investment while positive relationship between firms' size and investment was found. Thus, the study concluded that excess tax obligations on companies could discourage corporate investors.

Neghina (2012) examined tax impact on the financial performance of companies listed on the Bucharest Stock Exchange (the Stock Exchange of Romania, the Sovereign State located in the Southeastern Europe). The impact problem of profits tax on corporations was the issue the study addressed among others. Out of 31 companies, the paper used data for 25 companies listed on the Bucharest Stock Exchange from 2006-2011. The selected parameters relevant to the economic and financial strength of the companies were Return on Equity (ROE), Return on Assets (ROA), Financial Leverage (FL), Effective tax rate, Firm size, Relative increase in total assets and Effective interest rate. The regression analysis revealed a negative correlation between the effective tax rate, interest rate and performance, and a positive relationship between leverage, firm size, relative growth of the company and financial performance. The study therefore confirmed certain theories which hold that increased leverage enhances company performance.

Mayende (2013) used Cobb-Douglas production function to examine the effects of tax incentives on firms' performance in Uganda. The secondary data used for the study were obtained from the World Bank as stated under Region Program on Enterprises Development from 2000-2002 in conjunction with Uganda Manufacturers Association Consultancy and Information Services (UMACIS). The number of firms used for the study were 392 chosen from the four sectors (Commercial agriculture, Construction, Manufacturing and Tourism). The list of firms that had incentives from the Uganda Revenue Authority were majorly those on the Manufacturing Sector. The panel data used for the analysis were obtained on the gross sales, cost of raw materials, capital stock, labour force employed, cost of production etc. The study found that firms with tax incentives do well in terms of gross sales and value added more than their counterparts. Therefore, it was suggested that government needs to restructure the provision of tax incentives for better performance of firms.

Canadian Manufacturers and Exporters (2015) investigated why profits are important and higher corporate tax rates are a bad idea. The study was concerned about Canada's Manufacturing and Exporting communities considering the fact that excess corporate tax inhibits their growth and does not savings of money for business expansion. Canadian Manufacturers and Exporters (CME) has about 100,000 companies in their network which consist of 90 per cent Canada exporters and 82 per cent manufacturers. The study revealed the trend of Federal Statutory Tax rate on general business income. In 2000 it was 28%, then from 2004 to 2007, it was reduced to 21% and subsequently 15% in 2012. Then increased to 26.3% in 2015. The study analysed the effect of these different rates on business profits for those number of periods (2000-2015). The trend analysis was depicted with graphs and curves. The result showed that Canada's manufacturing sector paid greater share of its profits in corporate taxes than other business sectors. When tax rates declined, businesses expanded and the moment it increased expansion ceased. The paper revealed that the money that would have been used for reinvestment and expansion of business were absorbed by high corporate taxes leaving the business crashing down. The conclude the study was able to draw was that high corporate income tax rates will depress rates of return on invested capital thereby making Canada a less attractive place for capital investment. The multiplier effect will be that Canada will experience economic net loss and increase in the rate of unemployment.

Fuest and Liu (2015) assessed the impact of taxation on firms under different ownership which could be private, collectively owned and state owned companies. The study made use of the firm-level annual survey of industrial firms data set conducted by the National Bureau of Statistics of China. About 41 industry sectors were covered. The variables used for the analysis were corporate tax (independent) while investment and financial decision of firms (dependents). Investment was represented by total fixed assets while debt-asset ratio was used as proxy for firms' financial decisions. The result indicated that decrease in the statutory tax rate for domestic firms induced collectively owned enterprises and private firms to reduce debt while the result for state owned enterprises was not significant. The result also revealed that the reduction in tax induced investment in the capital cities like Hong Kong, Macao and Taiwa.

Pitulice et al. (2016) evaluated the impact of corporate tax on financial performance of firms. The sample used in the study comprised a total number of 20 firms listed on the Bucharest Stock Exchange. The secondary data the study employed were obtained from the published financial statements of the firms for the period of 2012 to 2014. The statistical tool used for data analysis was the multi-regression analysis with the aid of E-view 9. The dependent variables were the net profit and return on assets while the independent variables were the effective tax rate, firm size, asset structure, long-term debt to total assets ratio and financial leverage. The study excluded independent variables with no significant impact and then found evidence that corporate tax and the effective tax rate had negative significant impact on the financial performance of firms.

Gallemore et al. (2017) investigated the relationship between corporation taxation and bank outcomes which includes: lending growth, leverage, liquid asset holdings, and risk-taking. The sample covered 31 U.S. Commercial Banks which represented 29 percent of all commercial banks in the U.S Single-State. Cross-sectional research design was employed in order to study the relations. The secondary data used covered a period of 1996 to 2013 and were collected from the following sources: the U.S. Multistate Tax Guide, Individual State Income Tax Codes, State Revenue Department Websites, Book of the States and the significant features of fiscal federalism. Multi-regression analysis and F-test were conducted and the result showed that tax rate had significant effects on specific banks especially during economic downturn and credit risk uncertainty. The study went further to reveal that corporate income tax affected bank outcomes, such as lending and leverage which subsequently affect the capital available for both individuals and non-bank corporations. The study therefore suggested that policy makers and regulators should try to harmonize the policy implications of corporate tax on banks.

Nekasa, Namusouge and Makokha (2017) employed a mixed research design to evaluate the effect of corporate income tax on financial performance of companies listed on the Nairobi Securities Exchange (NSE) in Kenya. A Sample of 59 out of a target population of 69 companies publicly listed companies in 2015 was extracted from the NSE website. The secondary data were obtained from the NSE data base, Capital Markets Authority (CMA) database, journals and other publications. The predictor variables were:

investment, Age/Debt, Firm Size and Liquidity, while the dependent variable were profitability and Return on Investment of firms. The regression result revealed that corporate income tax had significant positive influence on financial performance of companies listed on the NSE in Kenya. The study supported the view that corporate income tax has a significant effect on financial performance and encouraged policies that could ensjure that firms promptly pay their corporate taxes to the government.

Studies in Nigeria on the impact of corporate tax on profitability of companies.
Odia and Ogiedu (2013) researched on the effect of corporate taxes on the dividend policy of banks in Nigeria. The study's focus was to test the relationship among profit, dividend and taxes. Therefore, the independent variables were the profit and corporate taxes while the dependent variable was the dividends paid. The periods covered were 2000 to 2008 and the sample of nineteen commercial banks in Nigeria was used. The secondary data employed were gathered from the financial statements of the banks as published by the Nigerian Stock Exchange. The regression result of the data analysis indicated that taxes had negative and non-significant impact on the dividend policy of the banks while the profit showed a significant positive relationship and had robust significant positive impact on dividend. The study therefore suggested that since profit is the major means of paying dividend to encourage investors, the tax liability should be considerably minimized to boost business expansion through more meaningful investment by the investing public who are motivated through regular payment of dividend.

Onuorah and Chigbu (2013) used the Ordinary Least Square (OLS) technique to examine the impact of corporate taxation on company's reserves and dividends in Nigeria. The study made use of secondary data covering the period of 2000 to 2011. The problem that corporate tax was reducing company's reserve as well as hindering expansion and payment of dividends. The data used for the study were collected from 35 companies listed in the Nigerian Stock Exchange and they were selected from 7 different sectors. The dependent variable employed was the annual dividend payments while the independent variables were the annual corporate tax expenses, earning per share and returns on earning per share. The result of the study indicated that corporate taxes do not affect companies reserve or payment of dividend. The study therefore suggested appropriate tax restructuring that will not affect regular dividend payment to encourage the investing public and expand businesses.

Ezeugwu and Akubo (2014) did an empirical study on the effect of high corporate tax rate on the profitability of corporate organizations in Nigeria. The problem the study was concerned about is the extent to which high corporate tax rate threatens the survival of companies in Nigeria. The study employed causal research design and multi-regression statistical tool. The population used comprised 45 corporate organizations in Lagos while the sample size was 41. The study variables were the corporate profitability (dependent) and the corporate tax rates (independent). The secondary data employed was collected from the Federal Inland Revenue Services (FIRS). The data analysis was done with the aid of Statistical Package for Social Sciences (SPSS version 17). The study found a positive relationship between corporate tax rate and realized profit of companies. It was therefore recommended that the Nigerian Corporate tax rate of 30% should be reduced to avoid negative economic effects in the Country.

Chude and Chude (2015) studied the impact of company income taxation on the profitability of companies in Nigeria using Brewery Industry as a case study. The research employed secondary data on all the variables. The dependent variable was the earning per share (EPS) while the explanatory variable was the company income tax (CIT). All data were obtained from the published financial statements of the Brewery Companies. The Augmented Dickey-Fuller (ADF) unit-root test was carried out to test the effect of CIT on EPS at 5% level of significance. The result indicated the existence of a long-run equilibrium relationship and a positive significant impact of CIT on the EPS (P-Value 0.000 < 0.05). The study concluded that CIT affects the profitability of Nigerian Breweries significantly and recommended more improvement on tax administration.

Etale and Bingilar (2016) examined the impact of companys' income tax (CIT) and Value Added Tax (VAT) on the economic growth in Nigeria. The data employed covered a period of 2005 to 2014 and were sourced from the statistical bulletin of the Central Bank of Nigeria. The study made use of the Ordinary Least Squares (OLS) method with the application of SPSS version 20 for data analysis. The findings revealed that both the CIT and VAT had significant positive impact on economic growth in Nigeria. The study therefore suggested that tax authorities should employ more qualified tax professionals and retrain the existing tax officers for efficient and effective tax administration and collection.

Research gap

Most of the studies reviewed above found negative influence of high corporate tax on companies' investment and profitability (Gallemore et al., 2017; Neghina, 2012; Pitulice et al., 2016; Syed et al., 2011) while some scholars believed corporate taxation has significant positive impact on profitability of firms, if it is well regulated and administered with caution (Chude & Chude, 2015; Ezeugwu & Akubo, 2014; Nekasa et al. 2017). However, high corporate taxation does not encourage business expansion and also has a multiplier adverse effect on economic growth of a nation. The gap identified is that studies on the effect of corporate taxation on profitability of Commercial Banks especially in a developing country such as Nigeria are still very scarce. The present study had been aimed at filling the gap and will basically concentrate on the impact of corporate taxes on money deposit banks in Nigeria. Due to the special nature of banks and the financial distress most banks in Nigeria have gone through, it is important to determine the extent to which Company Income Tax (CIT) payment affects their profitability. This is because the cash flow from the operating profit makes it possible for banks to provide loan facilities to individuals and firms for investment. If this goal is defeated then there is a going concern problem and the existence of banks has to be questioned.

Theoretical review

Regulatory framework on Company Income Tax (CIT).

Companies Income Tax Act 1979 (CITA 1979) contained in chapter 60 Laws of the Federation of Nigeria (LFN) 1990 was the principal legislation governing companies tax administration in Nigeria. The Act came into force after several amendments and consolidation of provision on the former CITA 1961. Further amendment was also done on CITA 1979 in 2004 and continued until we now have the Companies Income Tax Amendment Act 2007 which is the Act presently used in Nigeria for companies tax administration. This is used in addition to Federal Inland Revenue Service Establishment Act (FIRSEA) 2007. According to Azubike (2009), tax reform is a continuous process which tax administrators and policy makers undertake to ensure that tax systems reflect the changes in the economic, social and political environments of a nation. In line with the ongoing amendments, Section 26 of this FIRSEA (2007), provides that corporate bodies and individuals may be given notice by the Service to produce information relating to their profits and income respectively. The information may be in form of books, documents and any other information required by the Service for examination. This could be needed by the Service for a stipulated time period. The individual or representative of the Company may also be required to be physically present to give oral representation in respect of the income or profit in question at a designated place as may be specified by the Service. In respect of the above, Section 28 of this Act requires every bank to prepare and file quarterly returns with the Service of all transactions involving the sum of N5,000,000 and above which relate to individuals while corporate bodies' transactions from N10,000,000 and above are also filed alongside with their names and addresses. Any bank that defaults, pays a fine of N50,000 on individual customers while that of corporate customers is N500,000.

Ability-To-Pay Theory of Taxation

Kendrick (1939) propounded this theory which states that taxes should be levied on individuals and companies according to their ability to pay. This implies that tax burden should be placed on companies and individuals with higher income. He stated that money for public expenditure should come from "him that hath" instead of "him that hath not". This implies that more tax burden should be placed on companies and individuals with higher income. In other words, individuals and companies (including Banks) should pay taxes according to what they earn. Someone who earns more should pay more tax while an individual who earns less should pay less tax. For the purpose of banks' liquidity which is the basis on which they can provide funds to private sectors for businesses, the ability to pay tax should be considered seriously to enable them have enough liquid asset to give credit facility to organizations and individuals for their operations. This is in line with progressive taxation principle, fairness and equity.

Methodology

The paper adopted causal research design because the data on the selected variables were historical and already existing. That means there is no room for data manipulation. Therefore, to determine the impact of Company Income Tax on profitability of Commercial Banks in Nigeria, the study made use of the already existing secondary type of data. All the data were collected from the Published Audited Financial Statements of the selected Money Deposit Banks being displayed on their websites and on the Nigerian Stock Exchange website. The data covered the period from 2006 to 2016. The population comprised the 21 commercial banks presently operating in Nigeria after consolidation. The sample is based on the researchers' judgments and data availability. According to Ezugwu and Akubo, 2014), a sample size is a compromise between what is required and what is achievable. Therefore, the selection was a combination of both the old and new generational banks actively and presently operating in Nigeria. These banks are: Access Bank Plc, Diamond Bank Nig. Plc, FCMB Plc, Fidelity Bank Plc, First Bank Nigeria Plc, Guaranty Trust Bank Plc, IBTC Plc, Sterling Bank Plc, Union Bank Plc, United Bank of Africa Plc, Wema Bank Plc and Zenith Bank Plc. The study adopted a generalized linear regression model where multiple regression analysis and student t-test were the statistical tools used for the analysis with the aid of SPSS version 20. The hypothesis is tested at 5% level of significance. The rejection criterion is that if the p-value is greater than 5%, the hypothesis is accepted and will be rejected if the p-value is less than 5%.

The econometric model is specified as follows:

$$PAT = \dot{\alpha} + \beta_1 (CIT) + \varepsilon$$

Where

PAT = Profit after Tax

$\dot{\alpha}$ = (alpha) showing constant effect of CIT on PAT

CIT = Company Income Tax

ε = Error term

Data analysis and discussion of results

TABLE 4.1: RESULTS SHOWING EVIDENCE OF SIGNIFICANT POSITIVE IMPACT OF CIT ON PROFITABILITY OF SELECTED BANKS.

VARIABLE/TEST STATISTICS	ACCESS BANK PLC	DIAMOND BANK PLC	GTB PLC
Constant	10545.597	-3910.406	539.226
CIT	3.470	6.218	4.902
R	0.747	0.755	0.963
R^2	0.558	0.570	0.928
ADJUSTED R^2	0.509	0.523	0.920
STD ERROR OF THE ESTIMATE	14484.983	9513.073	11003.642
DURBIN WATSON	1.635	0.923	1.938
F-TEST	11.379	11.945	116.356
T-TEST	3.373	3.456	10.787
P-VALUE	0.008	0.007	0.000

Source: authors' computation, 2018.

The result on table 4.1 shows that company income tax has a significant positive impact on profitability of the selected banks indicated above. The p-value of 0.008, 0.007, & 0.000 < 0.05 significant level. This results are statistically significant and robust. Therefore, the hypothesis that says company income tax does not have positive impact on profitability of banks is hereby rejected in the case of these three banks based on the result that emerged. These results are in line with the findings of (Chude & Chude, 2015; Ezeugwu & Akubo, 2014; Nekasa et al. 2017) which revealed that corporate tax has significant positive impact on profitability of firms but conflict the findings of (Gallemore et al., 2017; Neghina, 2012; Pitulice et al., 2016; Syed et al., 2011). There are also positive relationships between CIT and PAT (74.7%, 75.5%, & 96.3%) for Access Bank Plc., Diamond Bank Plc., and GTB Plc. respectively.

TABLE 4.2: RESULTS SHOWING NEGATIVE IMPACT OF CIT ON PROFITABILITY OF BANKS.

VARIABLE/TEST STATISTICS	FIRST BANK NIG. PLC	IBTC BANK PLC	STERLING BANK PLC	UBA PLC
Constant	43740.268	7192.358	6582.778	24429.785
CIT	-0.135	-0.728	-1.855	-0.466
R	0.084	0.168	0.255	0.116
R^2	0.007	0.028	0.065	0.014
ADJUSTED R^2	-0.103	-0.080	-0.039	-0.096
STD ERROR OF THE ESTIMATE	22274.555	3944.913	4952.008	22522.299
DURBIN WATSON	1.173	1.634	1.346	1.886
F-TEST	0.063	0.261	0.624	0.123
T-TEST	-0.252	-0.511	-0.790	-0.351
P-VALUE	0.807	0.622	0.450	0.733

Source: authors' computation, 2018.

The finding on table 4.2 shows evidence that CIT has a negative impact on PAT. Though the p-values are not statistically significant, but the t-tests reveal negative impact. Therefore the null hypothesis is accepted and the alternative which states otherwise rejected. These results are also in agreement with (Gallemore et al., 2017; Neghina, 2012; Pitulice et al., 2016; Syed et al., 2011) but are in discrepancy with the findings of (Chude & Chude, 2015; Ezeugwu & Akubo, 2014; Nekasa et al. 2017). The difference in results between this current study and other studies may be as a result of the particular industries used, the methodology of each study and the time periods covered. There are also evidences that positive correlation between CIT and PAT does not exist (8.4%, 16.8%, 25.5% and 11.6%) in the banks stated above.

TABLE 4.3: RESULTS INDICATING THAT CIT DOES NOT IMPACT ON PROFITABILITY OF BANKS.

VARIABLE/TEST STATISTICS	FCMB PLC	FIDELITY BANK PLC	UNION BANK PLC	WEMA BANK PLC	ZENITH BANK PLC
Constant	2950.170	8211.659	13627.216	-1216.30	27738.338
CIT	2.076	0.389	0.672	3.750	3.063
R	0.442	0.086	0.508	0.166	0.486
R^2	0.196	0.007	0.258	0.028	0.236
ADJUSTED R^2	0.106	-0.103	0.176	-0.081	0.152
STD ERROR OF THE ESTIMATE	6058.994	5419.593	31362.243	7476.253	35785.008
DURBIN WATSON	2.911	1.865	1.987	2.464	1.315
F-TEST	2.187	0.066	3.133	0.255	2.787
T-TEST	1.479	0.258	1.770	0.505	1.669
P-VALUE	0.173	0.802	0.111	0.626	0.129

Source: authors' computation, 2018.

The table 4.3 shows an evidence that CIT does not have impact on PAT. There is no significant relationship between the predictor variable and PAT in the case of Fidelity Bank Plc and Wema Bank Plc while there is an existence of a fair relationship among the other banks. Therefore the null hypothesis is also accepted in this circumstance.

The salient point to note on these findings is that CIT charge on Nigerian Banks requires a thorough review. The theory of ability-to-pay tax states that firms and individuals should pay tax based on the income available to them which is in line with the principle of fairness and progressive principle of taxation. The application is that, Banks who are under serious financial challenges should be given incentive if thorough investigation is carried out by the relevant tax authority and it is confirmed. The Nigerian environment does not allow businesses such opportunity, hence the flat tax rate of 30% on profits. Sometimes what Tax Authorities add back to profits and charge tax on it could be so financially devastating that companies will have no other option but to borrow to pay corporate tax levied on them. In such situation the ability-to-pay theory does not apply. It is rather an imposed levy, no longer payment based on income. In a conducive economic environment and under normal circumstances, firms should not borrow to comply with their civic responsibility which payment of corporate tax is part of it. Taxes should be paid out of sufficient available fund. The fact that CIT impacts positively on some banks and does not influence others positively is an indication that the ability-to-pay theory is not well applied in practice.

Conclusions

Looking at the findings of this study, we wish to recommend that the fiscal policy of the country should consider the circumstances surrounding the activities of banks in Nigeria and their special role in the pursuit of economic growth of the nation. Tax incentives that could reduce the tax burden on banks should be consciously incorporated in the fiscal policy and tax reforms to encourage their operations and going concern. Commercial Banks in Nigeria reduced to 21 due to consolidation caused by financial distress of many banks that are no more. This situation should be avoided through government backing and support to assist bank operations in all ramifications. Therefore new regulations to curtail excess corporate tax is necessary to enable them have enough liquidity to lend to firms. When firms and individuals are able to access capital, they will invest and the economic growth in the country will be enhanced.

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ENVIRONMENTAL TAXATIONIN NIGERIA: CHALLENGES AND PROSPECTS

OYEDOKUN, Godwin Emmanuel[1]; HASSAN Tolani Agboola[2];

AKINTOYE, Ishola Rufus[3] & FOWOKAN, Titilayo Eni-Itan [1]

[1]Department of Accounting
Faculty of Administration
Nasarawa State University, KeffiNasarawa State, Nigeria
Correspondence- godwinoye@yahoo.com

[2]Department of Business Management
College of Social and Management Sciences
Tai Solarin University of Education
Ijagun, Ogun State, Nigeria

[3]Department of Accounting
School of Management Science
Babcock University, Ilishan- Remo, Ogun State, Nigeria

Abstract
Environmental problems in Nigeria are somewhat caused by industries in Nigeria, while Nigerians are putting pressure on governments to find ways of reducing environmental damages while minimizing harm to economic growth.This study examined challenges and prospect of environmental taxation in Nigeria. A descriptive survey design was adopted. The population of this study is the entire relevant tax authorities in South-West Zone of Nigeria and the data for this research were collected from a sample of 250 respondents randomly selected. Data used were sourced primarily using a self-administered, closed-ended questionnaire, designed in Likert scale format. The instrument was validated by experts in taxation and accountancy. Cronbach Alpha was used to determine the reliability index at .05 significance level and the reliability index for the instrument ranges from 0.79 – 0.84. Meanwhile, mean and standard deviation were used in answering research questions. It was revealed that environmental taxation is significantly coterminous with improved environmental quality in Nigeria, as its existence and administration have the tendency to ensure, restore, and maintain environmental quality in the country. Environmental taxation has not reduced environmental problems. The study thus, recommended that government should ensure that the structure and administration of environmental related tax premised on sound accounting system in the country should be void of loopholes and provisions that can permit evasion and that proceeds from environmental taxation should be channeled towards the development of infrastructural facilities in Nigeria to ensuring an improved standard of living in the country while companies are also advised to environmental accounting records that depict relevant financial transaction of the companies.

Keywords: Accounting, Environmental accounting, Environmental taxation, Environmental problems, Taxation

Introduction
The issues of environmental problems mostly caused by industries in Nigeria have put pressure on governments to find ways to reduce environmental damages while minimizing harm to economic growth.

Governments have a range of tools and mechanism at their disposal, including regulations, information programmes, innovation policies, environmental subsidies and so on, notwithstanding the environmental problems that are on the increase day by day.According to Tüsiad (2005), environmental accounting is the process of environment-based categorization ofbusiness activities, collecting, analyzing and then monitoring this environment-related activity, then put all these information into business balance sheet to help an organization'sdecision making while Şenol and Özçelik (2012) opined that the importance of environmental accounting is increasing because of the increase inenvironmental problems as well as the economic, social and technological developments.The term environmental accounting has many meanings and uses which is capable of supportingsustainable development, national income accounting, financial accounting, or internal business managerialaccounting (EPA, 1995).Environmental accounting system includes both national and business accounting and dealswith both financial and non-financial information (Schaltegger, 1997). Environmentalaccounting, accounting and demonstration of financial statements events relates to theenvironment of financial qualities.

The environmentalaccounting system is part of a larger corporateenvironmental policy, which aims to prevent and reduceenvironmental impact, through life-cycle analysis,integration of environmental values into the supply chain,eco-design of products and services as well as environmentalmonitoring and auditing (Dragomir, 2008).Environmental accounting covers information relating to all aspects of the environment. It includes environment-related expenditure, environmental benefits of products and details regarding sustainable operations (Irish Times, 2000). According to the World Conservative Union (International Union for Conservation of Nature, IUCN), the depletion of naturalcapital - forests, in particular - is accounted for as income.Environmental Accounting enables organizations to track their environmental data and other Greenhouse Gas (GHG) emissions against reduction targets and facilitates environmental reporting to provide sustainability-related data that is comprehensive, auditable, and timely to advance and strengthen the interdependent andmutually reinforcing pillars of sustainable development - economic development, social development andenvironmental protection in Nigeria (UNCTAD, 2003).Adams (1998) found that there is no consensus either on accounting for environmental performance or ontheir standardization.

According to Garba and Gunawardana (2015), a taxation is a tool used by the government both to collect revenue and to prevent and encourage certain behaviour. As taxation is monetary in nature, it is equally a good way of encouraging or discouraging country citizens to behave in a certain way as deemed appropriate by the government. Throughout the world, taxation is used as a means of encouraging good environmental practices and dissuades the citizens of the country from practices that could further damage the environment. Environmentalism in Nigeria came into the limelight to a certain degree in the earlier 1970s but mostly in the 1990s to date, due to pressures of environmental degradationespecially, the ozone layer, oil spillage in the Niger Delta region, pollution by the cement industries and Textile manufacturing industries. As a mode to carry out government policy, taxation laws were amended to suit the evolving policies of the day. The important and encouraging feature of the industry today is its commitment and dedication towards steps taken to mitigate environmental pollution that naturally emerges from industrialization (Kennedy, 2014).

In Nigeria, like many other countries around the globe, taxes and accounting play critical role in ensuring the existence of the nation and the well-being of the people. Given the significance of taxations, it is very important for the government at all levels to pay attention to what is collected, how its collected, who collected what, who controlled, what is collected, how what is collected is spent and who is ultimately responsible and accountable to the taxpayers for their revenue collected and its utilization. In order to address these barriers and challenges as well as finding ways for introducing other types of taxes, the

National Tax Policy (NTP) was approved in January 2010 which was reviewed in year 2017 and sought to provide a set of guidelines, rules and the modus operandi that will regulate Nigeria's tax system and provide a basis for tax legislation and tax administrators to discharge their civic responsibilities. Over the three years after the National Tax Policy (NTP), it is yet to be implemented and there is neither a structure in place to ensure its full implementation (Taiwo, 2013). According to Uwuigbe (2009), environmental issues have emerged in recent decades as a major aspect of discussion in the problems of economic growth and development. Natural disasters are prevalent in countries all over the world with Nigeria not being an exception. Some countries experience terrible disasters like hurricane, storm, tsunami and so on and this has led to many losses. Floods are among the most devastating natural disasters in the world, claiming more lives and causing more property damage than any other natural phenomena. In Nigeria, flood effects and displaces more people than any other disaster; it also causes more damage to properties. According to Etuonovbe (2011), at least 20 per cent of the population is at risk from one form of flooding or another. Environmental accounting, on the other hand, is an inclusive aspect of accounting. It generates reports for both internal use, providing environmental information to help make management decisions on controlling overhead, capital budgeting and pricing, and external use, disclosing environmental information of interest to the government, public and to the financial community. Eze, Nweze and Enekwe (2016) emphasized that the impact of business activity on the environment is found in several forms: air, water, underground pollution, drinking water, land and habitat for endangered and threatened species, oceans, atmosphere, land, mass etc. An array of pollutants, including toxic, hazardous and warming is accountable to business activities. They expressed that from this range of environmental impacts, multiple disciplines are needed for analysis of effects, and for integration into management decisions and accounting reporting.

While other developing countries have taken the initiative in environmental sustainability through taxations, Nigeria is lagged. Taxation can be a crucial market base instrument that can be used as synergy effort to move in this direction. As other countries have initiated a specific environmental taxes and accounting example South Africa, Malaysia, Vietnam just to mentioned a few. Nigerian governments have not made any effort despite the increase in environmental degradation. The absence of any estimation of damage costs and lack of implementing best practices of environmental taxes as done in other countries awareness for the need for public acceptance and support for environmental taxes is felt the need. It is against this backdrop that this paper examined challenges and prospect of environmental taxation and accounting in Nigeria through survey research design.

Literature Review

Conceptual Review

Environmental Accounting

Environmental accounting as observed by Beredugo and Mefor (2013) is an inclusive field of accounting. It provides reports for both internal uses generating environmental information to help make management decisions on pricing, controlling overhead and capital budgeting and external use, disclosing environmental information is of interest to the public and to the financial community. In developing countries and Nigeria in particular, research previously conducted has shown that environmental accounting disclosure is voluntary as a result of non-availability of either local or international standards to guide disclosure. Companies tend to disclose this information to conform to industry practices, pressures from environmental activist and advocates, relationship with the parent company (Multi-National corporations), the ownership structure of the company, size and level of profitability (Bassey, Effiok & Eton, 2013).

Environmental accounting system includes both national and business accounting and dealswith both financial and non-financial information (Schaltegger, 1997). Environmentalaccounting, accounting and demonstration of financial statements events related to theenvironment of financial qualities.Environmental Financial Accounting (EFA) data about financial events collects, analyzes, records and reports. Data of EFA make up the general environmental cost. Environmentalinformation of business is shown in financial statements by means of EFA.Financial Accounting with a focus on reporting environmental liability costs andother significant environmental costs (Chauhan, 2005). Environmental accounting,financial accounting measurement procedures to apply carefully (Gray&Bebbıngton&Walters, 1993).

According to Pramanik, Shil and Das (2007), environmental accounting is required to fulfil a lot ofdemands from different stakeholders.Environmental accounting would aid the discharge of the organization's accountability and increase itenvironmental transparency, it helps negotiation of the concept of environment and determines the company's relationship with the society in general and the environmental pressure group. This helps anorganization seeking to strategically manage a new and emerging issue with its stakeholders.Because of the ethical investment movement, ethical investors require the companies to be environmentallyfriendly. Therefore, by upholding a friendly image, companies may be successful in attracting fund from "green"individuals and groups.

The benefits of understanding an environmental accounting initiative are that the identification and greater awareness of environment-related costs often provide the opportunity to find ways to reduce or avoid these costs,whilst also improving environmental performance (Tapang, Bassey & Bessong, 2012; Tilt, 1994; William, 1999).Richardson (1999) identified that, more elaborately, environmental accounting is an effective tool forplacing environmental issues firmly on top management agenda, providing useful data to inform environmental andfinancial manager's decision-making, and concretely demonstrating an environmental commitment to stakeholders.

Also, environmental financial accounting deals with accounting for and reporting on environmental transactions and events that affect or are likely to affect the financial position and the performance of an enterprise. Laws and regulations promoting cleaner environment have led corporations to take actions relating to the environment which are costly, and which has resulted in substantial financial consequences for companies, but on the other hand, companies have not been pressed enough to report this information to the various stakeholders (Davis and Okoritee 2007). Eze, Joseph Chukwudi; Nweze, Augustine Uchechukwu and Enekwe, Chinedu Innocent (2016) Environmental accounting is a term with a variety of meanings. In many contexts, environmental accounting is taken to mean the identification and reporting of environmental specific costs, such as liability costs or waste disposal costs. Environmental accounting involves any costs and benefits that arise from changes to a firm's products or processes, where the change also involves a change in environmental impacts (James, 1998).

Richardson (1999) also identified that, more elaborately, environmental accounting is an effective tool for placing environmental issues firmly on top management agenda, providing useful datato facilitate environmental and financial manager's decision making, and concretelydemonstrating an environmental commitment to stakeholders.The benefits of understanding an environmental accounting initiative are that the identification and greater awareness of environment-related costs often provide the opportunity to find waysto reduce or avoid these costs, whilst also improving environmental performance (Tapang etal; 2012).Environmental accounting is used to assess full environmental costs associated with activitiesandor products. It can also be used to track environmental performance of organizations inmore measurable manner. The key areas for monitoring are aggregated emission to air, water effluent discharge, soil contamination and boundary noise level (Seetharaman, et al., 2007).

The current position of environmental accounting might best be described as confusing and full of ambiguity. Statutory, regulatory, quasi-regulatory agents and standard setters are yet to prioritize the reporting and disclosure of environmental accounting. While the accounting profession globally recognized the financial importance and significance of environmental costs and benefits. The majority argued that the accounting for these costs need no new theoretical issues and underpinnings but rather the guidance and requirement of IAS1 (presentation of the financial statement) are satisfactory (Beredugo and Mefor, 2013).According to Pramanik, Shil and Das (2012), environmental accounting is required to fulfil a lot of demands from different stakeholders. However, for academic reason, the following basic objectives can be identified on the logical ground. Environmental accounting would aid the discharge of the organization's accountability and increase it environmental transparency, it helps negotiation of the concept of environment and determines the company's relationship with the society in general and the environmental pressure group in particular. This helps an organization seeking to strategically manage a new and emerging issue with its stakeholders. Because of the ethical investment movement, ethical investors require the companies to be environmentally friendly. Therefore, by upholding a friendly image, companies may be successful in attracting fund from green individuals and groups.Environmental accounting consumerism movement launched by the environmental lobby groups encourages the consumers to purchase the environmentally friendly products i.e. green products. Companies, thus producing green products may take competitive marketing advantage by disclosing the same. By making an environmental disclosure, companies may show their commitments towards introduction and change and thus appear to be responsive to new factors. Companies engaged in environmentally unfriendly industries arose strong public emotion. There is s strong environmental lobby against these industries. Green reporting may be used to combat potentially negative public opinions (Pramanik, Shil,& Das, 2012).

Environmental Taxation

Wang, Ge, Gao & Zhao (2005) opined that environmental tax means to collect taxes from impersonal entities or individuals which are engaged in developing, defending or utilizing environmental resources, according to the degrees of the exploitation, pollution or protection of the environmental resources. However, in recent years, there has been a resurgence of interest in taxation, especially for dealing with the problems of global warming and pollution as enunciated by Nye (2008). According to Ojeifoand Uwadie (2001), taxation also delivers what is termed a “double dividend” as revenue raised through taxes on environmental “bad” are recycled to reduce taxes on economic “goods” for example on labour (Hasson, Leiman & Visser, 2007). According to the traditional Pigouvian framework, environmental taxes should equal marginal damages and be levied directly on the source of emissions. However, the framework has little to say about appropriate revenue use, as it leaves aside other sources of distortion in the economy so there is no scope for efficiency-enhancing revenue recycling (Alcalde, Corchon & Moreno, 1998).

On a general note, the main theory of environmental tax is since “The polluters should pay” in the sense that the source of the pollution is where the tax is imposed. According to the European Environment Agency (1996), “bringing externalities into prices”isthe major reasons for environmental tax: The main economic reason for using taxes in environmental policy is to bring the costs of pollution and other costs of using the environment called “externalities” into the prices of the goods and services produced by economic activity. Internalizing external environmental costs is the main reason for using environmental taxes instead of regulations. They incorporate the costs of environmental services and damages directly into the prices of the goods, services or activities which give rise to them. This also helps to implement the Polluter Pays Principle and to integrate economic, fiscal and environmental policies.

Manne and Richels (1992) suggested that the utilization of products that lead to pollution and ecological degradation should be taxed, or taxed at a higher rate compared to environmentally friendly products and services; fourthly imposing higher tax in order to generate enough incentives; fifthly, providing incentives as exemption/reduction as important tools for stimulating the investments in pollution control equipment, waste reuse/recycle facilities, although some of the taxes have been designed to produce incentives, it is clear that the Central role of most taxes are producing the revenues, especially non-environment-targeted taxes. The tax revenues should be spent for environmental protection purposes. Nevertheless, this is by no means that the revenue should be directly linked to the activities taxed.The major objectives of environmental taxes charges should be to: urge the ecological damage to act in environmental friendly-way; provide funds for protection and conservation; raise money to compensate the victims; and provide funds for environmental management, monitoring and other related work (Manne & Richels, 1992).

Garba and Gunawardana (2015) showed that the existing tax and the new tax that are imposed, and amongst them is the environmental tax that bespeaks inherent challenges such as:The increased demand to grow internally generated revenue, which has led to the exercise of the power of taxation to the detriment of the tax payers who suffer multiple taxations and bear higher tax burden than anticipated; Insufficient information available to tax payer on tax compliance requirement which create uncertainty and possibility for leakages in the tax system and to be certain that there could be no room for doubt; Lack of accountability for tax revenue and its expenditure. Lack of clarity on taxation powers of each level of government; Lack of skilled manpower and inadequate funding leading to the delegation of revenue officials to the third parties, thereby creating uncertainty in the tax system and increasing the cost of tax compliance; The non-refund of excess taxes to tax payer in time due to the lack of an efficient system like computers and data capturing machines (information mechanisms)and funds; Non review of tax legislation which has let to obsolete laws that do not reflect Nigeria's current realities and lack of specific policy direction for tax matters in Nigeria and the absence of specific procedures laid down for the authorities encompassing for the operation of various tax work; and Furthermore, it has been argued by many scholars that those industries that are opposed to the increase of environmental regulations such as carbon taxes often focus on concerns where firms may relocate and /or people might lose their jobs (Taiwo, 2013), however, environmental taxes are more effective than regulation and may even lead to higher employment.

Besides the challenges and barriers, there are also political problems in Nigeria. Political factors such as lobbying of those who cause pollution to the environment may also pose big barriers and challenges to policymakers and the tax administration machinery. That means the politicians might likely dance to the tunes of the owners of the industries that pollute the environment and therefore, neglect the welfare and the health of those who vote them into power. For these reasons, Kennedy (2014) noted that the politician often prefers regulations with obvious benefit and hidden costs over regulations with hidden benefits and obvious costs. This is the obvious reasons why politician often prefers to hand out permits to firms rather than imposing a tax on them even though the tax is more economically efficient. Furthermore, on the political issue, when it comes to the imposition of new taxes, our legislators are commonly more interested in the political effect than they are in the social effects of taxation. They tend to favour the type of taxes which will have the least harmful consequences upon their standing at the polls. In a democracy there would appear to be two types of taxation which are innocuous from a political point of view, it will seem to be safe to impose direct and ostentatiously heavy taxes on a small group of the very rich. It also seems to be safe to impose indirect and concealed taxes on the consumer goods for consumption of the masses.

This may explain the apparent inconsistency of recent tax legislation which has simultaneously increased the tax burdens of the very rich and of the very poor, leaving the middle classes rather leniently. Targeting tax on goods that are not environmentally friendly will create costs of measurement, administrative costs, and compliance, and therefore, for political reasons polluters prefer to control emission, pollution and other environment unfriendly activities directly through command and control regulations such as standards rather than another tax, environmental tax.

In their work, Manne and Richels (1992) opined that Landfill tax is another fiscal innovation or recent origin to check depletion of environmental resources. Landfill taxes imposed in many western countries including Great Britain. It is a tax on producers who dump their industrial wastes in the landfills. Such a tax encourages recycling and treatment of various types of waste by producers and local authorities. However, polluters can avoid the tax and hence contribute to the cleaner environment if proper waste management practices are followed. TheLandfill tax acts as a deterrent to dumping industrial and other wastes in the landfills. The tax may distinguish between active waste and inert waste, the former being more harmful and therefore be taxed at a higher rate (Manne & Richels, 1992).

Theoretical Framework

Benefit Received Theory

The Benefit Received Theory derived from the presumed relationship between the State and taxpayers, and in which the State is obligated to provide certain goods and services to the members of the society in compensation for taxes paid for such supplies. This theory addresses the need for government to effectively utilize tax revenue in providing economic and social facilities to the populace, and by extension contributes to economic development. Although some scholars argue that taxes should be allocated based on benefits received from government expenditure, it should be noted that it is impossible to establish a direct qua pro qua (in the role of/in the capacity of) relationship between tax paid and benefit received from government expenditure. Musgrave and Musgrave (2004) and Nzotta (2007) all claim that taxes have beneficial roles to play in allocation, distribution, regulatory and stabilizing functions to correct market imperfection/failure. It can be used as a catalyst to influence economic activities by influencing private sector investment decisions, attracting capital inflows, encouraging and/or prohibiting the production of certain goods and services, as well as contributing to government revenue and enhancing economic growth. However, Nwezeaku (2005) argued that the scope of these functions depends *inter alia* (among other things) on the political and economic orientation of the corporate organization, people, their needs and aspirations as well as their willingness to pay tax. Environmental taxation will sure generate revenue for the government to finance the country's developmental projects. On the other hand, payment of taxes constitute expenditure to the company and it is expected that the company also receive commiserate benefit from the government which may not be the spirit of the reason for the payment of taxes. Tax is any compulsory payment to government imposed by law without direct benefit or return of value or a service whether it is called a tax or not (NTP, 2017).

Empirical Review

Garba and Gunawardana (2015) examined barriers and challenges of introducing environmental taxation in Nigeria. Yaro Yamani formula was used to determine the sample size of the population. The results of the study revealed that the industries are making mere promises to the government in their effort to control pollution through regulatory mechanisms without compliance. Castiglione, Infante, Minervini and Smirnova (2016) examined the determinants of environmental taxation in European economies. Using a pooled panel data, they consider various groups of factors influencing environmental taxation referring to production and consumption, environmental performance and the quality of governance of European countries, considering their heterogeneity. They argue that to function, environmental taxation policy should rely on the virtuous interrelationship between economic development and institutional enforcement, which contributes to enhancing the process of environmental renaissance.Eze, Nweze and Enekwe (2016) examined the effects of environmental accounting on a developing nation. It was discovered that environmentally friendly organizations who voluntarily disclose their environmental activities enjoy a high level of competitiveness. Environmental accounting motivates organizations to track their greenhouse gas emissions and other environmental elements against reduction or elimination point. Olatunji (2017) evaluated the potential roles of environmental accounting in conserving biodiversity in tropical forests. The study was conducted in the Forest Reserves of Osun State, Nigeria through a survey of communities around the Forest Reserves to obtain the Contingent Values of biodiversity. Data on rates of deforestation were obtained from records of the Forestry Management Department of the Ministry of Environment in Osun State, Nigeria. These data were analyzed using the LOGIT regression Model and the amounts of WTP was aggregated and extrapolated to obtain the total value of biodiversity losses in the Forest Reserves. Results showed a per capita annual cost of 25USD resulting in over 2,824,408.125 USD as the lost value or depreciation of biodiversity in the study area. This depreciation cost is tremendous requiring urgent attention to conservation. It was concluded that the emergence of environmental accounting tools has a significant consequence on biodiversity preservation because what is counted is what is valued and what is valued is what is treasured.

Okubor (2017) considered the role of environmental taxes both as instruments for improving the environment and as a source of revenue for funding economic development. It reviews the general case for environmental taxes and the particular issues that arise from the adoption of such taxes. It also discusses the possibility for political acceptance of such taxes when tax revenue is linked to the goal of economic development. The revenue potentials of environmental taxes are evaluated with special reference to a carbon tax. It is found that this tax alone has the potentials to raise sufficient revenue to finance government goals.Olatunji and Olaoye (2015) investigated the developmental implications of environmental taxation in Nigeria using primary data sourced from a sample of 100 respondents with the use of the questionnaire and employing series of descriptive and inferential statistical analyses. The study found out that environmental taxation is coterminous with improved environmental quality that environmental taxation has no significant influence on the cost-effectiveness of Nigerian firms and that environmental taxation has not culminated into an improved standard of living in the country.

Buchanan and Tullock (1975) concluded that to make green taxation more attractive to policymakers, economists should begin to search out and invent institutional arrangements that will make the penalty tax acceptable. Terkla (1984), Misiolek (1986) suggested that politicians should impose a uniform tax on pollution. The tax must be uniform otherwise, the reduction of pollution will not take place at least-cost, because society can always save cost by shifting the responsibility for pollution reduction from the high taxed to the low-taxed polluter. The revenue from uniform green taxation may subsequently be used for lowering other distortive taxes such as income tax thus reducing economic distortions and increasing production. Dewan (1990) opined that environmental awareness is the precondition for effective tackling of environmental degradation. Education policies play a vital role in bringing environmental awareness through setting up pf appropriate curricula syllabus etc. In India, there is a need for creating environmental consciousness. Environmental consciousness should inform teaching in schools and colleges. This aspect will be integrated into the entire educational process.

The objective of increasing the environmental awareness right from the primary level is a commendable bit to make the policies effective, the available human resources capacity need to be augmented to address the environmental issues. Manne and Richels (1992) examined that taxation on CO2 emission or levying energy tax were considered as effective tools in part of European countries. In these countries, both energy tax and CO2 tax are levied based on the amount of energy consumption or CO2 emission. The CO2 tax could influence the energy consumption, energy substitution and selection, while the energy tax could only provide the first incentives. In this case, the CO2 tax is a better policy tool since the consumption of petroleum and natural gas will be taxed differently without coal under the CO2 tax.

Howe (1994) suggested that the level of green taxation in Europe is set too low to have the desired effect on environmental behaviour. So, he concluded that the main effect of green taxation is fiscal rather than environmental. For example, green taxation has been applied in relation to the reduction of carbon dioxide (CO2) emissions in Organization for Economic Cooperation and Development (OECD) countries. However, one may agree that even though CO2 taxes are differentiated, they may lead to the required environmental results. A straightforward way of measuring these environmental results is simply to look at the nominal emission development in the five OECD countries (Denmark, Sweden, Norway, Finland & Netherlands) where CO2 taxes so far have been applied.Leder (1996) stated that environmental tax would affect the social welfare and fairness within current generations as well as the future generations. Clean water and energy, for example, are closely linked to environmental tax but are essential to low-income people. The tax burden on poor people thus might be higher than on rich people. A reasonable taxation system could reduce such impacts through feasible ways like tax deduction and reimbursement. Panayotou and Yajun (1999) highlighted that around the world a new phase of environmental policy has opened, using market-based incentives for reducing pollution limiting waste and other environmental goals. Furthermore, as former command economies are restructured, market-based instruments are gaining increasing attention. For instance, China is making use of market-based instruments to integrate its environmental and economic policies.

Barker and Johnstone (2000) found that imposing a carbon energy tax and recycling the revenues in the form of reduced payroll taxes will increase costs in the carbon-intensive sectors- iron and steel, chemicals, non-ferrous metals and paper. All other sectors will experience cost reductions, and there will be an overall improvement in economic performance.Daugbjerg and Svendsen (2001) analyzed that, environmental economists have paid no or at best very little attention to the political context within which green taxation would be introduced. In the development of environmental policy instruments, which have a realistic chance of being implemented, the political constraints must be considered.Knight (2002) emphasized that it is not only the country's own economic activities that have been responsible for causing environmental problems but the activities of other nations are also a major contributory factor to the creation of environmental hazards in India. It has been reported that large quantities of scrap electronics are being exported from the United States toChina, Pakistan and India where such waste is causing environmental and health problems. Long back in 1989, a United Nations treaty-called the Basel convention was signed to ban the export of hazardous waste from industrialized nations to developing countries, but it is not being fully enforced. It was noted that the United States is the only industrialized nation that has not ratified the Basel Convention.

Methodology

The study employed descriptive survey and *ex-post facto* research design, which were predicated on the use of primary sources of information. In collecting the primary data, a questionnaire was used. The population of this study is the entire six (6) tax authorities in South-West Zone of Nigeria and the data for this research were collected from a sample of 250 respondents randomly selected. Data used were sourced primarily using a self-administered, closed-ended questionnaire, designed in Likert scale format.

The study used researchers' developed questionnaire; tagged: 'Challenges of Environmental Taxation and Accounting Questionnaire (CETAQ)'.The instrument was validated by experts in taxation and accountancy. Cronbach Alphawas used to determine the reliability index at .05 significance level and the reliability index for the instrument is 0.79. This implies that this instrument is reliable and can elicit required data. Meanwhile,mean and standard deviation were used for answering research questions.

Result and Discussion

Research Question 1: *What are the major challenges of introducing environmental taxation in Nigeria?*

Table 1: The major challenges of introducing environmental taxation in Nigeria

Items	Mean	Standard Deviation
The absence of estimation of damage costs by environmental challenges.	3.62	0.79
Lack of implementing best practices of environmental taxes as done in other countries awareness for the need for public acceptance and support for environmental taxes.	3.60	0.78
Lack of accountability for tax revenue and its expenditure.	3.63	0.78
Lack of clarity on taxation powers of each level of government.	2.48	0.85
Lack of skilled manpower and inadequate funding leading to the delegation of revenue officials to the third parties, thereby creating uncertainty in the tax system and increasing the cost of tax compliance	2.38	0.96
The non-refund of excess taxes to the taxpayer in time due to the lack of an efficient system like computers and data capturing machines (information mechanisms) etc and funds.	2.94	0.91
Non-review of tax legislation which has let to obsolete laws that do not reflect Nigeria's current realities.	2.88	0.71
Lack of specific policy direction for tax matters in Nigeria.	2.53	0.84
The absence of specific procedures laid down for the authorities encompassing for the operation of various tax work.	2.73	0.82
Average Mean Value	2.98	

Source: Field Survey 2018 (SPSS 22 result)

Table 1 revealed the mean and standard deviation responses to the major challenges of introducing environmental taxation in Nigeria. Based on cut off points of 2.5, the result revealed that (77.78%) of the items were accepted by the respondents. The mean scores obtained for the major challenges of introducing environmental taxation in Nigeria ranged from 2.38 to 3.63. On the overall, the mean indicated that absence of estimation of damage costs by environmental problems, lack of implementing best practices of environmental taxes as done in other countries awareness for the need of public acceptance and support for environmental taxes, lack of accountability for tax revenue and its expenditure, non-refund of excess taxes to tax payer in time due to the lack of an efficient system like computers and data capturing machines (information mechanisms) etc and funds, non-review of tax legislation which has let to obsolete laws that do not reflect Nigeria's current realities, lack of specific policy direction for tax matters and absence of specific procedures laid down for the authorities encompassing for the operation of various tax work were major challenges facing the introduction of environmental taxation in Nigeria. This agrees with the study of Garba and Gunawardana (2015) and Infante, Minervini and Smirnova (2016).

Research Question 2: *What are the benefits derived from the introduction of environmental taxation in Nigeria?*

Table 2: The benefits derived from the introduction of environmental taxation in Nigeria

Items	Mean	Standard Deviation
Many environmental problems can be significantly reduced or eliminated as a result of effective decisions.	3.14	1.15
Environmental cost (and potential savings) may be obscured in overheads or otherwise overlooked.	2.95	1.14
Environmental cost can be offset by generating revenues through sales of waste or byproducts or recycling them.	2.72	1.20
Understanding of environmental costs can promote more accurate costing and pricing of products.	3.02	1.32
Competitive advantages for customers can result from processes, products and services which can be demonstrated to be environmentally friendly.	2.39	1.22
Support a company's development and operation of an overall environmental management system.	2.89	1.30
Average Mean Value	2.85	

Source: Field Survey 2018 (SPSS 22 result)

Table 2 revealed the mean and standard deviation responses on the benefits derived from the introduction of environmental taxation in Nigeria. Based on cut off points of 2.5, the result revealed that (83.33%) of the items were accepted by the respondents. The mean scores obtained for the benefits derived from the introduction of environmental taxation in Nigeria ranged from 2.39 to 3.14. On the overall, the mean indicates the following as benefits supposed to acquire from the introduction of environmental taxation:many environmental problems can be significantly reduced or eliminated as a result of effective decisions, environmental cost (and potential savings) may be obscured in overheads or otherwise overlooked, environmental cost can be offset by generating revenues through sales of waste or byproducts or recycling them, understanding of environmental costs can promote more accurate costing and pricing of products, competitive advantages for customers can result from processes, products and services which can be demonstrated to be environmentally friendly and support a company's development and operation of an overall environmental management system. In the study conducted by Infante, Minervini and Smirnova (2016), it was also argued that environmental taxation policy should rely on the virtuous interrelationship between economic development and institutional enforcement, thatcan enhance the process of environmental renaissance. Okubor (2017) also affirmed this position in his study.

Research Question 3: *To what extent environmental taxation and accounting can reduce environmental problems?*

Table 3: The extent environmental taxation and accounting reduce environmental problems

Items	Mean	Standard Deviation
Economic instruments such as tax can enable environmental goals to be achieved at the lowest cost and in the most efficient way.	3.07	1.18
Environmental taxes provided an ongoing incentive for polluters to seek to reduce emissions, even below the current cost-effective level.	3.05	0.89
The tax applies to each unit of residual emissions, creating an incentive to develop new technologies that have a marginal cost below the tax rate.	1.77	1.00
Environmental taxes reduce environmental externalities.	2.41	0.90

It encourages greater innovation in designing cleaner production technologies.	2..76	1.09
Average Mean Value	2.61	

Source: Field Survey 2018 (SPSS 22 result)

Table 3 revealed the mean and standard deviation responses on the extent of environmental taxation and accounting reduce environmental problems. Based on cut off points of 2.5, the result revealed that (60%) of the items were accepted by the respondents. The mean scores obtained on the extent environmental taxation and accounting reduce environmental problemranged from 1.77 to 3.07. On the overall, the mean indicatedeconomic instruments such as tax can enable environmental goals to be achieved at the lowest cost and in the most efficient way, environmental taxes provided ongoing incentive for polluters to seek to reduce emissions, even below the current cost-effective level, the tax applies to each unit of residual emissions, creating an incentive to develop new technologies that have marginal cost below the tax rate, Environmental taxes reduce environmental externalities, and it encourages greater innovation in designing cleaner production technologies. In the work of Olatunji and Olaoye (2015), it was also found that environmental taxation is coterminous with improved environmental quality, however, their study could not relate the significance of environmental taxation with respect to cost-effectiveness of Nigerian firms and that environmental taxation they conclude that such cannot culminate into an improved standard of living in the country. Though it was found by Okubor (2017) that environmental tax alone has the potentials to raise sufficient revenue to finance government goals. Similarly, Olatunji (2017) concluded that the emergence of environmental accounting tools has a significant consequence on biodiversity preservation because what is counted is what is valued and what is valued is what is treasured.

Statement of Hypothesis:
H_0: The introduction of environmental taxation has not significantly reduced environmental problems.

Table 4: Beta coefficient and t-ratio on the extent environmental taxation reduced environmental problems

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	20.466	1.367		14.974	.000
	environmental taxation	-.134	.043	.207	-3.152	.002
a. Dependent Variable: environmental problems						

The first important thing to note in Table 4 is the sign of the coefficient of environmental taxationis negative. This implies that there is an inverse relationship between environmental taxation and environmental problems. This further suggests that increase in environmental taxation will bring about 0.134 decreases in environmental problems. Furthermore, the probability ($p = 0.02$) as reported in Table 4 for environmental taxationimplies that the slope (**β**= 0.134)is statistically significant. Hence, the researcher concluded that the introduction of environmental taxation can significantly reduce environmental problems.

Conclusion

Environmental taxation is significantly coterminous with improved environmental quality in Nigeria, as its existence and administration have the tendency to ensure, restore, and maintain environmental quality in the country.Environmental accounting enables environmental taxation, environmental taxation and accounting have notreduced environmental problems. The existence of environmental taxation in Nigeria has not culminated into an improved standard of living, given the *status quo* of inadequate infrastructural facilities, income inequalities and the high cost of living in the country. In general, therefore, the study concludes that, despite the inherent capacity of environmental taxation to spur development in the country through improving environmental quality, infrastructural facilities, the cost-effectiveness of firm and standard of living, the prevailing trend has hedged on the contrary in Nigeria.

The study, thus, recommends that government should ensure that the structure and administration of environmental related tax in the country be void of loopholes that can permit avoidance or evasion and that the proceeds from environmental taxation should be channeled towards the development of infrastructural facilities in the country to ensuring an improved standard of living in the country while environmental accounting will ensure accountability and transparency on the part of those charged with governance of the country.On the other hand, concerned companies should ensure there exist adequate environmental accounting reports that will appropriately show the record of financial transactions and otherwise used for environmental taxation. It is with this that the government would be able to assess and collect taxes due and companies will also be seen to have fulfilled its responsibilities as enunciated in section 24(f) of the Nigeria Constitution and relevant provisions the National Tax Policy (2017).

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EFFECT OF TAX EDUCATION ON PERSONAL INCOME TAX COMPLIANCE IN NIGERIA

Abubakar Idris OSENI,
Fancy Ekaniyere AGWEDA
&
CelestinaOjemen EHIMI
Department of Accountancy
School of Business Studies
Auchi Polytechnic, Auchi, Edo state,
Email: osenimallamabu@yahoo.com

Abstract

The opaque in tax administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on tax payers as they are tempted to change into forms that offer a lower tax burden or no tax burden at all.The study investigated the effect of tax education on personal income tax compliance in Nigeria.Data for analysis were gathered through the administration of questionnaires using the cluster sampling technique, four hundred (400) questionnaire were distributed to taxable persons in Anambra and Imo states, representing South-east zone. Two hundred questionnaire were distributed in each state. Ordinary Least Square (OLS) was applied in testing the hypothesis.The study found a positive and statistically significant relationship between the independent variable (tax education) and the dependent variable (tax compliance) in Nigeria. The study concluded that tax education is positively and statistically related to personal income tax compliance in Nigeria which is an indication that the independent variable increases personal income tax compliance.The study therefore recommended that the government through the relevant tax authorities should take tax education a routine responsibility, to enable the taxpayers to know the need to pay tax to the governmentso as to increase the level of personal income tax compliance in Nigeria.

Keywords: income tax, opaque, relevant tax authorities, tax compliance, tax education.

Introduction

Tax is one of the major sources of revenue generation by the government to implement it programmes and projects which are mostly undertaken in order to provide various services such as basic infrastructure, maintaining laws and order as well as protecting its citizens from internal and external hostility (Fagbemi, Uadiale& Noah, 2010). The economic development of any country is determined by the quantity of its generated resources to finance its infrastructural need and meet its day to day expenditure. Factors affecting taxpayers' behaviour must be critically analyzedand addressed so that legal arrangement can be regulated in order to enhance taxpayers' compliance.

Serious attention is being focused on attaining high level of voluntary income tax compliance in most countries, especially developing countries in order to increase their revenue generation (Abdul-Razak&Adafula, 2013).Over the years, various governments have tried to increase the level of tax compliance by applying laws and regulations to sanction and fine tax defaulters without considering the attitude of taxpayers, this method of enforcement proved not to be significantly successful. Thus, government needs to change the method of enforcement thereby considering the attitude aspect of taxpayers in addition to the application of tax laws and regulations to sanction and fine tax defaulters so as to increase the amount of taxes collected. Thus, using adequate strategies that will motivate compliance decisions are more appropriate than strictly applying laws and regulations.

Despite the various studies conducted on the determinants of tax compliance in Nigeria, only few focused on conceptual review of income tax compliance such as Abdul-Razak&Adafula, 2013; Engida&Baisa, 2014; Lateef, Saheed, &Onipe, 2015 and Olowookere&Fasina, 2013. These revealed mixed results on the association between tax education and income tax compliance. In their studies Abdul-Razak andAdafula (2013), Lateefet al, (2015) and Olowookere and Fasina (2013) observed that tax awareness has a direct relationship with tax payers' ability to understand the rules and regulations of taxation as well as their ability to comply with them. While the study of Engida and Baisa (2014) revealed that tax education has no direct relationship with tax payers' ability to understand the rules and regulations of taxation as well as their ability to comply with them.

This study seeks to contribute to the growing tax compliance knowledge by examining one of the determinants of personal income tax compliance in Nigerian informal sector. Thus, there is the need to investigate the effect of tax education that promotes tax compliance of individuals and corporate entities, and finding ways to reduce the prevalence of not complying with tax (Musa, Saad, & Ibrahim, 2017). The objective of the study is to investigate if there is a significant relationship between tax education and personal income tax compliance in Nigeria taking South-east zone of Nigeria as a reference point.Against this backdrop, the research hypothesis was put forward to guide the direction of the study. There is no significant relationship between tax education and personal income tax compliance in Nigeria.

Literature Review

Conceptual Review

Angahar and Alfred (2012) defined tax as money that has to be paid to the government by the people according to their profits on goods and services provided. Tax is a fiscal tool, a compulsory levy imposed on the income or property of the citizen by the public authority to raise the required revenue for the supply of security, social amenities and for the day to day running of the government affair (Nwadialor&Ekezi, 2015). Eiya (2012) affirmed that tax levied by the government is premised primarily on revenue generation. He stated that taxes are levies imposed on income (personal income tax, company income tax, and petroleum profit tax), capital (capital gains tax) and consumption (value added tax, custom duties) for revenue generation.

Classification of taxpayers

Taxpayer is an individual or entity that is obliged to make payments to municipal or government taxation agencies. As a result of the different classifications of taxpayers, different rules and factors may affect behaviour differently causing each type of taxpayer to take a decision whether or not to pay tax. Four different types of taxpayers were identified by Torgler (2003) as follows:

i) Social taxpayers

Social taxpayers are shaped by social norms, whenever they under-report and escape detection they feel guilty while they will be put to shame when they get caught due to their under-reporting. They are regarded as conditional co-operators that promptly pay tax once they are aware that others pay taxes as at when due. On the other hand, a reduction of others' payment of tax will reduce their own willingness to pay tax. Satisfaction and behaviour are not only related to the outcome levels, but as well as the outcomes received in relation to those that were judged to be fair. The perceived inequity between one's own exchange and the exchanges others get creates a sense of distress which may discourage them from complying with tax voluntarily.

ii) Intrinsic taxpayers

Intrinsic taxpayers are actuated by the feeling of responsibility, which actuates them to pay tax without being coerced. They are sensible to the behaviour of governments or tax authorities. These individuals are driven primarily by self-interest and not by social responsibility (Lowe &Reckers, 2012). Intrinsic taxpayers' behaviour strongly depends on the extent of trust they have in the political system. Intrinsic taxpayer will reduce his tax morale if he thinks that he is not fairly treated by the political process such as frequent audit rate which indicates that the government does not honour his compliant behaviour.

iii) Honest taxpayers

Honest taxpayers do not even look for means to evade taxes, their attitude does not react to changes in the tax policy parameters, such as tax rates, penalty rates, or frequent auditing. Therefore, their conduct is not subject to a marginal but rather an absolute evaluation (Frey, 1997). Some individuals are simply predisposed not to evade tax simply because they behave honestly throughout the process of tax payment.

iv) Tax evaders

Jaffar, Abubakar and Tahir (2011) defined tax evasion as an illegal practice where people intentionally avoid paying their tax liability and consequently decreased the tax revenue. In other words, it is a contravention of tax laws whereby a taxable person neglects to accurately pay the tax liability due through fraudulent means.Tax evasion is an illegal practice where taxpayers intentionally refuse paying their tax liability and consequently decrease the tax revenue.

Tax compliance

The fundamental goal of any revenue authority is to collect taxes and duties payable in accordance with the stipulated tax laws. From the perspective of the revenue authority, the ideal is to always achieve a hundred percent compliant by the entire taxpayers. There would have been no tax gap (difference between what a revenue authority theoretically should collect and what it actually does collect) if the revenue authority's ideal situation hold, but it is obviously not attainable.

The issue of tax non-compliance cut across all economies of the world. From developed economies as United Kingdom, France, Germany, United States of America, Spain, Italy, Japan with organized financial markets down to fast developing (emerging) markets such as the Russia, India, Brazil, China and South-Africa to other Less Developed (frontier) market such as, Ethiopia, Ghana, Zimbabwe, Cameroun and Nigeria amongst others where financial activity is relatively low (Eiya, Ilaboya, &Okoye, 2016). The level of tax compliance is a serious challenge facing income tax administration in Nigeria. Tax compliance is defined as the ability and willingness of those that are liable to the payment of tax to comply with the relevant tax laws, state their income accurately in each year and pay the amount of taxes correctly as at when due (Palil& Mustapha, 2011). Failure to declare all incomes and payment of taxes according to the provisions of the laws, obeying the court judgments and payment of the tax at the right time will amount to tax non-compliance.

Compliance can be through enforcement by relevant authorities or through voluntary willingness of the taxpayers. Tax compliance through enforcement is powers bestowed on the relevant authorities to coerce taxpayers to pay tax while voluntary tax compliance is the taxpayers' willingness to pay tax without being forced (Abdulsalam, Almustapha& El-Maude, 2014).Reducing non-compliance can be effective if the reasons for non-compliance by tax payers are investigated, detected and addressed.

According to Eiya (2012), personal income tax can be viewed as a compulsory levy paid by individuals that are self-employed or in gainful employment in either public or private organizations to the government.

Personal income taxis imposed on individuals who are either in employment or are running their own small businesses under a business name or partnership. Collection of personal income tax is a federal and states responsibility, this tax is generally collected by state governments from their respective states, irrespective of whom they are working with whether federal, state, local government, or private sector workers. The Federal Inland Revenue Service, however, also collects personal income tax from residents of Abuja as well as what may be described as highly mobile federal workers – staff of the Ministry of Foreign Affairs, non-residents, expatriate workers resident in Nigeria, Police Officers, and Military Officers.

The current law guiding the taxation of personal income in Nigeria is the Personal Income Tax (Amendment) Act 2011. Personal income tax is a tax charged on the income of individual. The chargeable income of an individual is the aggregate amount from all sources (whether from employment, investment, profit from trade, profession or vocation etc) after deducting all non-taxable incomes and relief granted (Ogbonna&Appah, 2016).Underthis Act, the Federal Inland Revenue Service (FIRS) and States Internal Revenue Service(SIRS) are empowered to identify persons residing or earning income from Nigeria who are required to pay tax, assess their incomes and subject the taxable portion to tax in line with government specific guidelines and rules as laid down(Igbeng, Tapang&Usang, 2012).

In the opinion of the researcher, having examined some of the definitions as put forward by other researchers, personal income tax compliance would be described as total obedience both wilful and forced, to the relevant personal income tax laws and regulations by both taxpayers and tax authorities.

Tax education and income tax compliance

Oladipupo and Obazee (2016) defined tax knowledge as the level of awareness or sensitivity of the tax payers to tax legislation. The level of formal general education received by tax payers is an important factor that contributes to the understanding of tax requirements, especially regarding registration and filing requirements. Tax education is a tool designed to enable tax payers understand tax laws and procedures. It involves training of special units within the revenue department for providing education, counseling and support to the tax payers, through different media which include newspapers, television, radio programs, websites, and front desk that will help to disseminate key information to the tax payers. Importance of this issue stems from the fact that tax law is generally considered as difficult, complicated and beyond one's depth with adequate knowledge of the subject matter (Sabina, 2011).

Understanding the tax system will enhance tax compliance; having basic knowledge of taxation will enable tax payers to easily understand the system and thereby comply easily (Hastuti, 2014).Tax knowledge can be learnt by self-learning, taking formal education, and taking the informal ones. But not all people adhere strictly to tax rules; some of them assume that tax is a burden that should be denied (Hastuti, 2014).Tax laws in Nigeria are complex and difficult for the common tax payer to understand and in some cases problematic even for the educated ones. A lot of tax payers are not aware of the existence of certain taxes. This may be a manifestation of the poor tax education and weak performance by tax authorities of their responsibilities with regard to public awareness (Micah, Ebere, &Umobong, 2012).

The empirical evidence on the association between tax education and tax compliance has mixed results. In their studies Abdul-Razak andAdafula (2013), Lateefet al, (2015) and Olowookere and Fasina (2013) observed that tax awareness has a direct relationship with tax payers' ability to understand the rules and regulations of taxation as well as their ability to comply with them. While the study of Engida and Baisa (2014) revealed that tax awareness has no direct relationship with tax payers' ability to understand the rules and regulations of taxation as well as their ability to comply with them.

Abdul-Razak and Adafula (2013) investigated the evaluation of tax payers' attitude and its influence on tax compliance decision in Ghana, and found a significant positive relationship between level of awareness and tax compliant decision. Lateefet al, (2015) investigated the institutional factors and personal income tax compliance in Nigeria; the result of their study revealed that tax payers' awareness is significantly positively correlated with the level of tax compliance. However, Engida and Baisa (2014) that examined the factors influencing tax payers' compliance with the tax system in Ethiopia found that tax education was not significantly correlated with tax compliant decisions. From the studies stated above, it could be seen that the degree of tax payers' awareness plays a major role in promoting the level of tax compliance.

Prior Empirical studies on tax compliance

As a result of the importance associated with tax compliance, various studies have been carried out on tax compliance. These studies attempt to consider factors responsible for tax compliance behaviour. Such studies include among others: Adimassu&Jerene, 2016; Akintoye&Tashie, 2013 and Badara, 2012.Adimassu and Jerene (2016) investigated the determinants of voluntary tax compliance behaviour in self-assessment system using tax knowledge, simplicity of tax administration and perception on government spending as variables for tax compliance. The study found that tax knowledge, simplicity of tax administration and perception on government spending has influence on voluntary compliance behaviour of tax payers.Akintoye&Tashie (2013) investigated the effect of tax compliance on economic growth and development in Nigeria using tax accountability by government, level of government delivery, tax knowledge, tax rate, and the system of tax payment as the variables of tax compliance. They found that tax accountability by government and tax education has a significant positive relationship with tax compliance.

Badara (2012) investigated the effect of tax audit on tax compliance in Nigeria using tax audit and education as the variables for tax compliance. He found that tax audit has a significant positive relationship with tax compliance. He also found that tax education has a significant positive relationship with tax compliance.

Methodology

Theoretical Framework and Model Specification

The study anchored on the attribution theory which holds that tax compliance is a function of discovering what is causing compliance, what motivates anyone to do anything. The theory is based on the assumption that individuals rationally interpret and analyse events so as to understand causal structures (Radae&Sekhon, 2016).The theory tries to discover what is causing, what motivates anyone to do anything. The theory is based on the assumption that individuals rationally interpret and analyse events so as to understand causal structures (McKerchar& Evans, 2009).

Attribution theory states that behaviour was caused by internal or external influences. Behaviour due to internal behaviour is believed to be under the personal control of the individual, while the behaviour caused by the external is behaviour that is influenced from the outside, which means that the individuals will have to behave because of the demands of the situation or the environment (McKerchar& Evans, 2009). According to the theory tax payers'behaviour can be caused by internal factors, external factors or a combination of internal-external factors to determine their level of compliant.Going by this theory personal income taxpayers and the tax authorities should ascertain what motivates tax compliance in Nigeria so as to enhance their tax compliance.In Nigeria the attribution theory encourages personal income tax compliance because with adequate knowledge of tax compliance issue, tax payers will be willing to voluntarily comply with tax payment.

Model Specification

It is expected that tax education will influence personal income tax compliance. It is therefore expected that tax education may determine personal income tax compliance (Abdul-Razak&Adafula, 2013; Hastuti, 2014; Lateef et al, 2015 and Micah et al, 2012;). Hence, a functional relationship is expected between tax education and personal income tax compliance as

Personal income tax compliance = *f(Tax education)* …………………….. *(i)*

This equation is transformed into econometric form as

$$PITC = \beta_0 + \beta_1 TE + \mathcal{E} \quad \text{……………………….……. (ii)}$$

Where:

PITC = Personal Income Tax Compliance TE = Tax Education

β = Unknown Coefficient of the Variables Ɛ = Error Term

Research Design

The survey research design was employed in order to elicit information from the sampled respondents selected for the study. The choice of this method stems from its high reliability of engaging more honest response than other research methods and the descriptive nature of the study. The research population includes all personal income tax payers in Nigeria, but it would not be possible to collect data from all the personal income tax payers in Nigeria due to the size of the population. Therefore, a cluster sampling technique was used to choose the South-east zone out of the six zones in Nigeria. The choice of South-east zone of Nigeria was based on concentration of businessesand simple convenience.

For the purpose of picking our sample, the purposive sampling technique was employed due to the size of the population under study. From all the five states (Abia State, Anambra State, Ebonyi State, Enugu State and Imo State) in South-east geo-political zone two states (AnambraState and Imo State) were also randomly chosen. Two hundred respondents were chosen from each of the two selected states.

To gather relevant primary data, a survey method with self-structured questionnaire was used. Close ended questionnaire was prepared in the form of five Likert-Scale, where; Strongly Agree (SA) = 5; Agree (A) = 4; Neutral (N) =3, Disagree (D) = 2; and Strongly Disagree (SD) = 1; the use of likert scale is to make it easier for respondents to answer questions in a simple way.

Table 1: Measurement of variables

Variables	*Acronym*	*Measurement*		*Expected Sign*
Income Tax Compliance	PITC	Five questions covering reporting, timing, payment and cost of compliance.		
Tax Education	TE	Five questions relating to teaching of tax in schools and promoting tax awareness mostly in the informal sector.	Abdul-Razak&Adafula (2013) and Lateef et al, (2015).	**+**

Source: Researcher's Compilation (2018)

The research instrument used is the structured Likert scale questionnaire consisting of ten (10) questions: Five questions for the dependent variable and five questions for the explanatory variable. The first sub section relates to tax compliance and deals with the issues that concern reporting, timing, payment and cost of compliance and the second sub section deals with the perception of tax payers ontax education.

The Spearman Rank correlation coefficient (R) was applied to explain the strength of the relationship between the factor in the hypothesis of this research and income tax compliance. Ordinary Least Square (OLS) was applied in testing for significant relationship between the means of the variables and personal income tax compliance. These tools were primarily employed to explain the causal relationship between tax education and personal income tax compliance decisions of tax payers. Personal income tax compliance was taken as the dependent variable against the independent variable of tax education. The study was carried out in South-east zone, Nigeria.

Data analysis and discussion of results

The dependent variable used in this study is personal income tax compliance while the independent variable is tax education. However, this section seeks to present and give detailed empirical analysis of the data gathered specifically for this study.

Descriptive Statistics

Preliminary Analyses of Determinants of Personal Income Tax Compliance

Table 2: Frequency distribution of responses on the variable of tax education

Tax Education	SA	A	N	D	SD	MEAN
	5	4	3	2	1	
Incorporating tax education in secondary school syllabus as well as making it a compulsory subject in every discipline in tertiary institutions will encourage tax compliance.	130	132	38	59	28	3.72
When you are not really sure whether or not an expense is allowable, it makes sense to claim the deduction anyway.	142	170	39	24	12	4.05
Complexities in tax laws reduce tax compliance level of the tax payers.	86	177	47	56	21	3.65
Low tax awareness by the informal sector is one of the factors reducing tax compliance level.	144	154	41	32	16	3.98
Public enlightenment on tax issues will encourage tax compliance.	175	145	18	35	14	4.12
						3.90

Source: Researchers Computation (E-views 8) 2018

Note: SA is strongly agree, A is agree N is Neutral, D is disagree, and SD is strongly disagree. The mean value is based on a five point scale of SA(5), A(4), N(3), D(2), and SD(1). The population mean is thus 3. Frequency distribution was used to describe the sample. The sample means were calculated as: 1/387 5(130) + 4(132) + 3(38) + 2(59) + 1(28) =3.72. The null hypothesis is Ho =* $\mu_o = 3$ *while the alternate is* $H_1 = \mu_1 \neq 3$*.Where* μ *is the sample mean.*

Table 2 presents the result of the preliminary analysis of the frequency distribution of the explanatory variable of tax education. The analysis reported an average sample mean of 3.90 which exceeds the population mean of 3.00. Hence, we rejected the null hypothesis of *Ho* = $\mu_o = 3$ and accepted the alternative hypothesis of $H_1 = \mu_1 \neq 3$. The preliminary conclusion was that the respondents perceived tax education as a determinant of personal income tax compliance in Nigeria.

Table 3: Results of the Descriptive Statistics

	ITC	TE
Mean	17.70801	19.47804
Median	18.00000	19.00000
Maximum	25.00000	25.00000
Minimum	9.000000	8.000000
Std. Dev.	3.045427	3.366462
Skewness	-0.228441	-0.262642
Kurtosis	2.761136	2.657260
Jarque-Bera	4.285982	6.343471
Probability	0.117303	0.041931
Sum	6853.000	7538.000
Sum Sq. Dev.	3580.005	4374.563
Observations	387	387

Source: Researchers Computation (E-views 8) 2018

Where: ITC is Income tax compliance and TE is Tax Education

The result of the descriptive statistics is presented in Table 3. The data used in this study are subset of tax payers in the South-east region of Nigeria. The survey was conducted in the year 2018, with a response rate of 97% approximately. The total number of observations is 387. The results of the descriptive statistics provide information on the mean, median, standard deviation, skewness, kurtosis, and Jarque-Bera statistic of both the dependent and the explanatory variable. The mean tax compliance (TC) is 17.70801 representing about 18% of the total respondents sampled for the study. The median value is 18.00000 with maximum and minimum values of 25.00000 and 9.000000 respectively. The variable of tax education (TE) has a mean value of 19.47804, a maximum value of 25.00000 and a minimum value of 8.000000. The standard deviation of the regression variables is relatively small which shows that the variables are not widely dispersed from the sample mean. Low dispersion is a conventional wisdom of the quality of the regression variables. The Jarque-Bera values are relatively small which indicates a mixed normality situation. The probability associated with the Jarque-Bera values of the variables of TE (0.041931) is significant and indicative of the standard Gaussian distribution.

Table 4: Result of the Robust Model

Dependent Variable: TC
Method: Least Squares
Date: 02/02/18 Time: 23:58
Sample: 0001 0387
Included observations: 387

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.974793	1.554407	6.417103	0.0000

TE	0.050002	0.047589	1.050710	0.2941

R-squared	0.568251	Mean dependent var	17.70801
Adjusted R-squared	0.436742	S.D. dependent var	3.045427
S.E. of regression	2.958891	Akaike info criterion	5.022888
Sum squared resid	3335.668	Schwarz criterion	5.084259
Log likelihood	-965.9289	Hannan-Quinn criter.	5.047223
F-statistic	5.581641	Durbin-Watson stat	1.702536
Prob(F-statistic)	0.000056		

Source: Researchers Computation (E-views 8) 2018

Where: ITC is tax compliance, TE is tax education.

The results of the robust model reported an adjusted R-squared value of 0.436742. The result signifies that about 44% of the systematic variation in the dependent variable of tax compliance is accounted for by the explanatory variable of tax education (TE). The F-value of 5.581641 and the associated probability value of 0.000056 is indicative of the presence of a significant linear relationship between the dependent and the explanatory variable. The Durbin statistic of 1.702536 approximates to the benchmark of 2.000000 and indicative of the absence of autocorrelation in the regression variables.

The explanatory variable of tax education reported a coefficient of 0.050002, and a t-value of 1.50710 at the 10% level of significance. By conventional wisdom, tax education will no doubt increase the level of tax compliance even though there is not a quid pro quo relationship between tax payment and tax education. The relationship is positive and significant meaning that increased in tax education will help to shore up tax revenue, and reduce the level of tax non-compliance.

Test of Hypothesis
Hypothesis Restated: Ho_5: Tax payers' education is not significantly related to personal income tax compliance in Nigeria.
Table 5: Result of the Simple Linear Regression of Tax Education as Explanatory Variable.

Dependent Variable: TC
Method: Least Squares
Date: 02/02/18 Time: 02:14
Sample: 0001 0387
Included observations: 387

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.78442	0.905860	17.42479	0.0000
TE	0.098757	0.045829	2.154897	0.0318

R-squared	0.411918	Mean dependent var	17.70801
Adjusted R-squared	0.404200	S.D. dependent var	3.045427
S.E. of regression	3.031154	Akaike info criterion	5.060919
Sum squared resid	3537.340	Schwarz criterion	5.081376
Log likelihood	-977.2878	Hannan-Quinn criter.	5.069030
F-statistic	4.643581	Durbin-Watson stat	1.646053
Prob(F-statistic)	0.031789		

Source: Researchers Computation (E-views 8) 2018

The result of the simple regression between tax education and personal income tax compliance is presented in Table 5. The analysis reported an adjusted R-squared value of 0.404200 which shows that about 40% systematic variation in tax compliance accounted for by tax education. The F-value of 4.643581 and the associated probability value of 0.031789 is significant and indicative of a linear relationship between tax education and personal income tax compliance. The Durbin Watson statistic of 1.646053 is substantially close to the benchmark of 2.00 and indicative of the absence of the problem of autocorrelation. The relationship is statistically significant at the 5% level with a t-value of 2.154897 and probability value of 0.0318. Hence, the null hypothesis of no significant relationship between tax education and personal income tax compliance was rejected and the alternative hypothesis of a significant relationship between tax education and personal income tax compliance was accepted.

The objective of the study was to investigate the relationship between tax education and personal income tax compliance. The results of both the robust multiple and simple linear regression analyses shows that the relationship between tax education and personal income tax compliance is both positive and statistically significant. The result of the analyses is consistent with the positive relationship in line with the studies Abdul-Razak andAdafula, (2013), Lateef et al, (2015) and Olowookere and Fasina (2013) who observed that tax awareness has a direct relationship with tax payers' ability to understand the rules and regulations of taxation as well as their ability to comply with them. The result is however at variance with another strand of literature which reported a negative relationship between tax payers' education and personal income tax compliance (Engida&Baisa, 2014). The finding is in consonant with the attribution theory that tries to discover what is causing, what motivates anyone to do anything.

Conclusions

The main thrust of this study was to examine the effect of tax education on personal income tax compliance in Nigeria. Specifically, the study tested the significant relationship between tax education and personal income tax compliance in Nigeria. The study found that there is a positive and statistically significant relationship between tax education and personal income tax compliance in Nigeria.From the empirical analysis, the study revealed that tax education is positively and statistically related to personal income tax compliance in Nigeria.This shows a significant linear relationship between tax education and tax compliance. The implication of the result is that tax education increases tax compliance.

The study therefore recommended that:

1. Tax authorities should shape the attitude and perceptions of tax payers positively by using education enlightenment programmes for better understanding of tax system so as to facilitate successful formulation of tax compliance strategies.
2. The government through the relevant tax authorities should take tax education a routine responsibility, to enable the taxpayers to know the need to pay tax to the government so as to increase the level of personal income tax compliance in Nigeria.

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APPENDIX I

Effect of Tax Educationon Personal Income Tax Compliance in Nigeria

Kindly tick (√) the preferred option as appropriate

Keys: Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2, Strongly Disagree (SD) = 1.

S/N	Tax Compliance	SA 5	A 4	N 3	D 2	SD 1
1	High cost of tax compliance reduces tax payers' compliant level.					
2	When one pays his/her tax even at the expiration of the payment period, such					

	person is compliant.					
3	Personal income tax generation has not been impressive.					
4	I would still accept a job if the employer offers not to deduct any income tax even though, by law, the employer should.					
5	Paying tax even when the actual amount of tax is not paid to the tax authority can still be regarded as tax compliance.					
	TAX EDUCATION	SA 5	A 4	N 3	D 2	SD 1
6	Incorporating tax education in secondary school syllabus as well as making it a compulsory subject in every discipline in tertiary institutions will encourage tax compliance.					
7	When you are not really sure whether or not an expense is allowable, it makes sense to claim the deduction anyway.					
8	Complexities in tax laws reduce tax compliance level of the tax payers.					
9	Low tax awareness by the informal sector is one of the factors reducing tax compliance level.					
10	Public enlightenment on tax issues will encourage tax compliance.					

EFFECTS OF MULTIPLE INTERPRETATIONS OF COMMENCEMENT PROVISIONS IN THE NIGERIAN INCOME TAX LAWS ON ASSESSABLE PROFITS OF TAXPAYERS

[1]Ihendinihu, John Uzoma, [2]Alpheaus, OgechiEberechi, & Onyekachi, [3]Silvia Nwakaego
Department of Accounting, College of Management Sciences, Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria.
[1]E-mail:ihendinihu.john@gmail.com
[2]*E-mail*: alpheausogechieberechi@gmail.com
[3]*E-mail*: sylviaeego@gmail.com

Abstract

Nigerian Tax legislations are typically complex and are sometimes presumed to be ambiguous; and attempts to interpret the provisions or even apply them in practice have often met with divergent outcomes. A typical case relates to the provisions in Nigerian Income Tax Laws for computing assessable profits in the third tax year of a new business which have been subject to multiple interpretations among tax experts culminating in different amounts of assessable profits in practice. This paper discussed the various interpretations to the provisions relating to the third tax year. Simulated adjusted profits of twelve new businesses were generated for the first four years of existence and the assessable profits for the third year of assessment computed using three interpretational approaches under different scenarios of dates of commencement and accounting year-ends. Paired Sample t-test and Analysis of Variance were used to test for differences in mean assessable profits. With F-ratio of 10.924 being significant at 1% level, the study indicates that assessable profits for the third tax year significantly differed among the approaches. The paper concludes that multiple interpretation to the commencement provisions for calculating assessable profits in the third tax year leads to significant disparity in computed assessable profits and promotes inequity in the distribution of tax burden among taxpayers. The study propounds the Clear Letters Theory and recommends for uniform adoption, the preceding fiscal year of government in computing assessable profits in the third tax years of new businesses in Nigeria.

Keywords: Income Tax Laws, Basis Period, Commencement Provisions, Assessable Profits, Tax Burden, Collectible Tax Revenue, Clear Letter Theory.

Introduction

Tax laws are typically complex and sometimes misconstrued to be ambiguous, giving rise to misconceptions and multiple interpretation of essential provisions of the Act. For instance, the long standing problem of multiple interpretation of special statutory provisions for computing assessable profits in the third tax-year of a new business has remained unresolved. Under the Nigerian Income Tax Laws,chargeable 'persons' are liable to pay tax on profits/income arising from businessactivities executed within an operating period.Expectedly, the accounting year-ends of all businessesdo not coincide with the government fiscal year, and there are no statutory provisions compelling business entities to end their accounting periods on a particular date. The implication of this discretion is the existence of many accounting year-ends for businesses against the single fiscal year of government covering January 1 to December 31 each year. This raises the question of how to determine the profits/income of a business accounting year to be assessed to tax in a particular fiscal year of government. To this end, the Nigerian tax laws specificallyprovides that the profits/income of a business in the immediate preceding year (PYB) should be assessed to tax in the current tax year - Section 29(1&2) of Company Income Tax Act, (CITA), 2007 and Section 23(1&2) of PITA, 2011.

This rule is however, not sustainable in the early years of a new business, and in circumstances where a business changed its accounting year-end, or even where a business ceased operation permanently. Conscious of these complications, the income tax statutes in Nigeria made special provisions for resolving such matters. One of such provisions relate to the computation of assessable profits/income of a new business as contained in both CITA 2007, and PITA, 2011. Regrettably, some of these special provisions, particularly the provisions on the computation of third year assessable profits/income of a new business, have either not been properly understood or are wrongly taught and applied by tax instructorsand tax administrators in Nigeria. Consequently, misinterpretationsand misapplicationsof these provisions havegiven rise to situations where the length of the basis period in the third tax year is not up to the required twelve(12) months, and many scholars and tax administrators have resorted to rationalizing various methods for remedying an avoidable problem (Ariwodola 2000; Tabansi-Ochiogy 2001; Ojo 2003; Nwezeaku 2005; ICAN 2009; Aguolu 2009 and ICAN 2012). This becomes more worrisome when publications and pronouncements by tax administrators and some professional accountancy bodies are involved in accentuating this problem. A misinterpretation/misapplication of the third-year rule will no doubt, affect the basis period for determining capital allowances on qualifying expenditures and for granting loss reliefs under the laws. This practice further constitutes a breach of the cannons of certainty of amount to be subjected to tax and may result to disparity in computed assessable profits with far reaching consequences on government collectible tax revenue while imposing different financial burden on taxpayers.

The attitudes of the courts to interpretation of tax laws seem to run counter to multiple/differential treatments of profits in a way that miss the intent of the law,neither does any judicial pronouncementfavour any presumptuous means of circumventing the clear letters of the law. Although the Federal Inland Revenue Service and the State Internal Revenue Service are vested with responsibility for tax administration in Nigeria, their statutory duties are to apply the tax laws as they are without any attempts to cure or circumvent any perceived defects there in.

A few studies have condemned the various methods (grossing up, repetition, aggregation, etc) resorted to in practice for remedying the avoidable problem (Onochie, 2002 and Okezie, 2003). Other scholars have clearly reported that the use of preceding year of a business accounting *ending someday other than the 31st day of December* in computing assessable profits for the third tax year of a new businessis not generally feasible and sustainable due to abnormalities that the application introduces in the length of the basis (Nwezeaku, 2005 and Fagbemigun, 2017).As at date, authors of tax test books are interpreting and applying the provisions for the third tax-year differently; hence there is yet no consensus on the correct interpretation among them. Perhaps, the preponderance of works that advocatefor the use of PYB of Business accounting year-end in the third tax-year of new businesses, seem to discourage efforts at finding out the correctness of the applications, and on determining whether the different interpretations adopted would yield the same revenue to the government, andwhether such differential applications would not create disparity in tax burden of taxpayers in Nigeria. These issues form the central problem of this study.

The main purpose of this paper,therefore, is to determine the correct interpretation and application of the provisions for ascertaining the third year assessable profits of a new business in Nigeriaand the effect of multiple interpretations of the provisions on assessable profits.

The specific objectives are:

1. To determine thecorrect interpretation and application of the provisions for ascertaining the third year assessable profits of a new business.

2. To investigate the existence of any significant difference in mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and PYB of government fiscal year.

3. To determine the difference in computed mean assessable profitfor the third tax-year of a new business calculatedbased on PYB of business accounting year-end and repetition rule.

4. To evaluate the differences in mean assessable profitsfor the third tax-year of a new business computed using PYB of government fiscal year and repetition rule.

5. To determine whether the mean assessable profits for the third tax-year of a new business significantly differed among the three interpretational approaches adopted.

Research Questions:

1. What is the correct interpretation and application of the provisions for ascertaining the third year assessable profits of a new business?
2. To what extent does mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and PYB of government fiscal year differ?
3. What is the difference in mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and repetition rule?
4. What is the difference in mean assessable profits ascertained for the third tax-year of a new business using PYB of government fiscal year and repetition rule?
5. To what extent does computed mean assessable profits for the third tax-year of a new business differ among the three interpretational approaches?

Formulated Hypotheses

$H0_1$: There is no significant difference in the mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and PYB of government fiscal year.

$H0_2$: The mean assessable profit for the third tax-year of a new business computed using PYB of business accounting year-end and repetition rule does not differ significantly.

$H0_3$: The difference in the mean assessable profit ascertained using PYB of government fiscal year and repetition rule is not significant.

$H0_4$: There is no significant difference in the mean assessable profits for the third tax-year of a new business computed using the three interpretational approaches

Literature Review

Conceptual Framework

Tax and Tax Law

A tax is a compulsory contribution levied on ‘persons’, property, income, and transactions in the support of government. The demand for the payment is backed up by law and taxpayers are compelled to oblige payment even though there is no direct and specific *quid pro quo* relationship between the amount of tax paid and the quantum of government services consumed by the taxpayer (Bowman, 1995 and Tretola, 2006).

Tax law refers to the body of law that governs the obligation or liability of a 'person' to pay tax to the government. It covers the rules that establish the incidence/burden of tax and the tax base (that is, who and what is subject to tax), including rules relating to the administration and enforcement of the tax system.

Nigeria, like other countries of the world, has a vast body of taxation law enacted by the legislature (National Assembly), interpreted by the courts and tribunals, and administered through administrative guidelines and practice statements issued by t ax authorities. These tax legislations operate subject to the 1999 Constitution of the Federal Republic of Nigeria, and represent a challenging subject due to their voluminous nature, technical complexity and constant reform.

Interpretation of Tax Law: the Attitude of the Court.
Statutory interpretation involves decoding or 'wrestling'with the words and their meanings used in the statute/law. There are four basic rules or cannons of statutory interpretation identified in literature – the literal rules, the golden rule, the mischief rule and the purposive approach (Tretola, 2006). While the literal approach requires that the provisions of the law be interpreted in accordance with the intention of the law marker by giving the words used in the language their ordinary and natural meaning, the golden rule allows the court to take into account the consequences of a particular interpretation by modifying the ordinary meaning of the words to overcome absurdity in the literal meaning of the word. The Mischief rule, which is applied where there are ambiguities in legislation, allows the court to determine the reason or purpose for passing the Act by the Parliament (the mischief to which the Act is directed) and adopts an interpretation that advances the purpose of the Act. The Purposive approach was signaled by the High Court in *Cooper Brooks (Wollongong) Pty Ltd. V. Commissioner of Taxation* (1980) 147 CLR 297 as a shift from the literalist approach. The principle canvassed in the Purposive rule is to ascertain what Parliament intended having regard to the context, and avoiding injustice where the provision is either open to two constructionsor the operation is capricious/irrational.

The doctrine of literal interpretation had long been documented in the case of *Cape BrandySyndicate V. Inland Revenue Commission* (1921) 12TC 358. In this case, the Rowlatt J. ruled that:

> *In a taxing Act one has to look merely at what is clearly said. There is no room for any intendment. There is no equity about a tax. There is no presumptions as to a tax. Nothing is to be read in, nothing is to be implied and subsequent legislation, if it proceeded on an erroneous construction of previous legislation, cannot alter the previous.*

Clarifying the above court decision, Lord Atkinson added that where the interpretation of a statute is obscured or ambiguous, or readily capable of more than one interpretation, light may be thrown on the true view to be taken of it by the aim and provisions of subsequent statute.The provisions of the income tax laws relating to the third year of assessment for a new business have remained clear and unaltered since 1961 and 1975 when the Personal Income and Company Income tax laws were respectively first enacted in Nigeria. These provisions have neither proceed from any erroneous constructs nor contained any obscure or ambiguous words that make them justifiably susceptible to more than one correct interpretation. Therefore, the plain words of the statute should be adopted, not by inference or by analogy.

The application of general rule or practice should not override the clear letters of the law even when such rules are made through circulars issued by the Revenue Authorities. The position of the Court in the case of *FIRS Vs American International Assurance Co (Nig.) Plc* confirms that taxpayers are free to challenge information in the Revenue's circular that are not strictly in accordance with tax statutes. The statutory duty of the revenue officials and even taxpayers to apply the law as it stands or to point out the defects. The tax officials and taxpayers cannot cure the defects in tax laws nor devise some means of circumventing them. Care should therefore be exercised in interpreting tax laws to ensure that the language of the law is not stretched in favour of the State or narrowed down in favour of the taxpayer (Onochie, 2002).

In this paper, the literal rule is considered most appropriate in resolving the multiple interpretation saga to the third year rule of a new business because the words/language used in S.29(3)(c) of CITA and S.24(c) of PITA are clear and unambiguous, and consistent with context. Therefore, the application of the ordinary and grammatical meaning of the words does not give rise to any abnormal or irrational basis period for computing assessable profits for the third tax-year in all circumstances, nor committing illegality while resolving abnormality associated with taxing a new business.

Assessable Profits/Income and Basis Period

Assessable profits of a chargeable 'person' are its adjusted profits or part thereof that is assessed to income tax in a tax year. Adjusted profits are computed based on the accounting year of a business while the assessable profits are determined and assessed to tax in the basis period of a tax year.

Basis period is the time period within which an assessment is raised on a taxpayer for the purpose of establishing the correct amount of tax liability in a particular tax year (Nwezeaku, 2005; Ezejelue&Ihendinihu, 2006; andAguolu, 2009). Business activities of every taxpayer must necessarily be concluded and the income or profits/losses resulting from such activities duly ascertained and reported before such income or profits/losses could be assessed for tax purposes. Again, every business has its own accounting year-end and the accounting period for a business may not be the same with the government fiscal year. The basis period therefore provides feasible and definitive period for tax assessment, and outlines equitable basis upon which differences in accounting periods of business entities are resolved and their tax liabilities computed on a common ground.

A review of the provisions in the Nigerian tax laws, (and in particular, section 29 of CITA and sections 23 and 24 of PITA) indicates the existence of two types of basis period that are applicable to a "person" liable to income tax in Nigeria. They are the Normal Basis Period and the Abnormal Basis Period.

Normal Basis Period (Preceding Year Basis)

The Normal Basis Period - otherwise called the Preceding Year Basis (PYB) - is provided for under section 29(1 &2) of CITA, 2007 for corporate taxpayers and section 23(1 & 2) of PITA, 2011 for individual taxpayers. Section 29(1) of CITA provides that:

> *The profits of any company for each year of assessment from such source of its profits (hereinafter referred to as "the assessable profits") shall be the profits of the year immediately preceding the year of assessment from each such source.*

Section 23(1) of PITA similarly provides that:

> *The income of any individual for each year of assessment from each source of his income (hereinafter referred to as "assessable income") shall be the amount of the income of the year immediately preceding the year of assessment from each such source, notwithstanding that he may have ceased to possess that source or that the source may have ceased to produce income.*

A correct and proper interpretation of the Year of Assessment (YOA) provided under section 29(1) of CITA and section 23(1) of PITA above is given in S.105(1) of CITA and S.108 of PITA as*a period of 12 months commencing on 1st January.*

However, section 29(2) of CITA and section 23(2) of PITA provide an alternative way of maintaining the preceding year basis but the rule is only for ascertaining assessable profits/income of *taxpayers whose accounting year-end is not on December 31.* Thus, section 29(2) of CITA states that:

> *When the Board is satisfied that a company has made or intends to make up accounts to its trade or business to someday other than the 31st day of December, it may direct that the assembled profits of that company shall be computed on the amount of the profits of the year ending on the day in the year preceding the year of assessment . . .*

A similar provision is stipulated under section 23(2) of PITA for any individual who makes or intends to make up his accounts of a trade, business, profession or vocation carried on by him to someday other than the 31st day of December.

Therefore the normal basis periodis applicable to an existing business that has been carrying on its business and without any threat to its going concern status or alteration to its accounting date. For a normal basis period to apply, three basic conditions must be satisfied viz.:

a) The length of the basis period must be equal to twelve(12) months; it should not be more than or less than twelve(12) months.
b) It is the only accounting period ending in a preceding fiscal or tax year – it will have only one permanent year-end.
c) It must have commenced on the day after the last account ended – there should be no overlapping or coinciding periods, or gap between the basis periods, hence the next basis period must commence on the day immediately after the end of the last basis period – there is an element of continuity.

Where any of the above conditions is not met, the preceding year basis of assessment cannot be used in computing the assessable profits/income, hence the Abnormal Basis of assessment will apply.

Abnormal Basis Period (The Actual Year Basis)

Abnormal basis period refers to special provisions in the tax laws for determining the period from which assessable profits/income should be computed in circumstances where any of the conditions for normal basis of assessment (i.e. PYB) is not satisfied. The following four circumstances give rise to abnormal basis period:

- Commencement of a new business.
- Change in government fiscal year
- Change in the accounting date
- Cessation of a business.

For the purpose of this paper, we shall restrict our discussion to commencement provisions with emphasis on issues relating to the third tax year.

Commencement Provisions for Computing Assessable Profits under CITA and PITA

The statutory provisions for computing assessable profits/income for a new business in its first three years of existence are contained in S.29(3)(a – e) of CITA and these are deliberately restated here as follows:

a) *For the first year the assessable profits shall be the profits/income of that year.*
b) *For the second year the assessable profits shall, unless such notice as hereinafter mentioned is given, be the amount of the profits of one year from the date of the commencement of the trade or business as determined for the purposes of paragraph (a) of this subsection.*
c) *For the third year the assessable profits shall, unless such notice as hereinafter mentioned is given, be computed in accordance with subsection (1) of this section.*
d) *A company shall be entitled on giving notice in writing to the Board within two years after the end of the second year, to require that the assessable profits both for the second year and the third year (but not for one or other only of those years) shall be the profits of the respective years of assessment:*
Provided that the company may, by notice in writing given to the Board within twelve months after the end of the third year, revoke the notice and in such case, the assessable profits both for the second year and the third year shall be computed as if the first notice had never been given:
Provided that if the basis period for the second or third year is the period of nine months from April 1 to December 1, 1980, the profits of that basis period shall be grossed up as if they were the profits of twelve months.
e) *Where such notice as aforesaid has been given or revoked, such additional assessments or such reductions of assessments or repayments of tax shall be made as may be necessary to give effect to paragraph A(d) of this subsection:*
Provided that if the company fails to agree with the Board as to the amount of any reduction of an assessment or repayment of tax, the Board shall give notice to the company of refusal to admit such reduction or repayment and the provisions of Part XI of this Act shall apply accordingly with any necessary modifications as though such notice were an assessment.

The above commencement provisions in CITA are materially the same with those in S.24(a-e) of PITA.

Multiple Interpretation of Commencement Provisions: A Critique of ExistingPractices.
It should be noted that there is uniformity in interpretation and practice regarding the commencement rules for computing assessable profits in the first and second tax-years as provided in S.29(3)(a & b) above. But the provisions for the third tax year providedin S29(3)(c) of CITA and S.24(c) of PITA, have been subject to multiple interpretations without any consensus on the correct interpretation.

For any interpretation given to the commencementprovisions for computing assessable profits in the third tax-year to be properly evaluated, two important clarifications must be borne in mind. Firstly,S.29(1) of CITA and S.23(1) of PITA refer to Government fiscal year covering a twelve month account from January 1to December 31 of the year immediately preceding the year of assessment. Secondly, S.29(2) of CITA and S.23(2) of PITA relates to the basis period when the business ends its accounting date *on someday other the 31st day of December . . . in the year preceding the year of assessment.*Therefore, any reference to any of these sections should be restricted to that section and should not be presumed to include the other. This appears to be the major source of misconception that has given birth to multiple interpretations to the third year rule, and thereby yielding irrational/unrealizable/abnormallengths in basis periods.

Many authors and tax administrators have resorted to rationalizing the use of various approaches like grossing up, repetition, and aggregation, as remediesfor this avoidable problem. (Ariwodola, 2000;Tabansi-Ochiogy, 2001;Ojo, 2003;Nwezeaku, 2005; ICAN, 2009; Aguolu, 2009; and ICAN, 2012) and these self-generated/imposedapproaches are outside the clear mandate of tax laws in Nigeria.Nwezeaku (2005) identified Grossing up the period to 12 months and Repetition of the second year assessment as two viable options for remedying situations where no twelve month accounts have been prepared to end on a date in the preceding year of assessment. He however noted that scholars are not entirely agreed on the best method to be adopted to resolve the problem.

Fagbemigun (2017) rightly cited the provisions of S.29(1) and S.29(3)(c) of CITA, and noted that it may not be possible to obtain a realisticbasis period for the third year *when the month of commencement is after the month chosen as the permanent year-end.* Accordingly, he stated that the general practice is to apply the repetitive rule which requires that the basis period for the second tax year be repeated in the third tax year. But this practice neither accurately fixes the letters of the law to its spirit nor ascertains the true intentions of the legislature from the words employed in sections 29(1) and 29(3)(c) of CITA.

Again, the use of second tax-year assessable profits in the third tax-year (the repetition rule) has no legal backing. The legal provision for the second tax year is specific {that is, S.29(3)(b) of CITA and S.23(3)(b) of PITA} and the two laws made no provisions for these sections to be applied to any other tax year. This explains why Onochie (2002) stated that:

> *there is no statutory provisions under the Nigerian tax laws supporting the standard of ICAN requiring the use of basis periods of second year for the third year assessment. The legal provision for the second year is specific and there is nowhere the law states that it can be used also for the third year of assessment.*

The use of PYB of the Accounting year of business in the third tax-year is not the standard of the Act. Okezie (2003) rejected the usage of twelve month accounts ending *on someday other than 31st day of December in the preceding year* for the third tax-year, stating that the rules for taxation of new business as provided in S.24(c) are specific, simple and non-ambiguous. He concluded that the Repetition Rule and Grossing-up Rule should be rejected since they are not the standard of the Act.

Transitional provisions in tax laws cannot be applied or generalized outside the transition period. Reliance on the provisions of S.29(1)(a & b) and S.29(3)(d) of CITA to justify the application of grossing-up and/or repetition rule is inappropriate because they were transitional provisions to resolve issues arising from change in government fiscal year. Prior to March 31st, 1980, the fiscal year of government was a twelve(12) month period from April 1 to March 31. With effect from 1980, the fiscal year of government was changed to run from January 1 to December 31 each year. The transitional provision in S.29(1)(a & b) states that:

> *. . . in respect of any company which made up its accounts to any date between January 1 and March 31, 1980, such that the profits to be assessed to tax:*

a) *In 1980 year of assessment, shall be the profits of the period from the beginning of the accounting year to 31st December, 1979.*
b) *In 1981 tax year, shall be the profits for January 1 to the end of the company's accounting year in 1980.*

S.29(3)(d) equally states that:

> *if the basis period for the second or third year is the period of nine months from 1 April to 31 December, 1980, the profits of that basis period shall be grossed-up as if they were the profits of twelve months.*

These provisions cannot be generalized or even be applied to situations outside the year and the accounting period specified (that is, January 1 to March 31, and April 1 to December 31, 1980), neither can the provisions be extended by implication. (see*Municipal Council ofHinabangan, Samar (1964) G.R. No. L-18924*)

Statutory requirements for Apportionment of Profits are not necessary and legal remedies for abnormality in length of basis period in the third tax year. S.29(6) of CITA (which is substantially the same as S.30 of PITA) states that:

> *Where in the case of any trade or business it is **necessary**, in order to arrive at the profits of any year of assessment or other period, to allocate or apportion to specific periods the profits or loss of any period for which accounts have been made up, or to aggregate any such profits or loss or apportioned parts thereof, it shall be **lawful** to make such allocation, apportionment or aggregation, and any apportionment under this section shall be made in proportion to the number of days in the respective periods, unless the Board, having regard to any special circumstances otherwise directs.*

Although Onochie (2002) had relied on this provision to allocate twelve(12) month profits to the third tax year, it is absolutely UNNECESSARY to rely on this provisions as remedy for abnormality in lengths of basis period in the third tax year for two reasons. Firstly, the section provides legal backing for resolving complications arising from coinciding, overlapping and gap in basis period in abnormal situations. Secondly, any reliance on the provisions for Apportionment of Profits to allocate, apportion and aggregate profits must comply with express provisions of tax laws in other to be LAWFUL and should never be used as grounds for breaching the clear provisions of S.29(3)(c) of CITA and S.24(c) of PITA. To do so will amount to striving to create ambiguity where none exists, and committing illegality while attempting to resolve abnormality in length of basis period. Therefore it is absolutely unnecessary to interpret S.29(6) of CITA as applicable to the clear and definitive provisions in S29(3)(c) which clearly specified the application of the rule in S.29(1) of CITA in the third tax-year of a new business. Similarly, it is unlawful to apply apportionment provisions in S.30 of PITA to the clear and unambiguous provisions in S24(c) which specifically requires the application of S.23(1) of PITA in computing assessable profits for the third tax-year of a new business.

These divergent interpretations/applications have created gaps in tax practice and raised more questions with policy implications. Are the commencement provisions relating to the third tax year ambiguous? Could multiple interpretations/applications of the commencement provisions affect the basis period for computing capital allowances on qualifying expenditures and for granting loss reliefs under the income tax laws? Will such multiple interpretations/applications not have any material effect on government collectible tax revenue and on the tax liabilities/burden of taxpayers in Nigeria? This study provided empirical evidence for addressing these gaps in knowledge.

Methodology

A full case study methodology based on Literal Rule of statutory interpretation was adopted in arriving at the correct interpretation of the provisions of S.29(3)(c) of CITA and S.24(c) of PITA. This case study approach is consistent with Court decisions in *Cape Brandy Syndicate v Inland Revenue Commission (1921)*, *Inland Revenue Commissioners vs. Duke of Westminister (1936)*, and *Aderawos Timber Trading Co. Ltd. v. FBIR (1966)*.Burton (2005) equally adopted a similar approach based on the full Federal Court decision in *Grollo Nominees Pty Ltd. v FCT.*

Also, financial statements of twelve (12) new businesses (marked A to L) in Abia State were collected for the first four years and their Profits-Before-Tax extracted and adjusted for tax purposes to provide base data for the study. Seven different commencement dates were simulated to generate multiple cases/scenarios, and each scenario assigned different year-end. These scenarios were generated in such a way as to exhaust every possible case that may arise while computing the assessable profits of any new business under the Nigerian Income Tax Acts. Using the data generated, the assessable profits/income for the third tax years under each scenario were computed for each business using three different interpretational approaches/options to section 29(3)(c) of CITA and section 24(c) of PITA as follows:

a) *Approach/Option 1:*PYB of Accounting year-end of the business – that is, the 12 months profits/income ending "someday other than the 31st December . . . in the year preceding the year of assessment", as provided for in section 29(2) of CITA and S.23(2) of PITA. This option is adopted by many tax instrutors/authors.

b) *Approach/Option 2:*PYB of government fiscal year – the amount of profits/income from January 1 to December 31 of the previous year as provided inS.29(1) of CITA and S.23(1) of PITA. This option is in adherence to the provisions of S.29(3)(c) of CITA and S.24(c) of PITA and the court decisions and literal rule that formed the framework for our interpretation. This interpretation is, however, adopted by very few tax instructors/authors.

c) *Approach/Option 3:*Repetition Rule – this requires that the basis period used in the second year (the profits/income earned in the 1st twelve months of commencement of business) be repeated in the third tax year. This option is suggested by ICAN as remedy for ***option 1*** where "no twelve month accounts have been prepared to end on a date in the preceding assessment year" (ICAN, 2009:230).

Assessable profits/income were computed under each Approach/Option, resulting to 252 valid data points. Paired sample t-test was used to compare the mean differences between each pair of options while Analysis of Variance was used to test for the overall significant difference in the mean assessable profits generated among the three options.

Data analysis and discussion of results

We present below, the correct interpretation of the provisions for computing third year assessable profits/income of a new business and empirical evidence of the effect of multiple interpretation on the computed assessable profits/income.

Correct Interpretation to the Rule for the Third Tax Year of a New Business.

Research Question 1: *What is the correct interpretation and application of the provisions for ascertaining the third year assessable profits of a new business?*

Following the literal rule of interpretation and the case study methodology, we provide justifications/grounds for the correct interpretation and application of the third year provisions as follows:

1) S.29(3)(c) of CITA referred to S.29(1) of CITA, while S.24(c) of PITA referred to S.23(1) of PITA as basis period for the third tax year. Both subsections under reference specifically relate to a 12 month account ending on December 31.
2) S.29(3)(c) of CITA did not make any reference to S.29(2) of CITA neither did S.24(c) of PITA make any reference to S.23(2) of PITA. It has been established that if a provision specifically

deals with a subject matter, the general provision or a residual provision cannot be invoked for that subject as held in *CIT vs Roadmaster Industries of India (P) Ltd (2009) 315 – ITR-66 (P&H*).

3) Specific references to S.29(1) by S.29(3)(c) of CITA cannot be presumed to include S.29(2) of CITA. Similarly, the reference to S.23(1) by S.24(c) of PITA cannot also be presumed to cover S.23(2) of PITA. In both references, the PYB of business accounting date *ending someday other than 31st day of December*was never mentioned or intended; but the references required the application of the government fiscal year provided for under subsection 1 of the sections referred to in both Acts. As decided in *Marinduque Iron Mines Agents Inc. vs. the Municipal Council of Hinabangan, Samar (*1964) *G.R. No. L-18924,* the provisions of a taxing act are not to be extended by implication.

4) S.105(2) of CITA on Interpretation states that: *Any reference in this Act to any section, Part or Schedule not otherwise identified is a reference to that section, Part or Schedule of this Act.* Thus references to S.23(1) by S.24(c) of PITA and S.29(1) by S.29(3)(c) of CITA shall be restricted as reference to subsection (1) as specified and not subsection (2).It would therefore be inconsistent with the clear letters of the law to presume, read in or imply that the purport of S.29(3)(c) of CITA and S.24(c) of PITA has any connection with PYB of business accounting date*ending someday other than 31st day of December*. S.105(2) of CITA is consistent with the decision in *C.I.T. vs. Rajasthan Financial Corporation (2007) 295-ITR-195(Raj FB)* where it was held that if the construction of a statutory provision on its plain reading leads to a clear meaning, such a construction has to be adopted without any external aid. Therefore, no one can be taxed by implication. A charging section must be construed strictly. If a person has not been brought within the ambit of the charging section by clear words, he cannot be taxed under it at all. See *CWT vs. Ellis Bride Gymkhana and others (1998) 229 ITRI*.

5) Use of PYB of government fiscal year in the third tax year perfectly satisfies the three basic conditions for normal basis period and provides clarity and certainty in the computation of assessable profits for the third tax year in all possible scenarios of date of commencement and year-ends of a new business. Thus, in no circumstance will the application of PYB of government fiscal year in the third tax year lead to basis periods that are less than 12 months. Consistent with the ruling in *SmitaSubhashSawant vs. JagdeshwariJagdish Amin AIR (2016) S.C. 1409 at 1416,* if the language of statute is plain, simple, clear and unambiguous, then the words of theS statute have to be interpreted by giving them their natural meanings. Recourse to construction of statute is only necessary when there is ambiguity, obscurity or inconsistency therein and not otherwise. No words shall be added, altered, or modified unless it is plainly necessary to do so to prevent a provision from being unintelligible, absurd, unreasonable, unworkable or totally irreconcilable with the rest of the statute. Compare Options 1 and 2 in the Appendix.

6) Also, the use of PYB of government fiscal year in the third tax year does not require any grossing up processes to determine the appropriate assessable profits for any tax year even in situations when the taxpayer's options (right of election) for the computation of assessable profits for the second and third tax years are exercised under the provisions of S.29(3)(d & e) of CITA and S.24(d & e) of PITA.

7) No conditionality is required to be satisfied when applying the normal preceding year covering January 1 to December 31 in the third tax year as provided for in S.29(3)(c) of CITA and S.24(c) of PITA. But the application of PYB of business accounting date ending *someday other than 31st day of December*is subject to the directive or approval of the Board (see S.29(2) of CITA and S.23(2) of PITA. Also Apportionment of Profits under S.29(6) of CITA or S.30 of PITA requires written request/notice by the chargeable "person" in other to be acceptable/valid.

Therefore, the PYB of government fiscal year representsthe proper and correct interpretation/application of the relevant provisions of both CITA and PITA for computing assessable profits in the third tax year of a new business and, not the accounting year-end of the business.

Illustrations highlighting third year basis periods using three interpretational approaches are presented in the Appendix based on the methodology earlier described. These illustrations equally provide evidence that the use of PYB of business accounting date *ending someday other than 31st day of December* (Option 1) for the third tax year is not generally feasible, realizable and sustainable, while PYB of government fiscal year (Option 2) consistently showed no case of abnormality.

Mean Assessable Profits of the Third Tax Year of a New Business under Three Different Interpretational Approaches.

Table 1 presents the descriptive statistics of the assessable profits under the three options and thus provide answers to research questions 2 to 5 for this study.

Table 1: Descriptive Statistics of 3rd Year Assessable Profits Under the three Options

Approach/Option	N	Minimum	Maximum	Mean	Std. Deviation
1. PYB of Biz Accounting year-end	84	6430	346000	68214.29	71625.844
2. PYB of Govt. Fiscal Year	84	7750	382810	115381.58	85596.090
3. Repetition Rule	84	8975	491833	124704.65	93278.573
Valid N (listwise)	84				

Source:Computed with data extracted from financial statements of 12 selected new business entities in AbiaState.

The three interpretational approaches/options generated different mean assessable profits/income in the third tax year. The Repetition Rule,with mean assessable profit of ₦124,704.65, has the highest dispersion from the means with a standard deviation of ₦93,278.57, followed by the PYB of Government fiscal year with a mean of ₦115,381.58 and standard deviation of ₦85,596.09. The implication is that the Repetition Rule imposes the greatest burden on taxpayers while the least mean assessable profit of ₦68,214.29 was generated through the use of PYB of business Accounting date (option 1)potentially resulting to losses in tax revenue collectible by government. The application of the correct interpretation (Option 2) has a moderating effect on tax burden and government collectible revenue. The cardinal rule in addressing taxes is that the government and the taxpayer are bound by the principle of justice and fair play. The language employed in the statue is the determinative factor of legislative intention. So, considerations of hardship, injustice and equity are entirely out of place in interpreting a taxing statue (see *Ajmera Housing Corporation and Another vs. C.I.T. (2010)326 - ITR – 642-(SC).*

Test of Significant Difference in the Means of the Third Year Assessable Profits under the Three Interpretational Approaches.

A paired sample t-test of the approaches/options was carried out and the results shown in Table 2 provide data for testing H0[1] to H0[3].

Table 2: Result of Paired Sample t-test of theThree Interpretation Approaches/ Options

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	PYB of Biz Accounting year-end (Option 1) - PYB of Govt. Fiscal Year (Option 2)	47167.298	76587.492	8356.380	63787.802	30546.793	5.644	83	.000
Pair 2	PYB of Biz Accounting year-end (Option 1) - Repetition Rule (Option 3)	56490.369	80713.658	8806.582	74006.307	38974.431	6.415	83	.000
Pair 3	PYB of Govt. Fiscal Year (Option 2) - Repetition Rule (Option 3)	9323.071	54219.535	5915.836	21089.432	2443.289	1.576	83	.119

Source:Computed with data extracted from financial statements of 12 selected new business entitiesin Abia State.

H0[1]: *There is no significant difference in the mean assessable profit for the third tax-year of a new business computed using PYB of business accounting year-end and PYB of government fiscal year.*

Table 2 shows that the paired sample t-test for Options 1 and 2 yielded a t-value of 5.644 at 1% level of significance. This shows that third year assessable profits calculated based on the application of PYB of business accounting year-end and the PYB of government fiscal year differed significantly from each other. The study therefore rejects the null hypothesis and concludes that *there is significant difference in the mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and PYB of government fiscal year*.

H0[2]: *The mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and repetition rule do not differ significantly.*

Similarly,with a t-value of 6.415 being significant at 1% in table 2, the comparative assessable profits ascertained using option 1 and option 3 equally indicated significant disparity from each other. Accordingly, the null hypothesis is rejected and we conclude that the mean assessable profits for the third tax-year of a new business computed using PYB of business accounting year-end and the repetition rule differ significantly.

H0[3]: *The difference in the mean assessable profits ascertained using PYB of government fiscal year and repetition rule is not significant.*

Table 2 indicates that the paired sample t-test result for Options 2 and 3 yielded a t-value of 1.576with a probability of .119.Since the probability is greater than 0.05, we accept the null hypothesis and conclude that *the difference in the mean assessable profit ascertained using PYB of government fiscal year and repetition rule is not significant.*

H0[4]: *There is no significant difference in the mean assessable profits for the third tax-year of a new business computed using the three interpretational approaches.*

An overall evaluation of the disparity of the mean assessable profits computed using the three different approaches is shown in table 3.

Table3: Analysis of Variance on the Assessable Profits under three Interpretation Options.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	154079391779.103	2	77039695889.552	10.924	.000
Within Groups	1756101082328.548	249	7052614788.468		
Total	1910180474107.651	251			

Source:Computed with data extracted from financial statements of 12 selected new business entities in AbiaState.

Table 3 is an ANOVA result evaluating overall disparity in the mean assessable profits computed using the three interpretational approaches. With F-ratio of 10.924 at 1% level of significance, we reject the null hypothesis and conclude that *the mean assessable profits for the third tax year significantly differed among the three interpretational approaches* adopted toS.29(3)(c) of CITA and S.24(c) of PITA.

Conclusions

Summary:

The results from this study are summarized as follows:

1. Multiple interpretations of commencement provisions in income tax laws lead to disparity in tax burden and collectible tax revenue to government. This has implications on capital allowances and loss reliefs claimable under the tax laws.
2. The Repetitive Rule imposes the greatest burden on taxpayers.
3. The PYB of business accounting year-end leads to loss of tax revenue to government.
4. The government fiscal year-end has a moderating effect on both parties – it is neither stretched in favour of the government nor narrowed down in favour of the taxpayer.

The adoption of multiple interpretations to the provisions relating to the third tax year of a new business is inappropriate and contravenesthe essential attributes of a good tax system on certainty, equity and equality. The attitude of the courts in interpreting tax laws remainsa guiding compass for ensuring that presumptions and intendments are not brought to bear with the interpretation/application of any clear letters of tax laws.The paper therefore concludes that the preceding fiscal year of government covering January 1 to December 31 is the correct interpretation to the provisions of S.29 (3)(c) of CITA and S.24(c) of PITA, andprovides the right basis period for computing the assessable profits/income in the third tax year of a new business under the Nigerian tax laws.

Recommendations:

Based on the above findings, the paper recommends that:

1. The application of more than one interpretation/application of the provisions of income tax laws in Nigeria should be avoided to ensure certainty and equity in Nigerian tax system.
2. The PYB of government fiscal year (Option2) should be uniformly applied (as a consensus position) in ascertaining the third year assessable profits/income of new businesses in Nigeria. By adopting this interpretation a balance in the effects of the multiple options on government tax revenue and tax burden onchargeable 'persons' would have been equitably struck without stretching the interpretation in favour of the State or narrowing down in favour of the taxpayer.
3. A new theory to aid better understanding and interpretation of tax laws be adopted. This suggested theory (called the Clear Letters Theory) states that, *in interpreting and applying provisions of tax*

laws, primary regard must be placed on the clear wordings /letters of the relevant statute without devising any presumptuous means of circumventing them. The letters of the law should be applied as it stands, and its purport should neither be stretched in favour of the State nor skewed against the taxpayer. Thus, any misapplication or misinterpretation of the clear words of a tax law is a mistake of the mind, and not of the law.

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Appendix:

Basis Period of the three Approaches for the Third Tax-Year of a New Business that started on 01/07/00 with Year-end Fixed at the End of Various Months of the Year.

Third Tax Year	Year-end	BASIS PERIOD USING		
		PYB of Accounting year-end outside Dec. 31 (Approach/Option 1)	PYB of Government Fiscal Year (Jan 1 to Dec. 31) (Approach/Option 2)	Repetition Rule (First 12 months) (Approach/Option 3)
2002	31/01	01/02/00 – 31/01/01*	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	28/02	01/03/00 – 28/02/01*	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	31/03	01/04/00 – 31/03/01*	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	30/04	01/05/00 – 30/04/01*	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	31/05	01/06/00 – 31/05/01*	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	30/06	01/07/00 – 30/06/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	31/07	01/08/00 – 31/07/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	31/08	01/09/00 – 31/08/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	30/09	01/10/00 – 30/09/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	31/10	01/11/00 – 31/10/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01

2002	30/11	01/12/00 – 30/11/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01
2002	31/12	01/01/01 – 31/12/01	01/01/01 – 31/12/01	01/07/00 – 30/06/01

* Basis period is abnormal as it falls before 01/07/00 when business started and the actual length of the period is less than 12 months.

ENFORCEMENT OF TAX LAWS IN THE NIGERIAN TAX SYSTEM: CHALLENGES AND THE WAY FORWARD

[1]Alpheaus, OgechiEberechi;[2]Nmesirionye, Josephine Adanma; &[3]Ihendinihu, John Uzoma, Department of Accounting
College of Management Sciences
Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria.
E-mails: [1]alpheausogechieberechi@gmail.com
[2]adandynmesi@yahoo.co.uk
[3]ihendinihu.john@gmail.com

Abstract
The study investigated the factors militating against effective enforcement of tax laws in Nigeria. The objective is to isolate the critical challenges facing the machinery for tax administration in Nigeria with a view to adducing strategies for enhancing collectible tax revenue and reducing Nigeria's over dependence on oil revenue. Ten militating factors were investigated based on their prevalence in prior studies. Survey opinion of 560 respondents stakeholders were extracted using a five-point Likert questionnaire validated by tax experts and shown to have a stability coefficient of 0.78. Data were analyzed using descriptive statistics and multiple regression technique. Results indicate that the identified factors accounted for 67.7% of the changes in the level of enforcement, with high level of corruption, large size of underground economy, severity of punishment, investigation/litigation challenges, poor funding and manpower limitations having significant influences on tax enforcement machinery. Contrary to expectations, paucity of tax statistics, and frequent changes in tax laws/polices were not implicated for imposing serious restraint on the level of enforcement. The paper concludes that the enforcement machinery for tax laws/policies in Nigeria is weak and should be strengthened to enhance efficiency in tax administration. It therefore recommends the adoption of credible enforcement strategies for sensitizing the general public on every emerging tax issues while ensuring corrupt free and efficient tax administration with adequately trained, equipped and motivated workforce to meet government revenue targets.

Keywords: Nigerian tax system, Tax laws and policy, Tax enforcement, Administrative capacity, Tax compliance, Underground economic activities.

Introduction
The power to enforce compliance to tax laws in Nigeria is statutorily provided for and the Federal Inland Revenue Service (FIRS) is the body charged with that responsibility (Sections 2 and 25 of the Federal Inland Revenue Service Establishment Act, (FIREA) 2007). The Service has its statutory functions specified under S.8(1)(a – t) of the Act, including the duty to assess, collect, account and enforce payment of taxes as may be due to the Government or any of its agencies. In collaboration with the relevant law enforcement agencies, the Service is also required to carry out such examinations and investigations necessary for enforcing compliance with the provisions of tax legislations in Nigeria, including adopting measures to identify, confiscate or seize proceeds derived from tax fraud or evasion, and taking regulatory actions to detect and prevent non-compliance.

In exercise of its functions the FIRS has powers to free access to all lands, buildings, places, books and documents as well as to remove/make copies of such books and documents of a chargeable person/s for the purpose of inspection to provide needed information for tax administration (S. 29 and S.30. FIRSEA, 2007). The FIREA equallyoutlines penalties for various tax offences under the tax laws and enforcement measures to forestall tax evasion and fraud, and stimulate the level of compliance to tax in Nigeria.

With these enforcement provisions and actions in place, one would expect that a good number of chargeable persons under the Nigerian tax laws would voluntarily comply with tax payment; but this situation is far from being realized. Nigeria still has wide gap between taxes collected by Government and what could ideally be collectible, and it is suspected that the application of force in tax enforcement initiative has achieved little results in closing the tax gap. Some of these enforcement strategies have publicly been criticized for being defective in constitutionality and potency.

Available evidence show that coercive enforcement approaches have not narrowed down the tax gap in Nigeria, neither have such approaches reduced tax gap in other developing economies. There is high level of non-compliance by individuals and corporates who are either operating in the informal sector and out of the tax net or are just paying lip service to tax obligations (Elihah&Ufort, 2007; Schneider &Enste, 2002; Ihendinihu&Ochonma, 2010). According to Delloitte (2018) most developing countries collect between 10% and 20% of their GDPs as tax revenue compared to their Organization for Economic Co-operation and Development (OECD) counterparts who collect between 30% and 40%. The paper reported that the ratio of non-oil tax revenue to GDP in Nigeria is far below 10%, which makes Nigeria's case even worse than most developing countries. These circumstances justify the renewed drive by Nigerian government to achieve substantial growths in non-oil revenue. Some of the socio-economic factors implicated in literature as affecting the level of enforcement of tax laws in Nigeria include severity of punishment and penalties, taxpayer hostility, large size of the informal sector, corruption, frequent changes in tax laws and guidelines, poor funding, manpower limitations, poor tax audit efforts and litigation challenges. Accordingly, it has become imperative for the revenue authorities to modify their tax enforcement mechanism as a deliberate strategy for minimizing tax gap and increasing tax revenue in Nigeria.

The main purpose of this paper is to explore the challenges militating against effective enforcement and compliance to tax laws in Nigeria with a view to making appropriate recommendations on the way forward.

The specific objectives of this study therefore are:

1. To determine the level of enforcement of tax laws in the Nigerian Tax System.
2. To evaluate the effects of identified socio-economic factors on the level of enforcement of tax laws in Nigeria.

Research Questions

1. What is the rating of the level of enforcement of tax laws in the Nigerian Tax System?
2. To what extent does each of the identified factors / challenges affect the level of enforcement of tax laws in Nigeria?

Research Hypothesis

HO_1: There is no significant difference in the opinion of respondents on the level of enforcement of tax laws in the Nigerian tax system.

HO_2: Identified socio-economic factors have no significant effect on the level of tax enforcement in Nigeria.

Literature Review

Conceptual Review

Nigerian Tax System

A tax system is a legal system of rules imposed by an authority for administering taxes within the area covered by the imposing authority. It covers assessment, collection and interpretation and enforcement of tax laws. The government is the imposing authority and the instrument used to exercise this authority is the tax law, while the tax authorities constitute the implementation brain box. A tax system also covers the tax structure, the different ways in which imposing authority can apply tax rates- regressive, progressive or proportional basis – as well as the tax base – income (direct) or expenditure/consumption (indirect).

In Nigeria, the tax system reflects the tiers of government operated in the country. The Federal, State, and local governments have different fiscal responsibilities and taxing powers (fiscal federalism) and this has implications on the management of the tax system. The system is reported to be characterized by unnecessarily complex, distortionary and largely inequitable tax laws that have limited applications in the informal sector (Odusola, 2006; Blessing &Ifurueze, 20112 and Omesi, Teerah, &Nzor, 2014). The system has equally been criticized for unduly favouring the Federal government who has monopoly over legislative powers and also controls the buoyant tax components in the system. The enforcement machinery of our tax laws has been reported to be porous and a number of challenges are militating against effective tax administration and that explains the existing tax gap in Nigerian.

Tax Laws andEnforcement

Tax law is a legal instrument of authority for imposing tax in a system. It contains statutory and regulatory rules that constitute the body of laws imposed by the authority for the administration of taxes. Tax laws govern the liability of a 'person' to tax and covers the rules that establish the incidence of tax and the rules relating to the administration and enforcement of the tax system. With significant reforms in the Nigerian tax system, the tax laws are being reviewed with a view to repelling obsolete provisions and simplifying the complex ones. The government approved list of taxes and levies for collection by the three tiers of government are published by the Joint Tax Board (JTB) and administered by the tax authorities at the different levels of government. The major tax laws in Nigeria are Company Income Tax, Personal Income Tax, Petroleum Profit Tax, Value Added Tax, Education Tax, Capital Gains Tax, Withholding Tax, and Stamp Duties.

Tax law enforcement is the art of ensuring observance/compliance to the provisions of tax law.It includes the use of judicial and non-judicial strategies/machineries to compel or persuade obedience to the requirements of tax laws(Tanko, 2015). Law enforcement in the Nigerian tax system has become a central focus of tax administration due to increasing ingenuity of taxpayers in hiding part or all of what is due to the government as tax and the influx of business activities into the informal sector. It is key in enhancing taxpayer compliance and stimulating responsibility of citizens to tax obligations (Omesi, Teerah&Nzor, 2014; and Tanko, 2015).

The procedure for enforcement of tax in Nigeria ranges from filling of returns/self-assessment, assessment by the tax authority, power of distrain by revenue authorities, to prosecution of tax defaulters for recovery of tax in a court of competent jurisdiction. These enforcement procedures are provided for under the various tax laws in Nigeria. For instance, the power of distrain under S.33 of FIRSEA (which is also replicated in S.86 of Company Income Tax Act, 2007; S.104 of Personal Income Tax Act, 2011 and S.3(1) of Petroleum Profit Tax Act, 1999) authorizes the FIRS to seal off premises, seize and hold the property of a defaulting taxpayer to compel payment of any outstanding tax. Section 34 of FIRSEA further provides for recovery of taxes by civil action while S. 35 of the Act provides for the employment of Special Purpose Tax Officers to assist and cooperate with any relevant law enforcement agency to ascertain any violation of any tax law and undertake the investigation and prosecution of such offences in line with S.36 of the Act. According to Oyedele, Erikume andAkinla (2014), the enforcement of filing of tax returns and payment of taxes by distraining properties and procuring the arrest of principal officers of defaulting companies by the FIRS has raised the question of procedure, due process and constitutionality of the power to distrain as provided for in Section 33 of FIRSEA.

Questioning the constitutionality of the power to distrain, Oyedele, Erikume andAkinla (2014) noted that the exercise of the power is inconsistent with the provisions of Section 36 on fair hearing, Section 37 on rights to privacy, and Section 43 on property, as enshrined in the 1999 Constitution of the Federal Republic of Nigeria; particularly, when the authority to distrain under Section 33(7) of FIRSEA covers "all goods, chattels and effects belonging to the defaulting taxpayer wherever the same may be found in Nigeria". Without resort to due judicial process, the FIRS as judgment creditor will be both the accuser and the judge, having powers to issue warrant under the Act, and proceeding against the movable property of the judgment debtor (defaulting taxpayer) without a judicial intervention and thus putting the later at a very big disadvantage. Such unrestricted and forceful access to lands, buildings, books and documents could lead to disruptions and difficulties in the operating environment of the business, and damage the corporate image of the business when such powers are exercised with the presence of the press.

Challenges of Tax Enforcement
A number of factors tend to deter effective enforcement of tax laws and practice in many economies and these include Manpower Limitations, High Level of Corruption, Frequent Changes in Tax Laws & Cumbersome Filing Processes, Underground Economic Activities, Investigation & Litigation Challenges, Taxpayers' Hostility, Paucity of Tax Statistics, Poor Funding, Severity of Punishment, and Information Technology & Innovation Challenges.

The reasons for this are not far-fetched. First is the innate attitude of man not wanting to pay taxes and levies, especially where the risk of detection is low or no penalty for non-compliance exists. Again, non-availability of relevant records to accurately ascertain taxable profits, especially in the informal sector, remains a serious challenge. There is also poor public perception of the public service, where there is a strong view that the funds collected are not being used for public interest. These are among the reasons why wide tax gap has persisted in Nigeria.The scourge of corruption in Nigeria has become pervasive and a large number of the people are pathologically corrupt. At the global scene, Nigeria has acquired a culture of corruption; raking 148th out of 180 countries in the Global anti-corruption watchdog's 2017 Corruption Perception Index (Transparency International Report, 2018). The report further disclosed that on the African continent, Nigeria ranked 32nd position out of 52 assessed countries in 2017. Corruption nurtures poverty and promotes growths in underground activities. It has been reported by the National Bureau of Statistics that 60.9% of Nigerians in 2010 live below, not even the international line of $1.25 per day, but $1 (£0.63) per day, and this is traceable to corruption and other socio-economic vices which are prevalent in the country.

Underground Economy is a significant element in virtually all countries and sectors of an economy and the larger the size the greater the challenge it possess for tax enforcement in that economy. Nikos (2005) had identified the size of informal economy as having significant effect on the tax compliance and enforcement level. Estimates of the size of underground economy vary greatly among nations due to differences in definitions and measurement methodology used (CCRA, 2002). Ihendinihu andOchonma (2010) estimated the size of underground economy in Nigeria at 62.8% of GDP and identified a weak positive relationship between tax burden and the size of the informal economy. Schneider andEnste (1998) also reported the existence of greater underground economic activities in developing African countries than in some Asian and South American countries with African countries (as represented by Nigeria and Egypt in the study) recording 68 -76% of the GDP in underground economic activities, while the least underground activities (13 - 15% of GDP) were recorded by the Asian tigers of Singapore and Hong Kong. In a separate study, Nmesirionye andIhendinihu (2016) estimated that Nigeria lost a total of ₦38,357.3 billion in tax revenue as a result of underground activities from 1980 to 2013 with an average of about ₦1,128.2 billion per annum; affirming the existence of significant relationship between the size of underground economy and total unrealized tax revenue.

The implications of these results are noteworthy. First, they provide evidences that large volume of economic activities are going on outside the reach and control of Nigerian fiscal authorities and much tax revenue is lost as a consequence. Also, non-tax factors drive people out of the formal sector in Nigeria and to address the problem of tax gap in the country, there is need to resolve the non-tax factors that promote underground activities. Such non-tax factors implicated in prior studies include high poverty level, illiteracy,stringent government regulations, unemployment, corruption, low net wage in the official economy as reported by Sennholz, (2003); Ihendinihu andOchonma, (2010), Elijah and Effort, (2007); Dabla-Norris andFeltenstein, (2003); Johnson, *et al.,* (2000); and Schneider andEnste, (2002).

Other factors that affect tax enforcement and compliance are frequent changes in tax laws and policies, taxpayers' hostility, paucity of tax statistics, and information technology and innovation. Taxpayer hostility is a reflection of public trust in the authorities and public perception of the role of government in providing social amenities to the governed. It is also a reflection of the taxpayers' age and education. A young and illiterate taxpayer is more likely to be hostile to tax demands than an elderly and educated taxpayer with higher tolerance and compliance aptitude

A number of studies have previously been carried out on different aspects of tax administration, tax compliance, tax enforcement strategies and challenges in different economies with notable results, and some of the related studies with empirical results are reviewed below.

Tax Enforcement Strategies

Carrillo, Pomeranz andSinghai (2017) examined firm misreporting and the limits of tax enforcement using policy interventions in which Ecaudorian firms were notified about detected revenue discrepancies. The tax authority sent notifications in 2011 and 2012 about discrepancies between self-reported and third-party reported revenue on previously filed corporate income tax returns and requested firms to file amended returns. The results showed widespread misreporting in the universe of incorporated firms with substantial scope for revenue collection through enforcement based on third-party information.

Muehlbacher, Kirchler andSchwarzenberger (2011) examined an alternative approach based on trust and power as two key variables to obtain taxpayers' compliance. They hypothesized that voluntary compliance depends primarily on trust in authorities whereas enforced compliance is a function of the power attributed to authorities. Using a data set (n= 3,071) on taxpayers from Austria , the UK and the Czech Republic, the study confirmed that voluntary compliance depends largely on trust in authorities and that voluntary compliance is positively related to age and education. The study further affirmed that enforced compliance is a product of the power attributed to authorities and that it is inversely related to education.

Empirical and experimental studies in the area of tax enforcement and compliance tend to identify a negative relationship between the probability of detection and severity of punishment and compliance

(Friedland, *et al* 1978; Witte & Woodbury, 1985; and Beck *et al*, 1991). In their separate studies, Becker (1968) and Kahan (1997) revealed that an increase in the severity of punishment may not have the same effect on compliance as a rise in the probability of detection. In either case, enforcement efforts relying solely on punitive strategies may ultimately fall short of addressing effectively the problem of non-compliance and might even worsen the situation. Evidence on tax enforcement generally lead to the perceived or actual risk of detection as compliance is most likely where the risk of detection is significant, such as when third-party reporting or withholding takes place (Internal Revenue Service, 2006).

There are mixed results in terms of the punishment parameters. While Friedland (1982) reported that heavy penalties do not always produce more compliance than lighter ones, especially when the risk of detection is high, Cheng (2006) found no statistically significant effect of an increase in the severity of punishment on compliance. Generally, penalties, fines (punishments) do not serve as a deterrent for committing crimes as much as the probability of detection. This is because the effect of severe punishment on deterrence decreases rapidly and nonlinearly, and tougher punishments are often unable to offset these losses (Cheng, 2006).

Roberta (2006) looked beyond enforcement to identify ten strategies for encouraging tax compliance. Prominent among these strategies are simplifying and limiting changes to tax laws, publicizing services provided by revenue offices, rewarding compliance, providing a truly simple return process for most taxpayers and discouraging tax evasion. Canvassing for a responsive regulation, Austrian Tax Office (1998:57) stressed that “an approach which relies heavily on detecting non-compliance and imposing sanctions on identified offenders tends to be short-term in its effect and increasingly resource-intensive”, and recommended a shift from the command and control (authoritarian deterrence) method to “responsive regulation” approach.

Challenges/Factors Militating against Tax Enforcement

In a comparative study of challenges of taxpayer compliance between developed and developing nations, Mckerchar and Evans (2009) noted that developing economies have weak tax administration with widespread evasion, corruption, coercion, and limited administrative resources and expertise. They further found low levels of literacy, low tax morale and negative attitudes towards governments as critical factors inhibiting the level of tax compliance and enforcement in developing countries and recommended greater investments in legislative tax reforms, taxpayer education programmes and use of new technologies in tax administration as measures to enhance compliance.

Micah, Ebere andUmonong (2012) discussed the challenges affecting the tax system in Nigeria, and identified lack of statistical data, poor tax administration, multiplicity of taxes, increase in underground economy, and inability to prioritize tax effort as critical factors. The paper recommends autonomy of Boards of internal revenue, use of computer technology, strengthening audit process and public enlightenment as some of the ways for resolving the challenges.

Nikos (2005) identified the effect of informality and lack of records on tax evasion, and noted the problems of enforcement arising from lack of records or excess of confusing records and calls for cooperation among stakeholders in resolving them. NmesirionyeandIhendinihu (2016) reported on the tax implications of large size of the informal sector and noted that Nigeria lost ₦1,128.2 billion in tax revenue annually from 1980 to 2013 as a result of underground activities. IhendinihuandOchonma (2010) had earlier identified non-tax factors that influence the size of underground economy and their implications for tax enforcement and administration in the Nigerian economy.

From available literature, no empirical investigations have been carried out to determine the level of enforcement of tax laws in Nigeria. While such evidences have been provided for developed and developing nations by Mckercharand Evans (2009), specific investigations in Nigerian environment are still lacking. Although Micah, *et al* (2012) identified challenges affecting the Nigerian tax system, their study did not determine the effects of the factors on the level of tax enforcement in Nigeria. Also, studies that evaluated the relative effectiveness of authoritarian deterrence and responsive regulation approaches to tax enforcement have been undertaken in other economies (Becker 1868, Kahan 1997, Witte & Woodbury, 1985 and Beck, *et al.*, 1991), but such studies are yet to be carried out in Nigeria. The present study therefore is undertaken to fill these observed gaps in literature.

Theoretical Framework

There are two major theoretical approaches to tax law enforcement and compliance – the economic deterrence approach and the behavoural approach which incorporates both the social and fiscal psychological approaches. The framework adopted in this paper is the economic deterrence theory.

This theory postulates that taxpayer compliance attitudes and behavour are shaped by punitive impact of penalties, punishment, sanctions and other enforcement factors which increase the probability of detection. This principle was first discovered in the late 1960s from the works of Becker (1968), and later applied by Allingham andSandmo (1972), and Srinivasan (1973). Nigerian tax enforcement strategies are largely authoritarian and deterrent in nature and the present study evaluates the effectiveness or otherwise of the coercive approach to tax law enforcement.

Methodology

The survey research design was adopted in securing the opinion of major stakeholders in the Nigerian tax system on the level of, and challenges facing, enforcement of tax laws in Nigeria.Stakeholders comprising of registered individual and corporate taxpayers, tax authorities, tax consultants, and financial analysts drawn from Abia, Imo,Anambra and Enugu States were selected using stratified random sampling technique.The four States were selected because of large numberofeconomic entities located in strategic placesof the States (Aba, Nnewi and Onitsha) and the large concentration of accessible workers/individuals on paid employment in them.A researcher- designed five-point Likert questionnaire validated by tax experts was used in the survey. The instrument was tested for reliability by correlating the test-retest scores obtained in apilot study of twenty-five (25) stakeholders with a stability coefficient of 0.78. The instrument was administered with the help of research assistants and the ranked scores obtained were converted into data for both the tax enforcement level and its determinants. Mean scores of 3 points and above (on the likert scale)constitute acceptable bases for a factor to be considered to have strong influence on the level of tax law enforcement in Nigeria. A total of 560 valid responses (made up of 223 personal income taxpayers, 105 corporate income taxpayers, 37 tax authorities, 56 tax consultants and 139 financial analysts) were obtained.Descriptive statistics was used to summarize the data while Chi-Square and multiple regression techniques were respectively used to test for significant differences in the opinions of the five respondent groups and to isolate critical factors that influence the level of enforcement of tax laws in Nigeria.

The Analytical Framework

The study adapted the analytical procedure used by Ibanichuka (2012) with modifications in variables identified and found suitable for the present study. Following that framework, a model was constructed for determining the effect of ten identified socio-economic factors (independent variables) on the level of tax enforcement in Nigeria (dependent variable) viz:

$$LE = \int(MPL, HLC, FCTLCFP, UEA, ILC, LIC, PTS, ITIC, TPH, PFEA)$$

Thus:

$$LE = \beta_0 + \beta_1 MPL + \beta_2 HLC + \beta_3 FCTLCFP + \beta_4 UEA + \beta_5 ILC + \beta_6 SOP + \beta_7 PTS + \beta_8 ITIC + \beta_9 TPH + \beta_{10} PFEA + \mu$$

Where:

LE	=	Level of Enforcement of tax laws
MPL	=	Manpower Limitations
HLC	=	High Level of Corruption
FCTLCFP	=	Frequent Changes in Tax Laws and Cumbersome Filing Processes.
UEA	=	Underground Economic Activities
ILC	=	Investigation and Litigation Challenges
SOP	=	Severity of Punishment
PTS	=	Paucity of Tax Statistics
ITIC	=	Information Technology and Innovation Challenges
TPH	=	Tax Payer Hostility
PFEA	=	Poor funding for Tax Administration
β_0	=	Intercept
β_1 - β_{10}	=	Coefficients of the independent variables
μ	=	Error term

Data analysis and discussion of results

Results

The results of our analysis are presented under two sub-headings to provide answers to the research questions for the study.

Level of Tax Enforcement in Nigeria

Research Question 1: What is the rating of the level of enforcement of tax laws in the Nigerian Tax System?

Table 1: Level of Enforcement of Tax Laws in Nigeria

Respondents	*N*	*Min*	*Max*	*Mean*	*Standard Deviation*
Personal Income Taxpayers	223	1	4	2.30	.867
Corporate Income Taxpayers	105	1	4	2.20	.837
Tax Authorities	37	2	5	3.14	.688
Tax Consultants	56	1	5	2.64	.843
Financial Analysts	139	1	4	2.39	.888
Total	*560*	*1*	*4*	*2.51*	*.866*

Source: Survey data, 2018.

From table 1, a total of 467 (83.4%) of the respondents rated the tax enforcement level in Nigeria as *low*(with average scores of 2.30, 2.20and 2.39 by personal income taxpayers, corporate income taxpayers and financial analysts respectively).The tax consultants and tax authorities,representing 93 (16.6%) of the respondents, rated the enforcement level to be *moderate* with average scores of 2.64 and 3.14 respectively.

Militating Factors to Tax Enforcement in Nigeria

Research Question 2: To what extent does each of the identified factors / challenges affect the level of enforcement of tax laws in Nigeria?

Table 2: Descriptive Statistics of Mean Rating of Challenges of Tax Law Enforcement in Nigeria

Descriptive Statistics

Factors/Challenges	*N*	*Min*	*Max*	*Mean*	*Std. Deviation*
TLEL	560	1	4	2.23	.886
Manpower Limitations	560	2	5	*3.35**	.605
High Level of Corruption	560	3	5	*4.10**	.764
Frequent Changes in Tax Laws & Cumbersome filling process	560	1	4	2.80	.785
Underground Economic Activities	560	2	5	*3.80**	.809
Investigation & Litigation Challenges	560	2	5	*3.54**	.808
Taxpayer Hostility	560	1	4	2.60	.943
Paucity of Tax Statistics	560	1	4	2.23	.924
Poor Funding	560	2	4	*3.40**	.712
Severity of Punishment	560	2	5	*3.78**	.822
Information Technology & Innovation Challenges	560	1	4	2.45	.896
Valid N (listwise)	560				

Source: Computed using survey data, 2018.

* = Factors with mean rating greater than the expected mean score of 3.00 point are considered to have strong influence on the level of tax law enforcement in Nigeria.

Hypotheses Testing

HO_1: *There is no significant difference in the opinion of respondents on the level of enforcement of tax laws in the Nigerian tax system.*

The nonparametric test conducted gave the results in table 3.

Table 3: Chi-Square test result

Test Statistics

	Respondent Group	Level of Enforcement to tax laws
Chi-Square	195.179[a]	192.946[a]
Df	4	4
Asymp. Sig.	.085	.085

a. 0 cells (0.0%) have expectedfrequencies greater than 5. The minimum expected cell frequency is 112.0.

The calculated Chi-square value of 192.946 for the level of tax law enforcement has a probability of 0.085 which is greater than our set alpha level of 0.05. Therefore, we accept our Null Hypothesis and conclude that *there is no significant difference in the opinion of respondents on the level of enforcement of tax laws in the Nigerian tax system.* The implication of this result is that the five shades of opinions do not differ significantly.

Table 4: Effects of Militating Factors on the Level of Tax Enforcement in Nigeria

Militating Factors/Variables	*Unstandardized Coefficients*		*Standardized Coefficients*		
	B	*Standard Error*	*Beta*	*t*	*Sig.*
Constant	-.648	.304		-2.134	.003
Manpower Limitations	.085	.112	.083	2.766	.014
High Level of Corruption	-.552	.040	-.506	-13.803	.000
Frequent Changes in Tax Laws & Cumbersome Filing Processes	.118	.115	.114	1.024	.307
Underground Economic Activities	-.125	.034	-.146	-3.685	.000
Investigation & Litigation Challenges	-.055	.030	-.065	-1.843	.001
Taxpayers' Hostility	.035	.108	.033	.326	.174
Paucity of Tax Statistics	.018	.036	.017	.495	.621
Poor Funding	.087	.043	.073	2.010	.004
Severity of Punishment	-.015	.035	-.017	-3.435	.000
Information Technology & Innovation Challenges	.056	.109	.053	.519	.326

R	.823	Standard Error of the Estimate	.678
R^2	.677	Durbin-Watson	2.155
Adj. R^2	.459		
F-ratio	37.796	Prob. of F-ratio	.000

*Source:*Survey data, 2018

From the results shown in Table 4, six factors had their calculated t-values greater than the critical values (of 1.67), hence their probability levels were significant at the set alpha level of 0.05. The factors are High level of corruption, Large underground economic activities, Severity of Punishment, Investigation and litigation challenges, Poor funding, and, Manpower limitations; while Taxpayer hostility, Paucity of tax statistics, Frequent changes in tax laws, and Information technology and innovation challenges were found to have insignificant effect on the level of tax enforcement in Nigeria.

HO_2: *Identified socio-economic factors have no significant effect on the level of tax enforcement in Nigeria.*

Table 4 shows the critical statistical parameters for determining whether the identified factors have any significant effect on the level of tax enforcement in Nigeria or not. The overall evaluation of the results based on the value of R^2 shows that about 67.7% of the changes in the level of tax law enforcement in Nigeria is accounted for by changes in the ten identified variables, with only 22.3% of the variations attributable to other factors not included in the model.

The F-ratio of 37.796 is shown to be significant at 1% probability level, indicating the appropriateness of the model specification. Since the probability of the calculated F-ratio is less than the set alpha level of 0.05, we reject the Null hypothesis and conclude that *the identified socio-economic factors have significant effect on the level of tax enforcement in Nigeria.* This is consistent with our *a priori* expectations and the findings by Friedland, *et al*(1978); Witte & Woodbury (1985);MckercharandEvans (2009); Cheng (2006); and IhendinihandOchonma (2010).

Discussion of Findings

The mean rating of all the groups in table 1 is below moderate level (with average score of 2.51) and this is less than the expected mean score of 3 points. Consequently, the results indicate that the level of enforcement of tax laws in Nigeria is generally low and this is consistent with findings in Mckercharand Evans (2009) who reported the existence of weak level of tax enforcement and compliance in developing countries.

High level of corruption among the ranks and file of Nigerians appears to be the greatest challenge militating against effective enforcement of tax laws and policies in Nigeria. Corruption in tax administration manifests in divers ways including deliberate acts of under assessment, bribery, fraudulent manipulation of financial records, documents and tax returns, non-remittance of tax deductions by tax collection agents, and defalcation of tax revenue by key tax officials. This result is consistent with findings in previous studies by Mckercharand Evans (2009) who attributed the existence of weak tax administration in developing countries to widespread evasion, corruption and coercion among other challenges.

Another factor found to have significant effect on the enforcement machinery is manpower limitations. This covers challenges arising from insufficient number of staff with requisite qualification, skill and competence in handling tax assessment, collection and accounting functions. The number and calibre of personnel superintending the affairs of the offices of FIRS in many States do not sufficiently match the complexity of Nigerian tax laws. Besides, the attitude of many taxmen to the general public is largely unfriendly, and the needed training and retraining of staff appears to be dominated by senior staff of the Service. Insufficient funding of tax offices and operations appears to have worsened the situation. Under these circumstances, taxmen areill equipped to meet the challenges of today's world of business driven by information technology and innovation.

Evidence from this study also indicates that severity of punishment has significant negative effect on the level of tax enforcement in Nigeria. The inverse relationship means that increases in severity of punishment lead to significant reduction in the outcome of tax enforcement/compliance. This result perfectly corroborates with findings in Becker (1968), ATO (1998), Kahan (1997), and Cheng (2006) who also found the effect of severity of punishments on tax compliance to be significant. They argued that enforcement efforts that rely on punitive strategy not only falls short of addressing the real problem of non-compliance but that its effect on deterrence decreases rapidly and non-linearly; and that tougher punishments do not even offset these losses.Friedland, *et al* (1978), Witte and Woodbury (1985), and Beck *et al* (1991) all found negative relationship between the severity of punishment and tax compliance. This further lends credence to the situation in Nigeria where such severe and coercive enforcement approaches adopted by tax authorities have not been able to reduce tax gap and tax revenue losses.

Conclusions

The level of enforcement of tax laws in Nigeria is low and the identified causes of non-compliance to tax payments create real challenges for all parties in the tax system. The traditional tax enforcement functions like audit, distrain and other coercive approaches for tax collection have proved to be impotent tax enforcement tools, hence the need for new enforcement strategies to be adopted to suit the complex and rapidly changing tax environment in Nigeria. A new tax enforcement paradigm should engender substantial positive shifts in its reform agenda from punishment-driven measures to implementing people-oriented and anti-corruption measures to minimize tax gap.

Recommendations

Based on the results of the analysis, the study recommends that:

1. Conscious efforts should be made by all stakeholders in the Nigerian State to curb the high rate of corruption in Nigeria through visible youth empowerment programmes, public enlightenment, seminars and symposia on the dangers of the scourge and by imposing harsh punishment for perpetrators of corrupt practices in our tax system.
2. Government and tax authorities should adopt more practical strategies for minimizing the volume of underground activities and for resolving the tax issues arising from their operations. Such strategies may include but not limited to evolving workable programmes for addressing unemployment, poverty, illiteracy, stringent government regulations for business practice, and low net wage in the official economy which have been implicated as causative factors of rising size of underground activities in Nigeria. These non-tax factors significantly affect the size of underground economy and as a consequence, tax revenue losses in the formal economy.
3. Shifting from authoritarian deterrence to responsive regulation approach to tax enforcement by granting tax reprieve/amnesty for tax defaulters. A broader way for enforcing compliance is to go beyond the use of threat and legal authority to include other mechanisms that offer complementary means to combat crime by stimulating legal behaviour with positive encouragement and assistance and service delivery.
4. Government should increase funding for tax administration to enable the tax authorities adopt modern methods and technologies in tax administration. This will facilitate acquisition of facilities and encourage aggressive application of technology to the full range of FIRS operations to enable taxpayers (clients) to self-service themselves where appropriate thereby making compliance even easier..
5. Government should provide adequate manpower needs of tax offices to engender administrative improvements in tax administration in Nigeria by addressing current and longer-term needs in

hiring, training, and retraining qualified staff. Corrupt tax officials should be disengaged from the service to serve as deteriant to others. Improve welfare packages for staff with good track records.

6. The public should make positive attitudinal changes towards government and tax matters, and submit to voluntary compliance to tax laws, and see tax as acivic duty required to finance the cost of governance, the provision of collective wants, and for the general regulation of economic and social policies in the country.
7. FIRS should exercise the power of distrianwith caution and as a last enforcement strategy to avert its negative consequences on the taxpayer. Also, the authority to distrain movable property should be subject to an order of a High Court to protect the taxpayers' constitutional rights to fair hearing.

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INFORMAL SECTOR TAXATION AND REVENUE GENERATION: THE STUDY OF LAGOS STATE

Kehinde, James S.
Lagos State University, Ojo
Department of Accounting,

Abstract

The study is about the informal sector taxation and revenue generation, the dwindling oil revenue to the government has led to reduction in government performance over time. However, with the ever growing and increasing activities in the informal sector where the small and medium scale business exist additional revenue to the government is possible. The challenge of poor financial record system and weak tax administration of the informal sector have remained the bane of tax revenue in the system. The study explores the primary source of data collection using the survey method. The scarcity of data and where available the accuracy and reliability of such data remain an issue in point. Structured questionnaire was used for data collection, judgmental sampling technique was adopted for the questionnaire distribution and administration. The study result shows that the informal sector would provide a good and strong alternate sources of tax revenue to the government. It also revealed that the informal sector tax potential has not been fully exploited by the government, the study also discovered that poor tax administration is the bane of tax revenue generation from the informal sector. The study concluded that the informal sector possesses the potentials of contributing to the growth of the government tax revenue. the study also concluded that tax administration in Nigeria has not been designed to explore the tax revenue potential of the informal sector. The study recommended that government should redesign the tax administration system and refocus it to explore tax revenue potential of the informal sector.

*Keywords:*Informal Sector, Tax, SMEs, Tax Authority.

Introduction

The government exist to further the growth of the society and to ensure growth and economic development. The government therefore must ensure adequate financial resources to conduct this assignment. The financial resource to the government comes from various tax sources this include corporate tax, petroleum tax and forms of tax.In Nigeria the most secured and most used sources of finance are the petroleum profit tax. the petroleum profit tax has provided the nation with the greatest source of finance having overtime provided 90% of the revenue of the government, however, with the recent down trend in oil price and the effect of it on the revenue accruable to the government from this sources ,the question has been where will the revenue to finance the business of the government come from, government have to look for internal sources of revenue and hence the prompt look to the informal sector of the economy. The informal sector of the economy constitutes probably the largest provider of employment to the populace in all segment these include agriculture. Mining, education, technology, etc operators of the sector include sole proprietors, small business owners, artisans, and individual, the may or may not operate under any name registered but they constitute the largest percentage of the employment generation sector of the economy and ipso -facto the largest provider of income to the teeming population of the nation.

The record of activities of the informal sector has been largely nonexistence, and so incorporating these to the official tax net of the nation has also been very difficult. The government do not seem to possess adequate resources to engage the informal sector effectively, the poor record keeping system in the informal sector is another difficult issue, the disposition of informal sector to payment of tax is also a huge issue. The general believes of the operators of the informal sector is that government activities should be finance from oil revenue which they believe vis a free gift and also the money from this sector is free and that should be sufficient for the government activities also overtime the government as also indirectly made the people to believe that the informal sector are mere beneficiary of state provision and their financial contribution to the business of the government is not of any value this nonchalant attitude of the government and that of the informal sector operators remain the bane of tax revenue generation from the informal sector. The lack of will by the government is another issue of import. However, the current down trend in government revenue as noted earlier have increase the call for the government to look at how to include the informal sector in to the tax net of the nation to increase the tax base of the nation and to increase the tax revenue of the government. Another premium issue is the increase in the service base of the government over the years and the need for sustainable growth with the available revenue to the government.The overall objective of this study is to identify and evaluate the tax potential of the informal sector and to explore the possibility of the government generating adequate revenue from this sector, it also will seek to examine the ways to coordinate the informal sector for tax revenue purpose.

Literature Review

Conceptual Framework

This section is thrust with studies that focused on effective tax administration in Nigeria at both national and state level. In recent times tax effectiveness have been in the centre discourse due to the need to increase non-oil revenue of government with experts venturing into this area and their efforts have served as a stepping stone for present-day studies.

Olaoye and Ayodele (2017) study examined the impact of information technology on tax administration in Nigeria using south west as a case study. It was an empirical study employing descriptive research design that specifically investigated the effect of information technology on tax productivity as well as the relationship between information technology on tax implementation and tax planning. The study revealed that information technology (Online Tax Filing-OTF, Online Tax Registration-OTR and Online Tax Remittance-OTRE) affect tax productivity in Nigeria.

Okoronkwo (2017) examined capital gains tax administration in South Eastern Nigeria. The study critically reviewed the Capital Gains Tax Act of Nigeria and its implementation in different states of South East geo-political zone of Nigeria. The study used questionnaires, interviews and visits to tax authorities and ministries of finance to assess the effectiveness of the administration of Capital Gains Tax. The study concluded that tax administration is a professional work and observed that the requisite professionals are not usually employed in the civil service and offices handling the administration of capital gains tax with dire consequences. The study therefore recommended the employment and retaining of tax experts for effective tax administration.

Kwaji and Ishaya (2017) carried out an empirical analysis of tax revenue collection by the federal government in Nigeria. The study employed quantitative research design with data collected from Federal Inland Revenue Services. Their findings revealed that Capital Gains Tax, Stamp Duty, Education Tax and Petroleum Profit Tax are effective and positively significant above 1% while Company Income Tax and Value Added Tax are not significant. Furthermore, Company income tax has more total collected revenue than all the remaining taxes. Therefore, it is recommended that for tax to be effective government should enhance the collection of tax revenue processes and ensure that any deviations from compliance with the laid down rules and regulations are severally dealt with punishment well spelt out.

Animasaun (2016) study examined the relationship between tax administration and revenue generation in Nigeria from the perspective of Ogun State internal revenue service. The study adopted survey research design. The research instrument used was structured questionnaire. The data collected was analysed by both descriptive and inferential statistics. The findings revealed that tax administration there is no significantly relationship between the amount of revenue generated and tax administration. It is recommended that tax administration in Ogun State should be reviewed and measures put in place to reduce tax evasion and avoidance for tax collection to be efficient.

Stiglitz and Rosengard (2015) as in Haas (2017) focused on literature on improving tax revenue collection emphasising on five particular characteristics of what an effective tax system should incorporate, namely; economic efficiency, administrative simplicity, flexibility, transparency and fairness. The study used Kampala Capital City Authority (KCCA) to illustrate the potential impact of tax administration reforms. The study revealed that there were significant impediments to administration of municipal revenues in Kampala, including unreliable manual databases, poor technologies, unclear procedures, a narrow tax base and poor collection procedures which resulted in extremely low revenue collections and poor tax morale.

Buhari (2016) examined the Effectiveness of Value Added Tax Administration in North Eastern Nigeria as it affects government and how to improve government revenue. The study emphasised increase in Value Added Tax Rate and its consequences. The insecurity challenges in the northeast with its attendant effect on the administration of Value Added Tax was discussed. Simple percentage, table and pyramid chart were used for data analysis. The study discovered that the insecurity challenges in the region impacted negatively on businesses as residents have relocated away from the region which resulted into the drastic shortfall of Value Added Tax collected for the period under review. The key recommendation was for Government to restored security in order to assist in the revival of industries and ensure more training for the tax officers. Sabian and Oleka (2015) study examined the effect of taxation on microeconomic growth in Nigeria. The findings revealed that government earnings from taxation will affect consumer spending and boost output production level.

Raji (2015) study on Revenue Generation as a major source of income for the State Government was empirical. The result revealed that revenue collection in local government is hindered by corrupt practices and recommended that efficient revenue generation enhances the performance of public sectors. Okoi and Omini (2014) critically examined tax innovation, administration and revenue generation in Nigeria using Cross River State as case study. The result showed a significant degree of inefficiency in the administration of taxes in Nigeria from the perspective of Cross River State.

Omesi, Teerah and Nzor(2014) examines Nigeria tax administration and its implications for multiple taxation on the economy. The concept of tax and taxation, multiple taxation was meticulously looked at in Nigeria and the approved taxes and levies collected by each tier of government. The study revealed that the implications of multiple taxation in Nigeria include: constitution of illegal, inappropriate taxation, legislation are crippling some sectors of the economy such as telecommunication industry and Nigeria waterways and considered as hindrance to investment in the country.

Adebisi and Gbegi (2013) study examined the effect of tax avoidance and tax evasion on personal income tax administration in Nigeria. Tax evasion and tax avoidance considered as a problem which seems to have defied solution, had been devilled the tax system right from colonial times was the focus. The study utilizes primary and secondary data for data collection. Analysis was based on tables and percentages with variance (ANOVA) to test the hypotheses. Their findings disclosed that enlightenment and adequate utilization of tax revenue on public goods will discourage tax avoidance and tax evasion, high tax rates encourage tax avoidance and tax evasion, personal income tax generation has not been impressive and personal income tax rates are too high. The study therefore concluded that there is a direct and positive relationship between tax avoidance, tax evasion, tax rates and personal income tax administration in Nigeria.

Tax Reforms in Nigeria

This study would not be complete if mention is not made about the various Tax reforms made through the concerted efforts of succeeding governments in Nigeria in making the tax law, policies and administration working. The National Tax Policy has identified taxpayers as the single most important group of stakeholders in the tax system. Tax reforms in Nigeria have focused on measures to be adopted in increasing the revenue yield of government in order to assist in the development programs of the nation. Consequent upon this thinking, the need for constant review of tax laws and its administrative procedures cannot be overemphasized. The direction of the economy leads the direction of tax reforms and always remains dynamic. The tax system has gone through many reforms which at most times have brought about the introduction of new tax regimes.

One of such regimes was the institution of a task force on tax administration in 1978 headed by Alhaji Shehu Musa. The major thrust of that reform brought about the introduction of withholding tax; imposition of 10% special levy on banks' excess profit; and 2.5% turnover tax on building and construction companies. Another tax reforms in 1992 headed by Dr. Sylvester Ugoh on indirect taxation shifted the reforms emphasis to consumption tax which brought about the introduction of Value-Added-Tax (VAT) by imposing 2.5% on consumption of certain products and later rose to 5% which is still operative till date. One but more important of these reforms was that of a study group headed by Professor Emmanuel Edozien in 1992 which recommended the establishment of the Federal Inland Revenue Service as an operational arm of the Federal Board of Inland Revenue. From the results of these study groups, revenue services with the other tiers of governments were set up at State and Local Governments levels. The main objective of the reform was to improve services delivery to taxpayers which introduced the National Tax Policy.

National Tax Policy

The accepted recommendations on National Tax Policy (NTP) specifically distinguish Taxation from other components of Revenue. Section 1.2 of the definition of taxation by the final draft on National Tax Policy adopted in 2012 defined tax as a "monetary charge imposed by government on persons, entities, transactions or properties to yield revenue". NTP also defined tax as a "pecuniary burden laid upon individuals or property to support government expenditure" and not a voluntary payment or donation but an enforced/compulsory contribution, exacted pursuant to legislative authority (NTP 2010). This definition has earlier been discussed in this study. However, the policy also defined revenue as "income received from all activities engaged in by the receiving entity". Revenue in this context is the entire amount received by the Government from sources within and outside the government entity. Government revenue includes proceeds from sale of crude oil, taxes, penalties, interest, fines, charges and other earnings received from government investments. The policy made it clear that, revenue is believed to be the main purpose of taxes by government. Section 1.4 of the policy explicitly explained the rationale for and purpose of the policy and recognizes taxation as a veritable instrument for national development. Furthermore, apart from being a major source of revenue for governments to provide goods and services needed by their people, taxation policies can stimulate economic growth and job creation through its impact on investment and capital formation in the economy. The National Assembly through the constitution has been empowered exclusively to legislate and impose taxes on incomes, profits and capital gains and this is recognized in the National Tax Policy. This same policy imposes taxes on documents of corporate organizations; and also State Governments are empowered to collect those taxes from individuals' resident in their respective States.Section 2.6 of the approved NTP 2012 provides for the fundamental features and the cannons of taxation as proposed by Adam Smith (1776), which include: *Simplicity,* Certainty and Clarity, Economy efficiency, Low Compliance and Administration Cost, Fairness and Equity and Flexibility

Issues and Challenges in Tax assessment and Collections from Informal economy

Supriya (2005) stated that, both the objectives and functions of modern government have increased thereby necessitating large resources. Nigeria is no exception. For obvious reasons the contributions of Adam Smith (1776) to the economic theory on taxation are still regarded as the highest class in the study of economic thoughts.

His clear definition of the canons of taxation can hardly be exceeded in clarity and simplicity. The four canons of "Equality, Certainty, Convenience and Economy", are still regarded as pertinent characteristics of a good tax system. These principles are to promote economic growth and development, especially in the developing countries like Nigeria. Tax assessment and collections from informal sector have their challenges, some of this challenges includes No statistical database due to non-registration of businesses in the informal sector, poor accounting record keeping of business transactions lack of trained and skilled staff of relevant tax authority, Costs and benefits of tax collections from informal sector, Non availability of Tax Statistics and Multiplicity of Tax.

For any Relevant Tax Authority (RTA) to be able to obtain a database for assessment it must first of all establish the residence of the taxpayer. Principal place of residence though mostly applied to persons working under employment seems to be silent on self-employed persons. This set of would-be taxpayers find solace in this clause. Self-employed persons including professionals in private practice are major offenders in tax assessment and collections. Ayua (1999) cited in Kiabel and Nwokah (2009) labeled this group of informal sector operatives as those persons who blatantly refused to pay tax by reporting losses every year. Finding on their lifestyles do not depict the nature of losses reported in their financial statements.

Experience gained through observations show that, some of the traders in informal sector operate their business in private and commercial vehicles travelling to various markets on market days. The traders exploit the good road network in the State to move from other neighbouring states on big market days in Nigeria to do their businesses. After the day's sales they return to their States of origin which they pay tax.

Research problems

The persistence challenge in the tax administration system over time remain the bane of thissystem and the poorly skilled staff and the need to under study the informal sector formation and the operation have contributed to the issue of low revenue generation form the sector. The poorstate of technology and the persistence distrust by the operators of the informal in thegovernment is another problem of the sector. The government-people trust level is at its lowest ebb in Nigeria and hence the protection-syndrome of the informal sector to any demand by the government from the informal sector. The people are yet to believe that this fund when paid would be used for the purpose of growth and development of the nation. This is corroborated by a study carried out by Raji (2015) on revenue generation as a major source of income for the State Government, the study noted that revenue collection in local government is hindered by corrupt practices and poor handling.

Methodology

A research method is concern with the concise description of the methods of enquiry employed in a research study. This research study is basically an exploratory research; the survey research method was adopted using structured questionnaire. The reliability of the instrument was done using the Cronbach alpha technique and the result shows a correlation of 75%, according to Nunnally (1978)a 70% correlation coefficient will suffice for this nature of study. To ensure validity of the instrument it was given to academics and expert in the field of informal sector business. The questionnaire was administered on 120 informal sector participants including owners and senior managers in the informal sector in Lagos state, four local governments were selected namely: Ikeja, Ojo, Agege and Apapa local government these local governments where selected as a result of concentrate of informal sector businesses in those local governments, 30 questionnaires were administered in each local government. The multinomial logistic regression analysis was adopted for the study. The choice of this method of data analysis is the fact that it made use of the probability factor and exponential likelihood model that can on the chance bases project the very fact about the informal sector in Nigeria. It is a known truth that the informal sector is diverse and variants in their existence and formation. Of the 120 questionnaire distributed only 117 where usable. The convenient sampling technique was adopted for the data collection. This is due to the fluid nature of the informal sector operation in Lagos state, this fluid nature has been noted in many researches on informal sector operation in Nigeria.

Model specifications:
Hypothesis 1:
$SIS= \alpha_0 + \alpha_1 NLC+ \alpha_2 GNAR+ \alpha_2 CCHR+ \alpha_3 NETC+ \alpha_4 NGW+\mu$………… (i)
Hypothesis II:
$NAR=\beta_0 + \beta_1 NAGM+ \beta_2 IAS+ \beta_3 SIS_i+ \beta_4 COB+ \mu$……………………………….(ii)

The above variables are defined below:
SIS= Size of informal sector
NLC=No Logistical Coordination
GNAR= No Government Accounting Record
CCHR=Capability to Contribute Higher Revenue
NETC= No Effort to Coordinate
NGW= No Government Will
NAR=No Accurate Records
NAGM= No Acceptable Grass root Mechanism
IAS= Improper Accounting System
COB= Cost Outweigh Benefit

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Std. Error	Statistic
There is no accurate record of the revenue from informal sector in Nigeria	117	1.00	6.00	1.9658	.04193	.224	55. 232
The informal sector are	117	1.00	2.00	1.8974	.02817	.224	5.132

not logistically coordinated in Nigeria								
Government does not have accurate record of where the informal sector are in Nigeria	117	1.00	3.00	1.8718	.03333	.224	2.773	
Government has not put in place acceptable grassroots mechanism to annex taxes from the informal sector	117	1.00	7.00	1.8376	.05816	.224	38.764	
Improper accounting system by the informal sector operators is the bane of tax collection	117	1.00	9.00	1.8205	.07346	.224	57.733	
The tax administration do not understand the working of the informal sector activities	117	1.00	12.00	1.8120	.09706	.224	77.525	
The informal sector is capable of contributing higher to the government coffer than the formal sector in Nigeria	117	1.00	8.00	1.8120	.06641	.224	47.321	
There is high administrative cost of tax collection in the informal sector	117	1.00	10.00	1.6923	.08451	.224	59.003	
The informal sector constitute 60% of revenue generation in Nigeria	117	1.00	2.00	1.6496	.04430	.224	-1.625	
There is no effort by the government to coordinate the in formal sector in Nigeria	117	1.00	4.00	1.5043	.05096	.224	1.449	
The cost outwit the benefit of tax revenue from the informal sector in Nigeria	117	1.00	11.00	1.4957	.09374	.224	67.079	
There is no will on the side of the government to coordinate the informal sector in Nigeria	117	1.00	5.00	1.4444	.05489	.224	9.126	

Valid N (listwise)	117							

Descriptive Analysis

The multinomial logistic regression (MLR) was used to produce the descriptive statistics of the variables of the study, the MLR factor generated the mean, the Kurtosis statistics of the data. Of the variables the highest mean score is of the variable "There is no accurate record of the revenue from informal sector in Nigeria" followed by "The informal sector is not logistically coordinated in Nigeria" followed by "Government does not have accurate record of where the informal sector is in Nigeria" the rating order show that record keeping is the bane of the contribution of the informal sector to the government revenue in Lagos state. In the order of value, it reveal that the item with the least mean score is "There is no will on the side of the government to coordinate the informal sector in Nigeria" this connote that despite the will of the government the major issue remain record keeping.

Test of Hypotheses

After a careful and systematic analysis of the respondents' responses to the research. questions formulated, hypotheses earlier submitted will be tested using Statistical Packages for Social Sciences. (SPSS Statistics 20.0)

Hypothesis I

H_0: Poor income tax administration system is not the bane of low revenues generation from the informal sector in Lagos state

Table 2

Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	74.805			
Final	30.823	43.983	6	.000

Table 3

Pseudo R-Square

Cox and Snell	.313
Nagelkerke	.431
	.290

Table4

Likelihood Ratio Tests

Effect	Model Fitting Criteria	Likelihood Ratio Tests

	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	30.823[a]	.000	0	.
VAR00003	31.047	.224	1	.636
VAR00002	30.860	.037	1	.848
VAR00007	52.503	21.680	1	.000
VAR00010	41.403	10.580	1	.001
VAR00012	37.422	6.599	1	.010

This is the result of the multinomial logistic regression model used for this study: 117 observations were used for the study as revealed by table 1. The r^2 of the regression using the best of the three r^2 by Cox and Snell, Nagelkerke and McFadden r^2 factor is Nagelkerke r^2 which is 0.431 this have been argued by many not to be the best and should not be interpreted in the same vain in which the r^2 factor in ordinary least square will be interpreted, however, it is the best that could be computed using the likehood ratio of logit regression. The Nagelkerke r^2 is 43%, suggesting that 43% of likehood probabilities in the variable is exponentially represented by the explained to the explanatory variables in the logit regression. the intercept of the equation is 30.823and the slope of the equation is 31.047, 30.860, 52.503, 41.403, 37.422 respectively this connote that while holding other dependent variables as zero in order, the log odd of a unit increase in the independent variables is revealed by the dependent variables at 31.047, 30.860, 52.503, 41.403, 37.422 respectively. However, the chi-square exponential log odd significant factor of var003 and var002 are not significant at 0.05 significant level meaning that the two variables will have no consequential deterministic value in the equation, hence, their coefficient is inconsequential in the log-odd predictive or deterministic order in the regression.

Appling the Likelihood Ratio Tests the combined X-Statistics is significant at 0.05 for the combined log odd effect of the explained variables on the explanatory variables. Meaning therefore, that Poor income tax administration system is the bane of low revenues generation from the informal sector in Lagos state. The study by Okoronkwo (2017) on capital gains tax administration in South East Nigeria noted that poor administration of the tax system is the bane of tax revenue collection in Nigeria.

Hypothesis II

H_0: The informal sector does not have the potential to improve on the revenue generation of the government

Table5

Model	Model Fitting Criteria -2 Log Likelihood	Likelihood Ratio Tests Chi-Square	df	Sig.
Intercept Only	69.737			
Final	40.865	28.872	12	.004

Table6

Pseudo R-Square					
Cox and Snell	.219				
Nagelkerke	.487				
McFadden	.414				

Table7

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	40.865[a]	.000	0	.
VAR00002	42.940[b]	2.074	2	.354
VAR00009	43.784[b]	2.919	2	.232
VAR00011	47.538[b]	6.673	2	.036
VAR00005	44.132[b]	3.266	2	.195
VAR00004	48.514[b]	7.648	2	.022

The above is the multinomial regression result for the second hypothesis tested in this study, 117 observations were used for the study as revealed by table 1. The r^2 of the regression using the best of the three r^2 by Cox and Snell, Nagelkerke and McFadden r^2 factor is Nagelkerke r^2 which is 0.49 this has been argued by many not to be the best and should not be interpreted in the same vain in which the r^2 factor in ordinary least square will be interpreted, however, it is the best that could be computed using the log odd ratio of logistic regression. the Nagelkerke r^2 is 0.49%, suggesting that 43% of likehood probabilities in the variable is exponentially represented by the explained to the explanatory variables in the logit regression, that is, the chances or odd of the dependent variable being explained by the independent variables is 49% and 51% that it will not be the explanatory factor. The intercept of the equation is 30.823and the slope of the equation is 31.047, 30.860, 52.503, 41.403, 37.422 respectively this connote that while holding other dependent variables coefficients nil in order, the log odd of a unit increase in the independent variables as correlated by the dependent variables are 31.047, 30.860, 52.503, 41.403, 37.422 respectively. However, the exponential log odd chi-square significant factor of var002 and var009 and var005 are not significant at 0.05 significant level meaning that the two variables will have no deterministic relevance in the equation, hence, their coefficient is inconsequential in the log-odd predictive or deterministic order of the regression.

Appling the Likelihood Ratio Tests(LRT) the combined X-Statistics is significant at 0.05 for the combined log odd effect of the explained variables on the explanatory variables. Meaning therefore, that the exponential log odd of relationship is significant, we hence reject the H_0 and accept H_1 that The informal sector does have the potential to improve on the revenue generation of the government. This result is corroborated by the mean score of the variables most accepted in the mean score table above which shows that poor record keeping is the bane of revenue generation in Lagos. This is corroborated by the study of Sabian and Oleka (2015) on effect of tax revenue on the microeconomic system in Nigeria and noted that government earning from tax will greatly influence the microeconomic growth of the economy.

After the various analyses conducted in chapter four, the following were the finding of the study:

- There is hug tax revenue potential in the informal sector of Nigeria.
- The current tax administration system is week and cannot handle the potential tax benefit in the informal sector of Nigeria.
- There is no adequate infrastructural system to annex the tax benefit potential in the informal sector of Nigeria
- The government could realize over and above 50% of revenue from tax from the informal sector.
- The poor financial and operating recording system in the informal sector remain the bane of exploiting the potential of tax revenue from the informal sector.

Conclusions

The study examined the informal sector taxation and revenue generation in Lagos State

The study from available literature noted that many have argued that the informal sector do not have the potential of good contribution in tax revenue to the government due to the cost and benefit and logistic strength of the current tax administration system that tend to have structure the favor majorly organized employment and corporate bodies, the study concluded after structured analysis and interpretation of data that despite the potency of various research findings and generalization the informal sector carry the possibility and the odd of contributing the largest tax revenue for the government. The informal sector could be the largest revenue provider for government microeconomic and macroeconomic activities. Lastly in the face of dwindling revenue form the oil sector to Nigeria the government could be benefit massively if the government would put in place structure that would integrate the informal sector to the main stream of national economic activities.

Recommendations

The following are the recommendations from the study

- The government should put structure in place the will assist the informal sector come to the hub of the national tax system..
- The government should strengthen the tax administration system to capture the activities of the informal sector.
- The government should put both legal and structural frameworks in place that will allow the informal sector generate, coordinate and assesses the economic potential of the nation thereby providing tax advantage to the government

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TAX AUDIT, PENALTY AND TAX COMPLIANCE IN NIGERIA

Richard Iyere Oghuma
Department of Accounting,
Ambrose Alli University,
PMB 14, Ekpoma, Nigeria

Abstract

This study examines the influence of tax audit and penalty on tax compliance paradigm of companies' income taxpayers in Nigeria. Discourse on tax in terms of audit, penalty and compliance is germane because government at all levels depend on revenue generated through taxation to drive their programmes. Cross-sectional survey design was adopted for the study. The population for the study comprised all registered corporate taxpayers in Nigeria. A total of one hundred and fifty (150) corporate taxpayers whose tax files are domiciled in Edo State were selected for this study. The selection of the sample size was based on stratified random sampling method. Copies of questionnaire were distributed to the selected companies. The questionnaire was adapted from the work of Palil (2010). To evaluate the strength of the measures used, Ordinary Least Square (OLS) regression was used for model estimation through Econometric Views (EViews) software. Findings revealed that tax audit and tax penalty have positive and significant relationships with tax compliance. It is recommended that effective tax compliance can be achieved by increasing the frequency of tax audit and by strengthening tax penalty to serve as deterrent mechanism against noncompliance. The paper concludes that corporate taxpayers should perceive their income tax payments as contribution to creating conducive business environment.

*Keywords:*Revenue, tax audit, tax compliance, tax penalty, taxpayers.

Introduction

The fall in the global oil prices in 2015 and it consequent negative decline in revenue has made government at all levels in Nigeria to turn attention to non-oil sector in providing alternative sources of revenue to grow the economy. Presently, tax revenue to gross domestic product (GDP) of Nigeria approximately 6% is one of the lowest in the world after Qatar and Saudi Arabia. With the present infrastructural deficits and the high domestic debts of the country, if the present tax revenue is not enhanced, it will be a herculean task for government to sustainably grow the economy without improving the current tax to GDP ratio. One of the possible strategies of promoting tax revenue and invariably enhancing tax to GDP ratio is to ensure voluntary tax compliance by the citizenry.

Voluntarily tax compliance has been of great concern to government all over the world especially the developing countries where tax to gross domestic product (GDP) ratio is low.Tax noncompliance which is manifested in avoidance and evasion had been on the rise even in developed tax jurisdictions (Palil, 2010). This had consequently made many countries of the world to consider an alternative approach that would help to improve voluntary compliance and consequently increased tax revenue using Self-Assessment System (SAS). According to Palil (2010), SAS had for long become the main administrative strategy adopted by developed countries including the United States of America (USA), Australia, and the United Kingdom (UK) for ensuring both personal and corporate voluntary tax compliance.

Usman and Anao (2015) noted that over the years, various tax reform and legislations (1961, 1993, 1996, 2004 and the most recent 2011) were released by the Nigerian government in ensuring voluntarily tax compliance towards reducing the revenue gap in the tax administration system. The most significant of these reforms was that of 1996. The process commenced in 1994 leading to the enactment of Decree No. 30 of 1996. Although the process effectively started in 1998, it was not fully institutionalized until 2011 with the adoption of Tax Administration (Self-Assessment) Regulations. With the birth of this Regulation, most experts believed that this administrative framework laid a formal procedures and processes for taxpayers to voluntarily assess themselves to tax (Usman & Anao, 2015).

Nigeria as a developing country with massive informality has had to combat with getting taxpayers to fulfill their tax obligations. Tax audit and penalty are popular apparatus use to ensure compliance in most tax jurisdictions, especially where the rate of compliance is poor. It is worrisome to note that despite the huge resources (human and otherwise) on tax audit and penalty, no serious question had been asked as to their effects on compliance and consequently generation of increased tax revenue in general and Companies Income Tax (CIT) in particular. It is, therefore, necessary for the effects of these deterrent measures to be examined to pave way for more resources or otherwise for the development of Nigerian Tax Administration System (NTAS). Against this backdrop, this study examined the influence of tax audit and penalty on tax compliance paradigm of companies' income taxpayers in Nigeria, a focus on Edo State. Thus, this paper seeks to test the following hypotheses;

H_{01} : There is no significance relationship between tax audit and tax compliance in Nigeria.

H_{02} : Tax penalty has no significance relationship with tax compliance in Nigeria.

This paper is structured into four sections beside the background to the study namely: section two is the review of literature, while section three dwells on methodology. Section four presents data analyses and discussions, and section five is on conclusion and recommendations.

Litearature Review

Conceptual review.

The three main concepts of the study, Tax audit, Tax penalty and tax compliance are reviewed and presented below.

Different scholars have defined tax audit in various ways. OECD (2006) views tax audit as a means of confirmation whether a tax payer assessed and reported his/her tax liability correctly and fulfilled other obligation. Kircher (2008) defines tax audit as an examination conducted by the relevant tax authority on an individual or organisation's tax returns. As opined by Kolawole (2013), tax audit ensures voluntarily compliance thus reducing the "tax gap" between the projected tax revenue expectation and tax realised. Oyedokun (2016) defines tax audit as an inspection of a taxpayer's business records and financial affairs to ensure that the amount of tax reported and paid are in accordance with tax laws and regulations. Nwaiwu and MacGregor (2018) opined that tax audit is independent examination of accounts, tax returns, tax payments and other records of a taxpayer to confirm compliance with tax laws and correctness of tax paid. From the definitions above, tax audit is very vital and play a significance role for an effective tax administration. The sole aim of the examination is to confirm compliance with the tax laws and the accuracy of the figures in the tax payer's returns. It encourages tax payers to be honest in filing their tax returns, thus facilitating the attaining of the revenue realization goal.

Muehlbacher, Kastlunger and Wahl (2007) opined that the need for tax audit is based on the economic model that assumed that tax payers exploit the risk of detection and fine imposed for tax evasion against the gain accruable for successful evading tax. This implies that the extent of tax evasion is a function of the probability of conducting tax audit and the existing fines and penalties. It is on this note that Allingham and Sandmo (1972) state that the awareness of high probability of detection of tax evasion by the tax payers will always encourage tax compliance and results in a larger income being declared. Therefore, tax authorities are expected to carry out tax audit on all, where it is possible, or some of the taxpayers especially the high net worth in order to ensure tax compliance and check the tax evasion.

Palil (2010) posited that the probability of tax audit and a high penalty for tax defaulters serve as a discouragement for potential tax evasion. His postulation is based on the review of previous studies that indicated tax compliance as a significant relationship with awareness of tax offences and their penalties. That the tendency to evade tax is reduced if the taxpayers are aware of the penalties involved in tax offences. He further suggests that educating taxpayers on tax matters as a preventive measure is a better strategy for ensuring tax compliance than imposition of penalties. Doran (2009) examined the US tax penalty system and noted that tax payers have three obligations as regards tax compliance and there are civil and criminal penalties behind failure to comply. The obligations are, assess own tax liability (self-assessment), file a tax returns, and payment of the tax liability. Kirchler *et al.,* (2007) believed that fines and mostly higher fines simply make evading taxes more hazardous for taxpayers and should, therefore, deter them from evasion. They, however, advised that, for fines to be a potent instrument of influencing compliance, it has to be complemented by audit as both are hardly separable.

Olayemi (2010) noted that tax evasion is a crime and it is treated with all seriousness it deserves the world over, especially in the developed countries. There are penalties imposed on tax contraventions and the severity of punishment for evasion depends on the extent of evasion.In China, for example, the penalty is as serve as death penalty. In Nigeria, system of penalties, fines or enforcement is so pleasant that tax evaders do not feel serious impact of deterrence for their actions. That is why tax avoidance and evasion are described as a favorite crime in Nigeria (Nigerian Tribune, August 31, 2012). Also Sanni (2011) asserted that anyone who failed to pay tax risks severe penalties. He added that it was remarkable that the various penalties in the Principal Act and other tax laws could unwittingly serve as incentives for non-compliance, as they are sometimes ridiculously low. In a few instances where stringent penalties were imposed, they are not really enforced, thereby reflecting corruption in the tax administration.

In proffering lasting solutions to the problems, Kwaghkehe (2010) suggested that fines and penalties for tax offences listed in the tax law must be reasonably enough for defaulters to feel the impact of the payment and that the relevant authority must prosecute tax offenders for the criminal aspect of the tax offences. This he noted will stimulate voluntary tax compliance. Onimajesin (2009) noted that the achievement of the objective of fines or penalties in Nigerian tax system may be far from reality as the judiciary had its own share of the blame. Most times, tax judgments are given based on financial incentive, sentiments and other prejudices. It is also on records that most judges that handle tax matters are not well equipped in that regard. He advised that the judges should be constantly trained by way of courses, seminars, workshops to keep them abreast of the latest developments in the field of law and methods of facilitating the dispensation of justice.

Scholars have defined tax compliance differently. For instance, Kircher (2008) defined tax compliance as the filing of an accurate, complete and satisfactory return by a tax payer to a relevant tax authority in accordance with the tax laws for the purpose of tax assessment. Mohammad, Ahmad and Deris (2010) noted tax compliance as the extent to which tax payers derive from the tax laws and regulation in filing their tax returns to the appropriate authority. Brown and Mazur (2005) cited in Ebimobowei and Peter (2013) viewed tax compliance in three distinct dimensions. The dimensions are payment compliance (timely payment of all obligations), filing compliance (timely filing of required return), and reporting compliance (disclosure accurate tax liability). OECD (2004) viewed tax compliance by taxpayers in four broad obligations of being capture in the tax net, timely filing of tax returns, disclosure of accurate financial information, and timely payment of taxation liabilities. Failure by the tax payers to meet any of the above obligations would be considered non-compliance to the tax law. Tax compliance can be simply seen as a situation whereby a taxpayer willingly computes, files and pays all the relevant taxes in accordance with the applicable laws and regulations.

Kirchler, Hoelzl, and Wahl (2008) opined that it is the duty of the citizens of any nation to pay tax for what so ever motive, while the duty of the State is to ensure compliance to the tax rules. They further stated that the reason for compliance could be that the cost for non-compliance is too high, or the citizens believe it is their civil responsibility to comply for the development of the society which they are members. Alabede, Ariffin and Idris (2011) noted that tax non-compliance is a grave challenge to tax administration in developing countries, Nigeria inclusive. In Nigeria, statistical evidence shows that the contribution of tax revenue to the country's gross domestic product is one of the lowest in the world, inspite of the various tax reforms introduced by government.

It is worthy of note that the issue of noncompliance was undoubtedly not a Nigerian problem alone. This, therefore, had made economies of the world to combat the hydra-headed issue of tax evasion and avoidance. That was why Schneider (2003) and Alm *et al.* (2004) agreed that tax noncompliance was an inevitable fact in all societies. Tax administrators' world over are interested in achieving compliance and as such are always focused on unearthing specific drivers of taxpayers' compliance behaviour. Walsh (2012) observed that better understanding of what motivates taxpayers' compliance behavior towards taxation was key in unearthing the undertone of voluntary compliance and the efficiency of the tax administration. OECD (2004) opined the drivers of tax behaviour as follows; tax payers' believe in conserving cash out flow through tax payment by deliberately under stating their income in attempt to remain competitive in business; and the desire of the tax payers to recoup some money as compensation for their perception of high tax rate. OECD (2004) opined that identifying and dealing with the behaviour will have an impact on the affected tax payer but for a limited period of time.

Theoretical Review

There are two theories that encourage voluntary tax compliance; these are economic deterrence theory/model and psychology theory. The economic deterrence theory or model according to McKerchar (2002) is based on the theory that behavior is responsive to punishment or sanctions. He further opined that the deterrence model was presumed on the ground that all taxpayers would respond in an almost identical and predictable fashion whenever there is an opportunity to maximise the utility such opportunity presents. The economic deterrence model incorporate six economic variables which are been predominant in the literature. These variables are Penalties, tax rate, income level of the tax payer, complexity of the tax system, tax audit, that is, the probability of detection and sentencing (Mckerchar, 2012). Thepsychology theory posits that taxpayers compliance is based not on any of the perceived sanctions or punishment or when the probability of detection is low, but on psychological factors such as ethics and morals of the tax payers.

Tax audit and penalty among other variables form the cardinal stands of the economic deterrence model. Generally, It is, however, worth noting that these compliance tools, although, popular, have faced criticism on the grounds of its high cost of implementation and weak enforcement mechanism in the tax system in Nigeria had been argued to have reduced the potency of penalty (Usman & Anao, 2015). Many researchers believed that attention should be shifted to behavioural attitudinal tools influencing compliance rather than deterrence apparatus. However, in spite of the weaknesses, the theoretical principles of economic deterrence model have been widely adopted by tax administrations in many countries, Nigeria inclusive. This is evidenced by the wide use of enforcement strategies that relied principally on penalties and tax audit. It is on this note that this study is anchored on the economic deterrence theory.

Previous studies on tax audit, tax penalty and tax compliance

Witte and Woodbury (1985) and Butler (1993) in their study of small business owners attitude towards tax compliance, they found that tax audit has a significant effect on tax compliance as it changes compliance behaviour of tax payers from negative to positive. Badara (2012) examines the effect of tax audit on tax compliance in Nigeria. Data were collected by administering questionnaire. The findings of the study are that tax audit is employed by the relevant tax authority towards achieving tax revenue target; the problem of tax evasion is reduced, and the cooperation of tax payers during tax audit exercise is low. The study recommends an enhancement of the standard of tax audit by relevant tax authority for purpose minimising tax evasion and improve the efficiency and effectiveness of its operations. In addition, the relevant tax authority should put in place strategies that will encourage tax payers' cooperation during tax audit exercise. Appah and Eze (2013) also conducted a study on the impact of tax audit on tax compliance in Nigeria. The study revealed a significant relationship between random tax audit, cut-off tax audit and conditional tax audit on tax compliance in Nigeria. The study concluded because the average Nigerian is tax evasive, tax audit is one of the strategies to ensure tax compliance. The study recommends that government should demonstrate accountability and transparency in tax revenue and expenditure; the relevant tax authority should implement the tax laws equitably and without bias among the tax payers and improve on the effectiveness and efficiency of tax administration by raising the standard and frequency of tax audit.

Modugu and Anyaduba (2014) examine the influence of tax audit and other qualitative attributes on the level of tax compliance by Nigerian companies. Data was gotten from primary source by administering questionnaires to respondents of sampled companies in some states in Nigeria. Data analysis was by ordered logistic regression technique. The result showed that there exists a positive relationship between tax audit and tax compliance. The result revealed that the likelihood of tax audit, enforcement of penalties, and accountability of government spending have tendency to significant influence tax compliance in Nigeria. The study recommends that relevant tax authorities should engage in reasonable and effective means of enhancing the impact of tax audits on corporate tax compliance in Nigeria. However, the finding of the study by Beron, Tauchen and Witte (1998) revealed that tax audit has not significant correlation with tax evasion for the entire group studied. That tax audits were found to be more effective in inducing taxpayers to over claim deductions rather than encouraging them to correctly report actual income.

Sheikh Obid (2004) study on the influence of tax penalties on taxpayers' compliance revealed that penalty rate does have a significant effect on tax compliance. Mohdali, Isa and Yusoff (2014) study on the impact of tax penalties on tax compliance and noncompliance attitude in Malaysia showed that tax penalty has encouraged tax payers to become less compliant which might indicate their rebellious act towards the government. Oladipupo and Obazee (2016) using a survey research design examined the influence of tax payers' knowledge and tax penalties on tax compliance amongst small and medium enterprises in Nigeria. Ordinary Least Square regression method was used to analyse the data obtained. The results revealed that there is a positive significant influence of tax knowledge on tax compliance, while tax penalty has no significant positive influence on tax compliance. Furthermore, tax knowledge has a higher propensity to promote tax compliance than tax penalty. They recommended that government should promote awareness of small and medium scale business owners on tax matters and tax education should be incorporated in school curricula at all levels.

Methodology

Data Collection and Analysis

The study employed field survey quantitative research design approach. A five point likert scale questionnaire ranging from strongly agree of 5-point to strongly disagree of 1-point was developed to obtain data from the respondents. The questionnaire was adapted from the work of Palil (2010). The questionnaire was divided into two sections. Section A contains the background information of the companies while Section B focused on the core issues relating to the research objectives namely: tax audit, tax penalty and tax compliance. The questionnaire employed in collecting the data were further subjected into Cronbach Alpha reliability test in checking the internal consistency of the items used in measuring each of variables. The Cronbach Alpha coefficient values of the variables: tax audit, tax penalty and tax compliance are 0.727, 0.747 and 0.801 respectively which compare favourably with a stipulated standard of above 0.70 for reliability test. This therefore, indicates that all the research questions in the questionnaire have internal consistency. Hence, the research instrument is reliable.

The target population for the study comprised all corporate taxpayers in Nigeria. However, due to the large number and the geographical wide of the population, the study was restricted to Edo State in South-South geo-political zone of the country. A list of corporate tax payers containing the names and addresses was obtained from the Edo State areas offices of the Federal Inland Revenue Service. The tax payers were classified into three strata according to the amount of tax paid. One hundred fifty (150) corporate taxpayers were randomly selected equally from each of the three strata and copies of questionnaire were distributed to the selected companies. Forty (40) copies of the questionnaire were administered for pilot test. Data collected are analysed with computer software (E-views 8.0). Descriptive and Inferential statistics were employed to analyse the data collected. For the Inferential statistics, ordinary least square regression analysis was used.

Model Specification

In this study, we opined that tax compliance (TCOM) is influence by tax audit (TAUD) and tax penalty (TPEN). The Ordinary Least Square (OLS) regression model applied is expressed in functional form as:

$$TCOM = f\,(TAUD, TPEN) \quad \ldots\ldots\ldots\ldots\ldots\ldots 1$$

and in econometric form as:

$$TCOM = \alpha + TAUD\beta_1 + TPEN\beta_2 + \varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots 2$$

where:

α = Constant

β_1 = Coefficient

β_2 = Coefficient

TCOM = Tax compliance,

TAUD = Tax audit,

TPEN = Tax penalties,

ε = The error term.

The apriori expectation is expressed as: $\beta_1>0$, $\beta_2>0$

Data analysis and discussion of results

This section contains the descriptions of tax compliance, tax penalty and tax audit. A total of 150 copies of questionnaire were administered for this study out of which 135 were found usable, amounting to 90%. The results are presented in the Tables 1-4:

Table 1: Description of tax compliance

S/N	*Statement*	*Mean*	*Std. Deviation*
1	The probability that our company might be audited makes us pay tax voluntarily at the right time.	4.163	1.024
2	The penalty/enforcement rate for default in tax payment facilitates our compliance.	3.237	1.265
3	Our knowledge on self-assessment procedures and companies income tax law affects the level of our compliance.	3.607	1.246
Overall mean and standard deviation		3.669	1.1333

Source: *Researcher's field survey (2018)* **Highly considered (mean ≥ 2.50)*

Table 1 shows that majority of the respondents agreed with all the statements measuring tax compliance in the following orders: The probability that our company might be audited makes us pay tax voluntarily at the right time ($\bar{X} = 4.163; SD = 1.024$); Our knowledge on self-assessment procedures and companies income tax law affects the level of our compliance ($\bar{X} = 3.607; SD = 1.246$); and the penalty/enforcement rate for default in tax payment facilitates our compliance ($\bar{X} = 3.237; SD = 1.265$).The overall mean of 3.669 shows that the level of tax compliance is moderate.

Table 2: Description of tax audit

S/N	*Statement*	*Mean*	*Std Deviation*
1	Tax audit can always expose underpayment of taxes	3.881	1.127
2	The perceived skillfulness of tax auditors at discovering any noncompliance defines our level of tax compliance	3.822	1.043
3	The possibility of additional tax liability resulting from tax audit is significant	3.630	1.244
4	Tax Auditors show high level of professionalism in their jobs.	3.881	1.086
5	To avoid interruption in our operations caused by tax audit, we tend to be compliant	4.170	0.951
Overall mean and standard deviation		3.877	1.0617

Source: *Researcher's field survey (2016)* **Highly considered (mean ≥ 2.50)*

Table 2 shows that majority of the respondents agreed with all the statements measuring tax audit in the following orders: to avoid interruption in our operations caused by tax audit, we tend to be compliant ($\bar{X} = 4.170; SD = 0.951$); tax Auditors show high level of professionalism in their jobs ($\bar{X} = 3.881; SD = 1.086$); tax audit can always expose underpayment of taxes ($\bar{X} = 3.881; SD = 1.127$); the perceived skillfulness of tax auditors at discovering any noncompliance defines our level of tax compliance ($\bar{X} =$

$3.822; SD = 1.043$); and the possibility of additional tax liability resulting from tax audit is significant ($\bar{X} = 3.630; SD = 1.244$). The overall mean of 3.877 shows that the level of tax auditing is moderately high.

Table 3: Description of tax penalty

S/N	*Statement*	*Mean*	*Std Deviation*
1	The level of penalty for tax default makes us to pay our taxes at the right time	4.304	0.925
2	Enforcement team's conduct is enough to make us fulfill our tax obligations.	4.726	0.510
3	Most of the fines we pay are from tax audit	4.430	0.806
4	From my understanding, punishment for noncompliance in Nigeria are not really serious like in other countries	3.600	0.986
5	The existing scale of penalties for tax default/evasion is fair in relation to the nature of default or non-compliance.	3.896	1.101
Overall mean and standard deviation		4.191	0.8191

Source: *Researcher's field survey (2016)* **Highly considered (mean ≥ 2.50)*

Table 3 shows that majority of the respondents agreed with all the statements measuring tax penalty in the following orders: enforcement team's conduct is enough to make us fulfill our tax obligations($\bar{X} = 4.726; SD = 0.510$); most of the fines we pay are from tax audit ($\bar{X} = 4.430;\ SD = 0.806$); the level of penalty for tax default makes us to pay our taxes at the right time ($\bar{X} = 4.304; SD = 0.925$); the existing scale of penalties for tax default/evasion is fair in relation to the nature of default or non-compliance ($\bar{X} = 3.896; SD = 1.101$); and from my understanding, punishment for noncompliance in Nigeria are not really serious like in other countries ($\bar{X} = 3.600; SD = 0.986$). The overall mean of 4.191 shows that the level of tax penalties is high.

Table 4: Model estimation using regression analysis
Dependent Variable: Tax Compliance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.1193	0.0836	1.4269	0.1560
Tax Audit	0.5587	0.0807	6.9249	0.0000
Tax Penalty	0.4014	0.0807	4.9739	0.0000
R-squared	0.9400		F-statistic	1034.6660
Adjusted R-squared	0.9391		Prob(F-statistic)	0.0000
Observations	135		Durbin-Watson stat	2.2234

Results in Table 4 reveal that tax compliance is positively and significantly related to tax audit and tax penalty at 5% level of significance. This implies that as tax audit and tax penalty increase, level of tax compliance increases. The coefficient of determination (R^2) value of 0.94 was obtained. The Adjusted R^2 of 0.9391 indicates that the independent variables jointly explained 93.91% of the variation in the dependent variable. The Durbin-Watson statistic of 2.2234 reveals the absence of first order serial correlation. The F-statistic of 1034.6660 is significant at $p<0.05$ ($p=0.000$). This means that there is a statistically significant relationship between the dependent variable and the independent variables.

Discussion of Findings

First, the study revealed that tax compliance by corporate income tax-payers was positively and significantly related with attitude to tax audit. This finding suggests that in self-assessment systems, tax audit can play an important role and it is central to increase voluntary tax compliance. This finding is in consistent with the findings of Witte and Woodbury (1985) and Butler (1993) studies. Witte and Woodbury (1885) found that tax audit has a significant impact on tax compliance, while Butler (1993) found that tax audit can influence taxpayers' tax compliance behaviour from negative to positive. However, our finding is contradictory with the findings of Beron, Tauchen and Witte (1998). Their finding showed that tax audit is not significantly correlated with tax evasion, but it induces taxpayers to over claim deductions rather than encouraging them to correctly report actual income.

Second, this study found that there was a positive and significant relationship between tax penalties and tax compliance by corporate income tax-payers. This finding is consistent with the finding of Sheikh Obid (2014), but contradictory with the findings of Mohdali et al., and Oladipupo and Obazee (2016). Their study revealed that tax penalty showed no significant positive influence on tax compliance and has encouraged tax payers to become less compliant which they suggest is an indication of rebellious act towards government. The positive relationship between perceived enforcement of penalties and tax compliance could be explained by the worth of the penal tax saved (tax saved) and if the penalty procedure is always strictly followed and enforced. When the tax payers notice that the government is fully committed to identify and reprimand non-compliant tax payers, the degree of compliance tends to increase. Therefore, enlightening taxpayers and ensuring that they are well informed at all times of the penalties for noncompliance could a more effective strategy in ensuring high level of tax compliance in Nigeria.

Conclusions

This study assessed the influence of tax audit and penalty on tax compliance of corporate income taxpayers in Nigeria. The study adopted field survey quantitative research design. The target population for the study comprised all corporate taxpayers whose tax files are domiciled in Edo State, Nigeria. 150 copies of questionnaire were distributed to managers and accountants of selected organisations in Edo State. Findings from the study revealed that tax audit and tax penalties are positively related to tax compliance. Based on the findings of the study, the following recommendations are made:

First, Tax penalty should be strengthened to serve as deterrent mechanism against noncompliance. This can be achieved by ensuring that necessary amendments are made to relevant sections of applicable tax laws to make tax evasion unattractive and highly punitive in nature. Second, tax audit exercise should be carried out frequently, at least once in three years on all taxpayers. To this end, more skilled manpower should be engaged. In addition to enhance voluntary tax compliance, youth unemployment rate in the country will be reduced. Third, the planning and disbursement of revenue generated through taxes should be properly monitored by government agencies charged with tax related matters. Hence, it is expedient for tax collecting bodies to partner with Ministry of Finance, Budget and National Planning and other related government agencies to ensure that tax revenues are used for socially desirable purposes. Finally, future studies should explore the subject matters by extending the scope to cover other states of the federation.

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Appendix: Regression Result

Dependent Variable: TCOM
Method: Least Squares
Date: 03/30/18 Time: 05:47
Sample: 1 135
Included observations: 135

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.119298	0.083609	1.426866	0.1560
TAUD	0.558703	0.080680	6.924914	0.0000
TPEN	0.401407	0.080702	4.973915	0.0000

R-squared	0.940036	Mean dependent var	3.745679
Adjusted R-squared	0.939128	S.D. dependent var	1.181117
S.E. of regression	0.291409	Akaike info criterion	0.393791
Sum squared resid	11.20931	Schwarz criterion	0.458353
Log likelihood	-23.58090	Hannan-Quinn criter.	0.420027
F-statistic	1034.666	Durbin-Watson stat	2.223401
Prob(F-statistic)	0.000000		

TAX PRACTICES AND ADMINISTRATIONS IN NIGERIA: IMPLICATIONS FOR ECONOMIC GROWTH

[1]Ujah, Iheanyichukwu Promise; [2]Nmesirionye, Josephine Adanma; &[3]Ihendinihu, John Uzoma
College of Management Sciences,
Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria.
E-mail: [1]ujahpromise@gmail.com
[2]adandynmes@yahoo.co.uk
[3]ihendinihu.john@gmail.com

Abstract
The paper reviewed the various tax practices and administrations in Nigeria and documented their implications for the nation's economic growth. The Nigerian tripartite tax structure – the tax laws, tax policies, and tax administrative machinery – were discussed to highlight the major reforms/changes over the past two decades. The influence of special fiscal arrangements (tax free zones, tax incentives and international and regional tax treaties) on Nigerian economic growth were critically reviewed. The paper also reported remarkable improvements in the country's drive for effective and efficient tax system in the past but noted the existence of numerous challenges that should be resolved for the tax system to reflect current economic realities. To achieve meaningful sustainable economic growth in Nigeria, the paper recommends legislative adjustments and re-engineering of the National Tax Policy to emphasis indirect tax system and eliminate multiple taxation through collaborations among tax administrators at all levels of government.

Keywords: Tax Practices, Administration, Tax Structure, Tax Free Zones, Tax Incentives, Tax Treaties, Legislative Adjustments, Economic Growth.

Introduction

Tax is defined as a compulsory exaction from a taxpayer paid in cash or in kind to the government to provide for the public services of common interest without particular regard to the particular benefit received by the taxpayer Mark (2014).He further explained that taxation is indisputably an absolute mechanism for national development. Apart from being a major source of revenue for government to provide goods and services needed by the people, tax policy can stimulate economic growth and job creation through its impact on investment and capital formation in the economy. In this respect, reform of the tax system that ensures effectiveness, equity, and efficiency are necessary conditions for a healthy public finance.

According to Adesola (2004) Tax practices and administration could be looked at as the totality of tax system or tax structure. The tax structure is the process involving set of rules, regulations and the procedures with the organs of administration interacting with one another to generate fund for government. He noted that the Nigerian tax structure or system is of tripartite activities involving the tax laws, tax policies and tax administration, hence, the Nigerian tax system is structured as a tool for revenue generation. Naiyeju (2010) and Odusola (2006) recorded that the Nigerian tax system is being lopsided and dominated by oil revenue with concentration on petroleum and trade taxes while direct and broad-based indirect taxes like the value-added (VAT) are neglected

In Nigeria, the government fiscal power is also based on a three-tiered tax structure; Federal, State and Local Governments each of which has different tax jurisdictions. Under the current Nigeria tax laws, taxation is enforced by the three tiers of government. Taxes on corporate bodies are enforced and collected by the Federal government while State and Local governments enforce and collect taxes from individuals within their jurisdiction. In 2002, about 40 different taxes and levies were shared by all three levels of government. The Nigerian tax system has undergone significant changes in recent times as evidenced by the various tax reforms put in place since 1904 till date which constitute part of economic growth trend in Nigeria (Odusola, 2006).

Regrettably, it is noticeable that Nigeria tax practices and administrations is faced with many challenges. The country is yet to develop an effective and efficient tax system despite the modifications that have been made over time. The enforcement machinery of our tax laws is porous and could easily be evade without adequate punishment. Those who are charged with administration of tax are not empowered with state of the art equipment to perform. They are more often than not so ill-equipped, so ill-trained and so neglected that they become disillusioned, discouraged, frustrated and therefore hardly give their best services. These indications explains the reason why tax administration in Nigeria is generally regarded to be poor and inefficient (Ogbonna 2010).

Tax administration is all about the machinery put in place to determine, monitor and enforce the collection of taxes by government of a country. Ogbonna (2012) noted that tax administration involves all the principles and strategies adopted by any government in order to plan, implore, collect, account and coordinate personnel charged with the responsibility of taxation. It also includes the effective use of tax revenue for efficient provision of necessary social amenities and other facilities for the taxpayers. In Nigeria, it is the responsibility of tax authorities (at the Federal, state and local government levels) to ensure that tax administration is strengthened in such a way that no leakage or loopholes of collectible tax is allowed. Contrary to this expectation, there are some administrative problems giving rise to such leakages and loopholes. Tax administration is a major problem facing taxation in the world (Jibrin, Blessing and Ifurueze2012). According to them, bad administration and collection of tax has led to tax evasion. According to Udabah (2002), the problem of collection and administration are the major issues facing taxation. Other problems of tax administration relate to high rate of illiteracy, poor tax awareness and inadequate orientation and these have implications for economic growth and development of a country.

The objectives of this paper therefore are:

1. To provide theoretical review on the Nigerian tax structure with a view to highlighting the major reforms that have taken place over the past two decades.
2. To critically review special fiscal arrangements in Nigeria and their influence on the country's economic growth.
3. To identify improvements in Nigerian tax system in the past years and the challenges facing the system.
4. To make recommendations for addressing the identified challenges.

NIGERIAN TAX SYSTEM, TAX POLICY REFORM, TAX ADMINISTRATIONAND IMPLICATIONS TO ECONOMIC GROWTH

The Nigerian Tax System

As earlier stated, the Nigerian Tax System has undergone significant policy and administrative changes in recent times. The Tax Laws are being reviewed which is geared at a more effective and efficient way of tax collection and administration. Such policy reforms include the introduction of the taxpayer's identification number (TIN, which became effective in February 2008); an automated tax system that enhances the tracking of an individual taxpayer's positions and challenges, launching of an e-payment system which promotes smooth payment procedures and reduces the incidence of tax tout, introduction of luxury taxes and ongoing process to review incentives such as pioneer status.

Nigerian tax system has structural defects that tend to neglect the based indirect taxes and these problems constitute setbacks to Nigerian economic growth and weakens the effectiveness of the tax system. Although direct taxes and VAT have the potential for expansion, their impacts are limited because of the dominance of the informal sector in the country. Furthermore, the limited formal sector is supported with strong unions that act as pressure groups to deter any appreciable tax increment from gross income and also lack of confidence on policy maker who may be bias in the utilization of tax revenue in order to synchronize with cannons of good tax system. The widening fiscal deficit that over the years has threatened macroeconomic stability and prospects for economic growth makes the prospect of tax reform very appealing.

Regrettably, notwithstanding the constant review being made to revoking obsolete provisions and streamlining the main ones, there are still a number of challenges facing Nigeria tax system which need to be addressed.

Tax Policy Reforms in Nigeria

The tax policy reforms can simply be defined as deliberate design to increase revenue, improve efficiency, promote equity, provides a set of rules, modus operandi and guidance to which all stakeholders in the tax system must subscribe (World Bank, 1991).

The following are the reasons why reforms is necessary in Nigeria the tax system

- To bridge the gap between the national development needs and the funding of the needs;
- To ensure taxation, as a fiscal policy instrument, in achieving improved infrastructure and public service delivery to the public;
- To improve on the level of tax derivable from non-oil activities, vis-à-vis revenue from oil activities;
- Efforts at constantly reviewing the tax laws to reduce/manage tax evasion and avoidance; and
- To improve the tax administration to make it more responsive, reliable, skillful and taxpayers friendly and to achieve other fiscal objectives.

Other reasons for tax reforms include:

- Efficient and effective tax administration
- Stimulate the non-oil sector of the economy
- To resolve contentious issues in tax administration
- Redistribute wealth and entrench a more equitable tax system
- Capacity building for administrators and taxpayers
- Centralisation of revenue agency and computerisation
- Reduce effective tax rates and simplify tax regime, and
- Develop a tax policy for Nigeria.

The Nigerian tax system has experienced series of reforms since 1904 to date. The various reforms in the country are as follows:

1. The introduction of income tax in Nigeria between 1904 and 1926.

2. The grant of autonomy to the Nigerian Inland Revenue in 1945.

4. The formation of the Inland Revenue Board in 1958.

5. The promulgation of the Petroleum Profit Tax Ordinance No. 15 of 1959.

6. The promulgation of Income Tax Management Act 1961.

7. The establishment of the Lagos State Inland Revenue Department.

8. The promulgation of the Companies Income Tax Act (CITA) 1979.

9. The establishment of the Federal Board of Inland Revenue under CITA 1979.

10. The establishment of the Federal Inland Revenue Service between 1991 and 1992.

11. The tax policy and administration reforms amendment 2001 and 2004.

These reforms are geared towards actualizations of good tax system. It is imperative to note that tax reforms should be a continuous process since there is unstable economic system, especially in the case of Nigeria. The review of tax system in accordance with the economic system of a country has direct and indirect implications on the economic growth. Hence, Nigerian tax system is yet to conform to the contemporary situation which hinders its effective implementation of some strategic tax reforms.

Nigeria's fiscal policy measures have been largely driven by the need to promote macroeconomic activities such as promoting rapid growth of the economy, generating employment, maintaining price stability and improving the balance of payment conditions of the country. Although policy measures change frequently, these objectives have remained relatively constant. Until the mid-1980, tax policies for instance, were geared to achieving specific objectives such as 1) Ensuring effective protection for local industries, 2) Encouraging greater use of local raw materials, 3) Enhancing the value added of locally manufactured and primary product, 4) Generating increased government revenue (Odusola, 2006).

Since the implementation of the Structural Adjustment Programme (SAP) in 1986, taxes have been used to enhance the productivity and competitiveness of business enterprises. Consequently, attention has been focused on promoting exports of manufacturers and reducing the tax burden of individuals and companies. In line with this change in policy focus, many measures were undertaken, these amongst others include, reviewing custom and excise duties, continuing with the reduction of company income taxes rate, expanding the range of tax exemptions and rebates, introducing new qualifying capital expenditures for capital allowances, expanding the duty drawback scheme and manufacturing-in-bond scheme, abolishing Excise Duty on some items and implementing value added tax, monetizing fringe benefits and increasing tax relief to low income earners. There is always the need for constant review of tax laws and administration.

Recognizing the importance and role of taxation in stimulating economic activities, the Federal government initiated an economic blueprint known as the National Economic Empowerment Development Strategy (NEEDS) in 2004 which anchored the tax system as a critical part of the reform agenda to foster increase in tax revenue on a year to year basis. As part of the agenda, the National tax policy was enunciated to serve as a tool for economic development through the following:

i. Stimulating the growth of the Nigerian economy by using tax revenues to develop basic infrastructure such as power, roads, transportation and such other infrastructure which will stimulate economic growth.

ii. Direct stimulation of certain sectors of the economy which are identified to be important for the creation of employment opportunities for Nigerians.

iii. Regulating and strengthening financial and economic structures and for correcting market imbalances and economic distortions.

iv. Income redistribution such that tax earned from high income earners are used for the provision of infrastructure for the lowest income earners. Taxes shall act as a means to create a social security net and,

v. Stimulating domestic and foreign investment. The aim of the tax reform is to increase the non-oil tax revenue generation on a year to year basis so as to increase economic activities.(Federal Inland Revenue Service 2012).

Tax administration

Tax administrationinclude activities which has to do with identification and registration of taxpayers, processing of tax returns and third party information, examination of the completeness and correctness of tax returns, assessment of tax obligations, collection of taxes and provision of services to taxpayers (Animasaun, 2017). Tax Administrators must develop a contemporary vision which will solidify the policies or legislations put in place by the government. Rapid economic developments and ever-higher expectations on the part of taxpayers make it necessary for a Tax Administration to redefine its strategic course. Its relationship with taxpayers must be laid down in a system of rights and obligations.

Taxation And Economic Growth

Taxation constitutes a major tool for achieving economic growth in Nigeria.Economic growth is generally regarded as the increase in the amount of the goods and services produced in an economy over time. It is conventionally measured as the percent rate of increase in Real Gross Domestic Product (RGDP) (The International Monetary Fund 2009 and CBN 2010). Growth is usually calculated in real term, in order to net out the effect of inflation on the price of the goods and services produced.Economic growth occurs when new products and services are produced and made available in the market. This marks a major increase in a country's wealth over a period of time and the growth rate of real GDP is the percentage change in real GDP from one year to the next.

Eugene and skinner (1996) identified five major ways in which direct taxation can affect economic growth. They are:

a. Higher taxes can discourage the investment rate through high statutory taxes rates on corporate and individual income, high effective capital gains taxes and low depreciation allowances.
b. Taxes discourage labour force participation or distort occupational choices and also affect the choice for acquisition of skills, education and training.
c. Tax policy has the potential to discourage productive growth by attempting to tax research and development and the development of ventures capital.
d. Tax policy can influence the marginal productivity of capital by channeling investment from heavily tax sectors to more highly taxed sector with lower overall productivity.

e. Heavy taxation on labour supply can distort the efficient use of human capital by discouraging workers from employment in sectors with high social productivity but a heavy tax burden. Taxation of personal Income may influence economic growth by affecting human capital investment, through supply of labour and work effort.

Indirect taxes are based onconsumption expenditure and are easier to collect and less prone to evasion than direct taxes which are often more difficult and more costly to collect, prone to high rate of tax evasion and tax avoidance but has suffered stagnation overtime.The impact of some of the major indirect taxes such as those on consumption, is fairly limited at least as regards long-run economic performance. These indirect taxes are relatively neutral with respect to savings and investment decisions, they do not discriminate between imports and domestically produced goods and provide for a symmetric treatment of labour and capital income. Hence from the point of view of economic efficiency, a tax system with a relatively low level of direct taxation and a larger share of indirect taxes havegreater advantages.

Tax Arrangements that Stimulates Economic Growth

A good number of tax based special arrangements have been introduced in Nigeria and some of these arrangements have stimulated economic growth. Examples of such include tax free zones, tax incentives schemes and tax treaties.

(i) *Tax Free Zones*

As a general rule, every taxable person, entity or activity are subject to tax and to specific exemptions in Nigeria. There are however instances, where a special dispensation may be created for a particular economic activity, in order to attract, retain or increase investment in that particular economic activity. In this regard, Government may in line with existing or new legislation, create tax free zones for the purpose of stimulating growth or investment in a particular sector or for a particular economic activity. In creating such zones, the paramount consideration must be the expected benefit to the entire economy and not just a particular sector or class of persons. In addition the purpose for which they are set up must be clear, specific and directed at identifiable sectors, entities or persons.

Where tax free zones are created, they must be administered in line with the enabling legislation and all persons, entities and activities carried out in such zones must be in compliance with the law. The Executive and Legislature should work closely to identity new areas, where such special arrangements are required and pass necessary legislation to create them. The status of such tax free zones and the benefits accruing there from must be subject to periodic review and a system put in place for measuring and quantifying the direct benefits being derived from the zone in contrast to the tax revenue not being collected. Government must however, retain the right at all times to terminate any such special arrangement, or the right of any person, entity or activity to take benefit of such arrangement should it determine that such arrangement is no longer beneficial to the Nigerian economy.

Some Existing tax free zones in Nigeria

S/N	NAME	LOCATION (STATE)	YEAR OF APPROVAL	STATUS	OWNERSHIP
1	Calabar Free Trade Zone (CFTZ)	Cross River	1992	Operational	Federal Govt.
2	Kano Free Trade Zone (KFTZ)	KANO	1996	Operational	Federal Govt.
3.	Onne Oil & Gas Export Free Zone	Rivers	1996	Operational	Federal Govt./Private
4.	Lagos Free	Lagos	2002	Under Cons.	Private
5.	Tinapa Free Zone & Tourism Resort	Cross River	2004	Under Cons.	Private/Public
6.	Olokola Free Zone	Ondo & Ogun	2004	Under Construction	Govts/Private
7.	Snake Island Integrated	Lagos	2005	Operational	Private
8.	Maigatari Border Free Zone	Jigawa	2000	Operational	State
9.	Banki Border Free Zone	Borno	2000	Declaration	State
10.	Ladol Logistics Free Zone	Lagos	2006	Operational	Private
11.	Ibom Science & Tech. Park Free Zone	Akwa Ibom	2006	Under Construction	Public/Private
12.	Living Spring Free Zone	Osun	2006	Construction	State
13.	Airline Services Export Processing Zone	Lagos	2006	Operational	Private
14.	Lekki Free Zone	Lagos	2004	Construction	State/Private
15.	Egbeda Free Zone	Oyo	2001	Declaration	State
16.	OILSS Logistics Free Zone	Lagos	2004	Declaration	Private
17.	Brass LNG Free Zone	Bayelsa	2007	Under Construction	Public/Private
18.	Abuja Technological Village	Abuja	2007	Under Construction	Public/Private
19.	Specialized Railway Industrial FTZ –Kajola	Ogun	2007	Under Construction	Public/Private
20	Imo Guangdong FTZ	Imo	2007	Under Construction	Public/Private
21.	Alscon Fpz	Akwa Ibom	2007	Operational	Private
22.	Calabar Free Port	Cross River	2002	Operational	Federal Govt.

Source: CITN MPTP, Ibadan, 25.06.08

(ii) *Tax Incentives*

In addition to Tax Free Zones, Government provides tax incentives to specific sectors or for specific activities in order to stimulate or retain investment in the sector.

Some tax incentives introduced by Nigerian Government are as follows:

a. *Companies Income Tax:*The Companies Income Tax Act has been amended in order to encourage potential and existing investors and entrepreneurs. The current rate in all sectors, except for petroleum, is 30 percent.
b. *Pioneer Status Incentive*: The grant of Pioneer Status to an industry is aimed at enabling the industry concerned to make a reasonable level of profit within its formative years. The profit so made is expected to be ploughed back into the business. Pioneer status is a tax holiday granted to qualified or (eligible) industries anywhere in the Federation for a period of 3 years (with additional 1 and 1 more years or 2 years straight)
c. *Capital Importation:*Capital importation and remittances -To fund their investments in Nigeria, foreigners are free, subject to money laundering restrictions, to bring in any recognised foreign currency into Nigeria. Such funds will have to be brought in through an authorised dealer (usually a bank authorised by the CBN). The bank through which the funds were imported will need to issue a certificate of capital importation ("CCI") to the investor to evidence the inflow of such funds into Nigeria. Where capital is not imported in form of funds but is imported in form of equipment, machinery or raw materials, a CCI will also be required.In the absence of a CCI, foreign exchange cannot be purchased from the official foreign exchange market for an easy repatriation of the proceeds of the foreigner's investment from Nigeria. If, for example, no CCI was issued to a foreign lender as evidence of funds disbursed to a Nigerian business, the foreign lender may be unable to receive any principal or interest payments in its offshore accounts because the borrower will be unable to access the official foreign exchange market for the purpose of purchasing foreign currency to remit such principal and interest payment. However, it could if it has access to independent sources of foreign currency (as would a borrower that generates foreign currency through exports) lawfully make such interest and principal payments from its own resources.
d. *In-Plant Training:*This is applicable to industrial establishments that have set up in – plant training facilities. Such industries enjoy a two percent tax concession for a period of five years.
e. *Investment in Infrastructure:*This is a form of incentive granted to industries that provide facilities that ordinarily, should have been provided by government. Such facilities include access roads, pipe borne water and electricity. Twenty percent (20%) of the cost of providing these infrastructural facilities, where they do not exist, is tax deductible.
f. *Investment in Economically Disadvantaged Areas:*Without prejudice to the provision of the pioneer status enabling law, a pioneer industry sited in economically disadvantaged Local Government Area is entitled to 100% tax holiday for seven years and an additional 5% capital depreciation allowance over and above the initial capital depreciation allowance.
g. *Labour Intensive Mode of Production:*Industries with high labour/capital ratio are entitled to tax concessions. These are industries with plants, equipment and machinery, which essentially are operated with minimal automation. Where there is automation, such automation should not be more than one process in the course of production. The rate is graduated in such a way that an industry employing 1,000 persons or more will enjoy 15 percent tax concession, while an industry employing 200 will enjoy 7 percent and those employing 100 will enjoy 6 percent and so on.
h. *Local Value Added:*10% tax concession for five (5) years. This applies essentially to engineering industries, where some finished imported products serves as inputs. The concession is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts.
i. *Re-InvestmentAllowance:*This incentive is granted to companies engaged in manufacturing which incur qualifying capital expenditure for the purposes of approved expansion, etc. the incentive is in the form of a generalized allowance of capital expenditure incurred by companies for the following: Expansion of production capacity, Modernization of production facilities, and Diversification into related products.

There are also tax incentives that are specific to particular industry or sector of the Nigerian economy. For instance:

(a) Companies with turnover of less than N1 million are taxed at a low rate of 20% for the first five years of operation if they are in the manufacturing business.

(b) Dividend from companies in manufacturing sector with turnover of less than N1 million is tax-free for the first five years of their operation.

(c) Dividends derived from manufacturing companies in petrol chemical and liquefied natural gas sub-sector are exempted from tax.

Also for entities in the agricultural sector, the following tax incentives are granted:

(a) Companies in the agro-allied business do not have their capital allowance restricted. It is granted in full i.e. 100%.
(b) The payments of minimum tax by companies that make small or no profits at all do not apply to agro-allied business.
(c) Agro-allied plant and equipment enjoy enhanced capital allowances of up to 50%.
(d) Processing of agricultural produce is a pioneer industry; consequently, there is 100% tax-free period for 5 yearsor projects into processing of agricultural produce.
(e) Agricultural and Agro allied Machinery: All agricultural and agro-industrial machines and equipment to enjoy 1% duty.
(f) Agricultural Credit Guarantee Scheme Fund (ACGSF) administered by the Central Bank of Nigeria: Up to 75% guarantee for all loans granted by commercial banks for agricultural production and processing.
(g) Interest Drawback Program Fund: 60% repayment of interest paid by those who borrow from banks under the ACGS, for the purpose of cassava production and processing provided such borrowers repay their loans on schedule.

The following tax incentives are equally available in the solid minerals sector:

(i) 3 to 5 years tax holiday;
(ii) Low income tax of between 20% and 30%;
(iii) Deferred royalty payments depending on the magnitude of the investment and the strategic nature of the project;
(iv) Possible capitalization of expenditure on exploration and surveys;

In granting tax incentives, caution should be expressed to avoid violating some principles of good taxation. For example, it is generally perceived that incentives:

(i) discriminate in favour of a particular sector;

(ii) Require imposition of a heavier tax burden on other sectors to cover the tax shortfall arising from the grant of incentives to the favoured sector;

(iii) Complicate the tax system due to the additional cost and time required to monitor the beneficiaries of such incentives in order to avoid possible abuse; and

(iv) May not be beneficial to the economy especially where the tax forgone exceeds the anticipated benefits from granting the incentives.

In view of the above, Government may need streamline the number of tax incentives in order to restrict them to those that will benefit the entire economy. The process of granting and renewing incentives, waivers and concessions must be transparent and sector focused and not arbitrary or only granted to specific companies or individuals only. The Government may also seek input from relevant sectors of the Nigerian economy and populace in the determination of the desirability or otherwise of such incentives. The process for granting incentives must comply strictly with legislative provisions for granting such incentives, waivers or concessions. In addition, even if not stated in the law, incentives that will result in a reduction in income distributable to all tiers of government should advisedly require the involvement of the arms of government affected or impacted.

(iii) International and Regional Treaties.

A wide network of International and Regional treaties are beneficial to the Nigeria economy, as economic treaties usually attract foreign investment to the local economy. Nigeria shall continue to expand its treaty network in the best interest of the Nigerian State. It should also meet its international obligations under the various tax treaties, protocols and agreements currently in force.It also allows companies to gain industrial specialization and competitiveness. Companies concentrate and specialize on products that give them a cutting edge advantage over other companies and may close factories that are not performing at optimal level. Consumers also have access to a wide range of products at reduced and competitive prices. This is because regional trades and tariff elimination will reduce goods from outside the region. Goods that are imported into the regions will also have to be priced very low to compete with regional prices. Furthermore, economic integration has the potential of attracting direct foreign investments as multinational companies embrace the opportunity to invest in countries that are part of economic blocs so as to gain advantages associated with being members of the economic bloc (includingtax incentives and preferential treatments for exports among members of the same bloc). Samsung for example has hugely invested in the EU to take advantage of the EU economic integration. Another benefit of international and regional integration is the potential advantages that many landlocked countries will derive from the coastal countries in the same bloc (United Nations, 2015).

Nigeria has a number of tax treaties referred to as "Double Taxation" Agreements with a number of countries. This is to ensure that the tax payable in Nigeria on the profits of a Nigerian company being remitted into the country are reduced by the amount of "foreign Tax" paid abroad and vice versa. In the last few years. The method of relief from double taxation under Nigeria's tax treaties is by way of a "tax credit". Nigeria has entered into some tax treaties agreements with a number of countries like UK, France, the Netherlands, Belgium, Canada and Pakistan. These agreements are entered into with a view to affording relief from double taxation in relation to taxes imposed on profit taxable in Nigeria and any taxes of similar character imposed by the laws of the country concerned. Where an overseas company receives profits from Nigeria that have already been taxed in Nigeria.

Each of these treaty networks has positive trade-off on the level of foreign investment in Nigeria, therefore, in view of the foregoing, it is evident that international and regional treaties strengthens the economy, Nigerian perspective of the treaties has overtime enhanced the Foreign Direct Investment (FDI) and also have pave way for cordial economic relationship amongst developed and developing countries and regions.

Major Challenges Facing Tax Practice and Administrative in Nigerian

1. The increased demand to grow internally generated revenue, which has led to the exercise of the powers of taxation to the detriment of the taxpayers who suffer multiple taxation and bear a higher tax burden than anticipated.Beyond this, there are multiple agencies that companies have to deal with outside those required by the constitution.
2. Non-compliance to tax amnesty programme - Voluntary Assets and Income Declaration Scheme (VAIDS) by the Federal Inland Revenue Service, which is one of the driving force sustainable revenue base.
3. Large size of informal/underground economyand lack of robust framework for the taxation of informal sector and high network individuals, thus limiting the revenue base and creating inequity; fragmented database of taxpayers and weak structure for exchange of information by tax authorities, resulting in revenue leakages.
4. Tax to Gross Domestic Product (GDP) ratio in Nigeria is one of the lowest in the world due to eminent revenue weakness, and high cost of short term domestic debt. As at third quarter of 2017, the country's debt service-to-revenue ratio was about 45 per cent (Adeosun, 2017).
5. Growing level of corruption, poor tax administration in Ministries, departments, and agencies (MDAs) who suffer from limitations in manpower, money, tools, and machineries to meet the ever increasing needs of individual taxpayers. As a matter of fact, the negative attitude of most tax collectors can be linked to poor remuneration and motivation. This makes the administration of taxes in terms of coverage and assessment very weak;
6. Lack of clarity on taxation powers of each level of Government, use of aggressive and unorthodox methods for tax collection; failure by tax authorities to honour refund obligations to taxpayers; and the non-regular review of tax legislation has led to obsolete laws that do not reflect current economic realities (Taiwo, 2017).
7. Insufficient information available to taxpayers on tax compliance requirements, which created uncertainty and room for leakages in the tax system;
8. Lack of skilled manpower and inadequate funding, which led to the delegation of powers of revenue officials to third parties, thereby creating uncertainty in the tax system and increasing the cost of tax compliance;
9. Non-functional tax refund scheme: Although there are specific provisions in the tax laws, especially under the FIRS Establishment Act 2007 for tax refunds, these provisions are yet to be fully functional;
10. Inability to prioritize tax efforts: Revenue allocation in Nigeria does not promote tax efforts as it is anchored on factors like equality of states, population, internally generated revenue (IGR), education and land mass. This approach discourages a proactive revenue drive, particularly for IGR and makes all the tiers of government to be heavily reliant on unstable oil revenue.

Suggested Remedies to the challenges

It is recommended among others:

a. Elimination of multiple taxation through improved collaboration between the FIRS and the States Board of Internal Revenue. This should be implemented through the Joint Tax Board (JTB), which should be empowered with regulatory powers over the tax authorities. To solve the multiple agencies issue, approved list of taxes should be published, properly delineated and strictly adhered to by all the tiers of government.

b. Establishment of an Office of Tax Simplification for continuous improvement to tax legislation and administration and develop Key Performance Indices for Nigeria to attain a top 50 position on the global index of ease of paying taxes by 2020 and consistently improve on the ranking. This will in no small measure assist in Voluntary Asset and Income Declaration Scheme compliance by the citizenry.
c. Proper monitoring of the informal/underground economy through efficient and effective policy declaration which will shrink the windows of uncounted revenues derived from these sector.
d. Improvement of tax to gross domestic product ratio and reduction of short term domestic debt cost in Nigeria. Also there should be shift towards greater reliance on indirect taxation by gradually increasing the Value-Added rate that will not affect aggregate consumption, in order to achieve stable non-oil revenue flow, achieve high compliance in the tax system and fulfill commitments to the citizenry.
e. Corruption has eaten deep into the hook and cranny of the economy, it could be drastically reduced by declaring and implementing appropriate sanctions for defaulters at all levels both public and private without favoritism. Strict adherence to Single Treasury Account introduced by government of the day will assist in cubing the menace. Also, The issue of poor tax administration can be checked by educating government staff as well as the citizens on tax matters. Tax education may make citizens perform their responsibilities willingly. Also, in administering tax, rules should be clear, concise and simple, there should be minimal compliance costs, easy access to information, low tax burden on taxpayers, including mutual trust and fairness;
f. Decrease in the cost of tax compliance by simplifying tax laws through regularreview, improving taxpayer services and developing specific tax regimes foreffectively dealing with Small and Medium Enterprises.
g. In relation to non-functional tax refund scheme, there should be appropriate funds set aside out of tax collected to cater for tax refunds both at the federal and state levels and tax authorities should be more willing to refund genuine over payment of taxes. The FIRS Act requires tax authorities to pay a taxpayer's refund claim within 90 days of the application subject to appropriate audit. Failure to pay refund on time should attract adequate penalties
h. Implementation of an effective tax risk management process, given the resource constraints faced by the various tax authorities. This will help Revenue focus on which tax returns not to audit and which tax issues to follow up.
i. Enactment of the approved National Tax Policy into law. In implementing the new national tax policy, government should focus more on indirect taxes such as value added tax, capital gains tax, and stamp duties, these taxes were easier to collect and administer and more difficult to evade.
j. The share of internally generated revenue should be increase to encourage state to look inward to generate more revenue through tax other than great reliance on equality of state and land mass.

Concluding Remarks

Having looked at the Nigerian tax system as a driving force for economic growth, it is pertinent to improve on various tax policies and administration in order to ensure effective and efficient tax system which has a direct and indirect implications on the Nigeria economy. Although Nigeria has made some remarkable improvements to the tax policies and administrations in time past, there is still a great work to do as the status quo is not an option.

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TAX REFORMS AND ECONOMIC GROWTH IN NIGERIA

Eluyela, Damilola Felix[1]
Oladipo, Olufemi Adebayo[2]
Department of Accounting and Finance
Landmark University, Omu Aran, Kwara State, Nigeria
[1]eluyela.damilola@lmu.edu.ng
[2]oladipo.olufemi@lmu.edu.ng
&
Adubi, Akindele[3]
Department of Accounting
Covenant University, Ota-Ogun, Nigeria
[3]bukiadubi@yahoo.com

Abstract
This study examines the impact of the 2004 tax reform (post and pre) on revenue generation in Nigeria. We obtained data from the Central Bank of Nigeria Statistical Bulletin, Federal Inland Revenue Service statistics and National Bureau of Statistics (NBS). Data on various tax revenues spanning 1981- 2015 was used in this study. Preliminary analysis was conducted using the Augmented Dickey Fuller (ADF) and Philip-Perron unit root tests, Philips-Ouliaris and Engle-Granger co-integration tests. The study adopted the modified least squares regression technique to investigate the impact of the 2004 tax reform on revenue generation in Nigeria. Findings revealed that tax revenue and non-tax revenue generated after the 2004 tax reform has statistical impact on total revenue generation in Nigeria. The study recommends that the future tax reforms to be embarked upon should be tailored towards broadening the tax base, specifically by capturing and bringing the informal sector into the tax net, and proceeds from these varying taxes should be judiciously used with serious government commitment to enhance public expenditure and to achieve macro-economic stability in Nigeria.

*Keywords:*Co-integration, Economic Growth, Reforms, Revenue Generation, Time Series.

Introduction
In Nigeria, the government's fiscal power is based on three tiers tax structure divided between the federal, state and local governments, each of which has different tax jurisdictions. The Nigerian tax structure is made up of tax policies, tax laws and tax administration, all of which are expected to work together in other to achieve the economic goal of the nation. The effective and efficient mobilization of tax revenue by reforming the tax system to enhance its efficiency was due to the need to spend more on sectors such as health, infrastructure and education (Odusola, 2006).In addition, tax is a valuable instrument of public finance whose magnitude affects the level of economic activity of an economy and is utilized not only for raising revenue of government to finance its programmes but also regulates the direction of economic performance. However, the use of tax as an instrument of fiscal policy to achieve economic growth in most less developed countries cannot be reliable because of dwindling level of revenue generation. Gale and Samwick (2014) opines that a well-designed tax policy have the potential to raise economic growth.

Tax reforms involve the process of changing the way taxes are collected or managed by the government. Tax reforms primarily deals with improving welfare by increasing or decreasing tax rates, brackets or thresholds and changes in the tax base; the introduction of new taxes and the abolition of old taxes; and changes in the tax mix (Kitamura, 2011). Nigeria as a developing country has been under-going rapid government spending for considerable number of years now. This is as a result of the increasing rates of population growth and general demand for improvements in standards of living. Governments endeavor to fund this rising expenditures by increasing taxes, embarking on tax policies or resorting to borrowing. Series of tax policy reforms has been embarked upon over the years, the tax reforms of 1994 and 2004 which according to Odusola (2006) constitute the major reform in the history of tax administration in Nigeria. A comparative analysis of the two reforms showed that the 2004 reform was broader in scope than the 1994 tax reform; the latter covered the review of direct taxes under the jurisdiction of Federal and State revenue service while the former was more comprehensive as it covered the entire gamut of taxes at the Federal, State and Local Government levels. Thus, the 2004 tax reform is the most current tax reform process in Nigeria that is comprehensive enough.

Therefore, tax reforms in developing countries is a fiscal instrument to diminish reliance on foreign sources by raising satisfactory tax revenues to finance government expenditures with a view to achieving sustainable economic growth over the long run.Most of the studies in Nigeria (Angahar and Sani, 2012; Asabor, 2012; Oduh, 2012); Akintoye, (2013) examined an aggregate of the various tax reforms since independence without putting much emphasis on the major tax reforms in Nigeria. This study fills this gap by emphasizing the effects of the 2004 tax reforms in Nigeria and by comparing tax generated before and after the reform to assess its revenue productivity.With this background, the study appraises the impact of the 2004 tax reform on government revenue generation in Nigeria. In order to achieve the objectives of this study, the following research hypotheses are formulated:

H_0: There is no significant difference in the revenue generated by tax before and after the 2004 tax reform in Nigeria.

H_1: There is a significant difference in the revenue generated by tax before and after the 2004 tax reform in Nigeria.

Literature Review

According to Agbetunde (2010), a tax system is the process of taxation involving sets of rules,regulations and procedures with the organs of administration interacting with one another to generate fund for government. Nzotta (2007) argues that taxes constitute key sources of revenue to the federation account shared by the federal, state and local governments. Okpe (1998); Ariwodola, (2000); Angahar and Sani (2012); Asabor (2012); Oduh, (2012); Akintoye, (2013) are of the opinion that a good tax system should possess the following attributes:Equality, Certainty, Convenience, Flexibility, Neutrality, Economy.The Nigeria tax system is basically structured as a tool for revenue generation. This is a legacy from the pre-independence government based on 1948 British tax laws and have been mainly static since enhancement. Naiyeju (2010) and Odusola (2006) asserted that the Nigerian tax system is lopsided and dominated by oil revenue.

Tax reform is the process of altering the existing tax system or the status quo to a new level of tax system so that the tax system can serve the main objective of financing government expenditure and meet other objectives (Mishra and Daba, 2014). Fowokan (2010) observed that the history of tax reform in Nigeria could be traced back to the birth of the Federal Board of Inland Revenue (FBIR) in 1939 when the Companies Income Tax Ordinance was enacted. The effects of the various reforms in the country is as follows: and tax policy and administration reforms amendment 2001 and 2004, autonomy was granted to the Federal board of Inland revenue via the enactment of the FIRS Establishment Act 2007 and the recent approval of the National Tax Policy by the Federal Executive Council (Ogbonna, 2012; Fowokan, 2012).

Prior to the tax policy and administration reforms in 2002 effective in 2004, Nigeria has experienced series of reforms (Ogbonna and Appah, 2012). The following tax reforms has effects on the country as follows: introduction of income tax in Nigeria between 1904 and 1926; grant of autonomy to the Nigerian Inland Revenue in 1945; the Raisman Fiscal Commission of 1957; formation of the Inland Revenue Board in 1958; the promulgation of the Petroleum Profit Tax Ordinance No. 15 of 1959; the promulgation of Income Tax Management Act 1961; establishment of the Lagos State Inland Revenue Department; the promulgation of the Companies Income Tax Act (CITA) 1979; establishment of the Federal Board of Inland Revenue under CITA 1979; establishment of the Federal Inland Revenue Service between 1991 and 1992 (Fowokan, 2010; Ogbonnaand Appah, 2012).

The 2004 tax reform headed by Ifueko Omoigie Okauru in Nigeria was the outcome of recommendations made by a study group inaugurated in 2002 and a working group inaugurated in 2003 (Dickson and Rolle, 2014). The reform was embarked upon by the Nigerian government to confront the problems of inefficient tax administration so as to find possible ways to entrench a better tax policy and improve tax administration in the country. The most notable outcomes of the 2004 tax reforms includes amongst others: include organizational restructuring of the Federal and State authorities, the enactment of a National Tax Policy, reforms in funding, legislation, taxpayer education, dispute resolution mechanism, taxpayer registration, human capacity building, automation of key processes, refund mechanism and several other areas which are recorded and explained in this documentation

Daba and Mishra (2014) compared tax revenues performances of tax reforms in Ethiopia during the last 39 years. Descriptive analysis was used to compare pre and post-tax reforms during the period 1991/92 to 2012/13. The overall analysis reveals that tax reforms failed to boost total tax revenues and to bring tax structure change from indirect tax to direct tax. Oriakhi and Ahuru (2014) investigated the impact of tax reforms on tax revenue generation in Nigeria and also to verify the relationship between federally collected revenue and specific tax revenue generation sources. The study employed annual time series data spanning the years (1981 -2011). The results also show that various income taxes were statistically significant and have positive relationship with federally collected revenue.

In Kenya, Muriithi and Moyi (2003) examined the impact of Kenya's tax reform programme in light of the in-built revenue mobilization capacity of the tax system. Specifically, the study analyzed the trend of tax reforms for each tax category, and evaluates the impact of tax reform on the flexibility of the overall tax system and on individual tax handles using the concept of buoyancy and elasticity. The study computed elasticity's and buoyancies for the pre-reform period as well as the post-reform period. The results from the regression analysis shows that tax reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform.

Ashaolu, Dopemu and Monday (2015) conducted research into the impact of tax reforms on revenue generation in Lagos State Nigeria from 1999 to 2012. Tax reforms was measured by number of tax payers and investments in tax education and programmes while revenue generation was measured by the total amount of revenue generated from taxes and other related fines by Lagos State Government. The study concludes that there exists a long run equilibrium relationship between the revenue generated and tax reforms of Lagos State.Omondi, Wawire, Manyasa and Kiguru(2014) in a quantitative investigation of the effects of tax reforms on tax buoyancy and elasticity of the tax system in Kenya between 1963 and 2010.

Focusing on the effect of tax modernization programme and revenue administration reforms and modernization programme on tax buoyancy and tax elasticity, by employing regression analysis, the study revealed that both revenue administration reform and modernization programme and tax modernization programme were important in explaining the variations in buoyancy and elasticity of the tax system in Kenya and both variables have positive effect on both tax buoyancy and elasticity.

Kusi (1998) dealth with the revenue productivity of Ghana's overall tax system and of individual taxes on the basis of estimates of tax buoyancies and elasticities. It also looks at the links between the tax reform of 1983-1993 and revenue performance, as well as at ways of mobilizing additional revenue. The analysis shows that the tax reform has had significant impact on the productivity of both the individual taxes and the overall tax system.In China, the mechanism of how economic growth and tax reform affect total tax revenue and structure was investigated by Zeng, Li and Li (2013). The study described seven major tax reforms from the year 1950 to 2011; the empirical results show that economic growth has a significant impact on the total tax revenue and structure changes. In addition, every tax reform shows a clear impact on the tax structure.

Using tax elasticity and buoyancy approach, Ifurueze & Odesa (2014) examined the productivity of the Nigerian tax system as a source of revenue generation. Time series data covering a period of 1993-2012 was analysed using the Ordinary Least Squares regression technique, study finds a linear relationship between tax base and tax revenue and also reveals that VAT is the most buoyant of all source.Osoro (1995) examined the revenue productivity implications of tax reforms in Tanzania for the period 1967-1990. The empirical results suggest that measured productivity is influenced by tax policies in place during a specific period. Okwori & Ochinyabo (2014) assessed the revenue productivity of Value Added Tax in Nigeria. The study is aimed at establishing an innovative method of assessing taxation on the Revenue Productivity theory-that is, high revenue generation at minimal cost given a very broad all inclusive base. The study employed Ordinary Least Square regression technique to analyze a log-linear data, the study found a positive 0.186 tax elasticity and buoyancy which is desirable. This shows that VAT is not only a viable taxation tool in Nigeria but also has great potential to generate adequate revenue for the Nigeria Government.

Theoretical Framework.

This theory of taxation can be used to analyze tax reform within a normative framework whereby given a government revenue objective, an optimal tax reform seeks to maximize an explicit social welfare function that balances vertical equity gains against tax-induced losses in the efficiency of resource allocation (Aminu and Eluwa, 2014). According to Alm (1996) the standard approach to optimal taxation is based on several methodological assumptions: the government is required to raise a specified amount of revenues; it is limited in the types of tax instruments that it has available to it, such as only commodity taxes, only income taxes, or both types; its decisions must be consistent with individual and firm optimization; and it makes its choices in order to maximize a "social welfare function," which indicates the value that society places on the welfare of different individuals.Therefore, tax reform revolves around a notion of some movement away from a given state of tax structure, administration or both. More generally, a tax reform is beneficial if it increases both revenue and social welfare.

Methodology

This study used annual time series data which were sourced from Central Bank of Nigeria Statistical Bulletin 2015 and Central Bank of Nigeria Annual Reports. The data cover periods between 1981 and 2015 in Nigeria.The dependent variable of this study is Total revenue proxied by Federal government total revenue. The independent variables are tax revenue proxied by federally collected taxes such as value added tax, company's income tax, petroleum profits tax, customs and excise duties, and education tax; and non-tax revenue was measured using federally collected non-tax revenue.This study was a case study of one country since only Nigeria was involved. Therefore, no sampling was done.By way of preliminary test, the study employed both Augmented Dickey Fuller (ADF) and Philips-Perron (PP) unit root tests in ascertaining the stationarity state of the time series variables. In addition, to test the existence of long-run relationships among the variables, the study employed the Engle-Granger and Philips-Ouliaris co-integration tests. Lastly, Fully Modified Least Squares Regression Techniques was used to test the hypotheses. The choice is premised on the ability of FM-OLS regression method to correct the biased t-statistics interpreted for non-stationary variables when using the traditional OLS. In addition, the method modifies least squares to account for serial correlation effects and for the endogeneity in the regressors that result from the existence of a co-integrating relationship.

Model Specification

The model used for this study is specified below. This model shows the relationship that exists between Total Revenue (TR) and Tax reforms. The model is by representing Total Tax Revenue (TTR) and Non-Tax Revenue (NTXR) in the pre and post 2004 reform as follows:

$TR^{PRE} = f\,(TTR^{PRE}, NTXR^{PRE})$ -- (1)
$TR_t^{PRE} = \beta_0 + \beta_1\ TTR_t^{PRE} + \beta_2\ NTXR_t^{PRE} + \mu_t$ ---------------------------------- (2)

$TR^{POST} = f\,(TTR^{POST}, NTXR^{POST})$ -- (3)
$TR_t^{POST} = \beta_0 + \beta_1\ TTR_t^{POST} + \beta_2\ NTXR_t^{POST} + \mu_t$ ------------------------------ (4)

Where;
β_0 = Intercept
$\beta_{1} - \beta_2$ = Parameter of Estimate
TR_t^{PRE} = Total Revenue in the pre reform period
TR_t^{POST} = Total Revenue after the period of reformation
TTR_t^{PRE} = Total Tax Revenue in the pre reform period
TTR_t^{POST} = Total Tax Revenue in the post reformation period
$NTXR_t^{PRE}$ = Non-Tax Revenue in the pre reform period
$NTXR_t^{POST}$ = Non-Tax Revenue in the post reformation period

The apriori expectation is that tax revenues and non-tax revenue are expected to have positive relationship with total revenue. Thus, β_1-β_2> 0

Data analysis and discussion of results

This section is divided into three. First, test for stationary of the variables was conducted with the use of augmented dickey-fuller (ADF) and Philips Perron (PP), followed by Johansen co-integration test which used to test for long term variance among the variables. The last section covers the presentation and interpretation of estimated parameters with the use of descriptive, graphs and fully modified least square regression analysis (co-integration regression) specified in Chapter three. From the models estimated, the research hypotheses formulated in Chapter one are tested to achieve the objectives of the study.

Preliminary Analysis

Most often, time series data are trended and therefore in most cases are non-stationary. The problem with non-stationary or trended data is that the standard OLS regression procedures can easily lead to incorrect conclusions. It is imperative therefore, to perform unit root test in order to avoid spurious regression and also to confirm their order of integration. Regression becomes spurious when both the dependent and independent variable (s) are not stationary at level. A spurious regression usually has a very high R^2, *t* statistics that appear to provide significant estimates, but the results may have no intuitive meaning whatsoever. This is because the OLS estimates may not be consistent, and therefore the tests of statistical inference are not valid. To avoid the aforementioned problems, both Augmented Dickey-Fuller (ADF) and Philips-Perron (PP) unit root tests were conducted in this study and the result is presented in table 1 below.

Table 1: Results of Unit root tests

Variables	ADF	5% Sig	PP	5% Sig	Order of integration		Remark
					ADF	PP	
EGROWTH	-6.9347	-3.5684	-9.1773	-3.5684	I(1)	I(1)	Stationary
PPT	-6.6511	-3.5800	-5.5754	-3.5629	I(2)	I(1)	Stationary
CED	-4.2324	-3.5875	-12.6392	-3.5629	I(1)	I(1)	Stationary
CIT	-4.6465	-3.6908	-19.9072	-3.5629	I(2)	I(1)	Stationary
ET	-4.7794	-3.6908	-14.3218	-3.6908	I(1)	I(1)	Stationary
INV	-4.9332	-3.5806	-8.0011	-3.5742	I(1)	I(1)	Stationary
VAT	-5.6194	-3.7105	-10.1569	-3.6908	I(1)	I(1)	Stationary
TR	-5.6372	-3.6122	-6.6170	-3.5629	I(0)	I(1)	Stationary
NTXR	-6.3000	-3.5629	-13.1105	-3.5629	I(1)	I(1)	Stationary

Source: Author's Computation, 2017

The result of the ADF test reveals that PPT and CIT are stationary at second difference - integrated of order two i.e. I(2) , TR is stationary at level - integrated of order zero i.e. I(0) while all other series (PPT, ET, NTXR, INV and VAT) are stationary at first difference - integrated of order one i.e. I(1). On the other hand, the PP test indicates that all the series are integrated of order one I(1). The result of the PP test prevails in a case of contradicting results. So, the inconsistency in the results of the unit root tests presented in table 1 notwithstanding, the rest of this study is on the basis of the result of the PP unit root test that all the series are stationary at first difference.However, as suggested by Engle and Granger (1989), there could be a form of long run relationship amongst variables in the model, even though they are first difference-stationary. This possibility informs the need to conduct the co-integration test, which is presented below.

Co-integration Test

Table 2 presents the results of the Engle-Granger and Philips-Ouliaris co-integration tests. The null hypothesis of both tests is “no co-integration”. The Philips-Ouliaris test indicates there are two co-integrating equations. This is given by the z-statistic (-26.006 and -28.3972) of CED and ET with their corresponding P-values (0.0595 and 0.0042). Similarly, the Engle-Granger shows that there are three co-integrating equations. The P-value of CED, ET and VAT which are 0.0780, 0.0041 and 0.0851 indicates statistical significance and thus the rejection of the null hypothesis (no co-integration). So, both tests indicate the existence of long-run relationship among the variables.

Table 2: Result of Co-integration test

	Philips Ouliaris		Engle-Granger	
Dependent	*z-statistic*	*Prob.*	*z-statistic*	*Prob.*
TR	-19.89462	0.5562	-21.71912	0.3908
CED	-26.00617	0.0595*	-25.64164	0.0780*
CIT	-23.37569	0.2390	-24.89949	0.1307
ET	-28.39728	0.0042***	-28.47719	0.0041***
PPT	-22.15119	0.3501	-23.64176	0.2210
NTXR	-19.86411	0.5588	-21.71298	0.3914
TXR	-21.11463	0.4408	-23.47983	0.2325
VAT	-22.10845	0.3545	-25.43545	0.0851*
EGROWTH	-22.98151	0.2754	-23.92156	0.1981

Source: Author's Computation, 2017.

*, ** and *** denote 10%, 5% and 1% level of significance

Hypotheses Testing

Hypothesis One:

Table 3: Mean Computation for the Pre and Post Reform Period

Year	TR (=N=b)	TXR (=N=b)	NTXR (=N=b)	PPT (=N=b)	CIT (=N=b)	VAT (=N=b)	CED (=N=b)	ET (=N=b)
Total (1981-2004)	144,828.10	66,626.44	95,077.46	40,159.11	6,459.30	7,319.00	12,641.03	1,069.00
Mean	6,034.50	2,776.10	3,961.56	1,673.30	269.14	304.96	526.71	44.54
Total (2004-2015)	910,891.00	521,262.00	389,632.00	307,333.00	69,789.00	62,915.00	42,302.00	30,163.00
Mean	82,808.27	47,387.45	35,421.09	27,939.36	6,344.45	5,719.55	3,845.64	2,742.09

Source: Author's computations, 2017

Table 3 shows that the mean for Total revenue and Tax revenue for the period covering 2005 to 2015 representing the post-reform period is higher than that computed for the period covering 1981-2004 the pre-reform period. Therefore the null hypothesis which states there is no significant difference in the revenue generated by tax before and after the 2004 tax reform in Nigeria cannot be accepted.

Hypothesis Two

Table 4: FMOLS Regression Result of the Revenue Model for PRE 2004 Reform

Dependent Variable: LOG(TR)
Method: Fully Modified Least Squares (FMOLS)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TXR^{PRE})	0.5369	0.7520	0.7139	0.5021
LOG($NTXR^{PRE}$)	0.1335	0.9076	0.1471	0.8879
C	4.1377	4.0327	1.0260	0.3445
R-squared	0.4636	Mean dependent var		11.897
Adjusted R-squared	0.3181	S.D. dependent var		0.3756
S.E. of regression	0.3722	Sum squared resid		0.8312

Durbin-Watson stat	2.2894	Long-run variance	0.0766

Source: Author's computations, 2017

Table 4 shows the linear relationship between tax revenue and non-tax revenue and total government revenue generation before 2004 reforms in Nigeria with the use of fully modified least squares (FMOLS) or co-integration regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation is not fit enough with 46.4 percent of variations in total government revenue generation in pre 2004 is explained by the variables in the equation.

Durbin Watson test of 2.29 shows that there's no serial correlation while the long-run variance 0.0766 shows that there is long-run relationship among the variables.In terms of the signs of the coefficients which signify the effect of (tax revenue and non-tax revenue) on total government revenue generation (TR) before 2004 reforms in Nigeria, it can be seen that the two variables tax revenue (TXR) and non-tax revenue (NTXR) concurs with *a priori* expectation with positive sign, this means that there is direct relation between TXR, NTXR and (TR).

In terms of the magnitude of the coefficients which signify the effect of (tax revenue and non-tax revenue) on total government revenue generation (TR) before 2004 reforms in Nigeria. The two coefficients of TXR and NTXR does not have significant effect on the revenue generation (TR) as indicated by coefficients (0.5369 and 0.1335) with prob (0.5021 and 0.8879) respectively at 5% level of significant. This implies that tax revenue generation before 2004 reformation does not have significant impact on total revenue generation in Nigeria.

Table 5: FMOLS Regression Result of the Revenue Model for POST 2004 Reform

Dependent Variable: LOG(TR) Method: Fully Modified Least Squares (FMOLS)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TXR^{POST})	0.5447	0.0130	41.812	0.0000
LOG($NTXR^{POST}$)	0.4524	0.0182	24.804	0.0000
C	0.3421	0.2004	1.7069	0.1387
R-squared	0.7988	Mean dependent var		12.866
Adjusted R-squared	0.6984	S.D. dependent var		0.1326
S.E. of regression	0.0053	Sum squared resid		0.0002
Durbin-Watson stat	1.6763	Long-run variance		2.9400

Source: Author's computations, 2017

Table 5 shows the linear relationship between (tax revenue and non-tax revenue) and total government revenue generation after 2004 reforms in Nigeria with the use of fully modified least squares (FMOLS) or co-integration regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 79.9 percent of variations in total government revenue generation in post 2004 is explained by the variables in the equation.

Durbin Watson test of 1.68 shows that there's no serial correlation while the long-run variance 0.0002 shows that there is long-run relationship among the variables.In terms of the signs of the coefficients which signify the impact of (tax revenue and non-tax revenue) on total government revenue generation (TR) after 2004 reforms in Nigeria, it can be seen that the two variables tax revenue (TXR) and non-tax revenue

(NTXR) concurs with *a priori* expectation with positive sign, this means that there is direct relation between TXR, NTXR and (TR).

In terms of the magnitude of the coefficients which signify the impact of (tax revenue and non-tax revenue) on total government revenue generation (TR) after 2004 reforms in Nigeria. The two coefficients of TXR and NTXR clearly have significant impact on the revenue generation (TR) as indicated by coefficients (0.5447 and 0.4524) with prob (0.0000 and 0.0000) respectively at 5% level of significance. This implies that tax revenue generated after 2004 reformation has significant impact on total revenue generation in Nigeria. Thus, the null hypothesis of no significant effect of the 2004 tax reform on government revenue generation in Nigeria cannot be maintained.

Discussion of Findings

The level of revenue available to the government after the 2004 tax reformation was found to have increased compared to the revenue available to the government before the 2004 tax reformation. The analysis also revealed that the average percentage of government revenue provided by tax during the post reformation period is higher than the average percentage of government revenue provided by tax during the post reformation period. This indicates that the reformation is somewhat effective and efficient in that it has been able to achieve the objective of revenue mobilization.

The result of the Phillips-Peron (PP) unit root test shows that all the variables are stationary at first difference. The implication is that there exists a short run variance between the variables

The Philips-Ouliaris and Engle- Granger co-integration test revealed the existence of long run relationship among the variables under both models. This implies that the revenue effects of tax reforms is not only a short run phenomenon but also a long run one as well, also, the results indicates that government revenue has both short run and long run effects on economic growth in Nigeria.

The study revealed that tax revenue generation before the 2004 tax reforms does not have a significant effect on total revenue generation in Nigeria. This may be attributable to the failure of other reforms before the 2004 reform such as the 1991 and 1992 tax reforms to achieve its purpose which was to generate adequate revenue. In addition, the study revealed that tax revenue generation after 2004 reformation has significant impact on total revenue generation in Nigeria. The 2004 tax reformation may have accelerated tax revenue which will in turn affect total revenue generation or it could have been a direct effect. Either ways, the implication is that revenue generation in Nigeria is likely to increase drastically if reforms are tailored towards broadening the tax base and improving tax administration with serious government commitment. This outcome is in conformity with the findings of Ashaolu, Dopemu and Monday (2015); Oriakhi and Ahuru, (2014), Okwori and Ochinyabo (2014).

Conclusions

The broad objective of this study is to examine the effects of tax reforms on revenue generation in Nigeria. In other to achieve the objectives of the study, time series data was sourced from the Central Bank of Nigeria which includes data on customs and excise duties, company's income tax, value-added tax, petroleum profits tax, education tax, non-tax revenues, and GDP (proxy for economic growth).The first objective of the study was to assess the level of total revenue available to the government before the 2004 reform and after the reform. The second specific objective of the study was designed to determine the percentage of total revenue provided by tax before and after the 2004 tax reform. The findings were presented on a table which distinguished the percentage of total revenue provided by tax in the pre and post reformation period. It was deduced that the average percentage of revenue in the post reformation period is higher than the average percentage of revenue in the pre-reformation period.

This study went further to examine the impact of tax reform on government revenue generation in Nigeria. It was intended to determine how and if tax reforms has impacted positively or negatively on revenue generation in Nigeria. This objective was achieved by regressing the total revenue on tax revenue and non-tax revenue for both the pre 2004 reformation period and post 2004 reformation period using the fully modified least squares regression technique. The comparative analysis done showed that both tax revenue and non-tax revenue generated before 2004 reforms do not have significant impact on total revenue generation in Nigeria, whileboth tax revenue and non-tax revenue generated after 2004 reforms have significant impact on total revenue generation in Nigeria.

Based on the findings, the following recommendations are proffered:

i. All administrative loopholes should be blocked for taxation revenue to contribute more significantly to revenue generation and subsequently to economic development of Nigeria.
ii. Future tax reforms to be embarked upon should be tailored towards broadening the tax base, specifically by capturing and bringing the informal sector into the tax net.
iii. The proceeds from these varying taxes should be judiciously used with serious government commitment to enhance public expenditure and to achieve macro-economic stability in Nigeria.
iv. Tax payers should be adequately educated and enlightened on tax related matters and on the need for prompt payment of their taxes.

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TAX POLICIES AND ECONOMIC STABILIZATION IN NIGERIA

Orji Chidebelu Chike[1]
Ekwe Chidiebere Michael[2]
Department of Accounting
Michael Okpara University of Agriculture Umudike Umuahia Abia State.
[1]orjichidebelu@yahoo.com
[2]ekwemike16@gmail.com

Abstract

Taxation is a key component of any country's fiscal policy framework meant to discretionally enhance economic growth and stability. Nigeria appears not to have had a very stable economy in the recent past and one wonders whether the way tax policies have been implemented has contributed in this instability. This study therefore examined the effect of tax policies on economic stabilization of Nigeria for a period of sixteen (16) years from 2002 to 2017. Data were sourced from the publications of the Central Bank of Nigeria, National Bureau of Statistics and Federal Inland Revenue Service. The variables for the tax policy were direct tax payments proxied by Petroleum Profit Tax (PPT), Education Tax (EDT), and Pay As You Earn (PAYE) while indirect tax was proxied by Value Added Tax (VAT), Custom & Excise Duties (CED) and Stamp Duties (SD). The proxy for economic stabilization was Gross Domestic Product (GDP). To ensure that regression results were not spurious, diagnostic analysis to test for stationarity was conducted on the data using Dickey-Fuller Generalised Least Square unit root test. Furthermore, to ascertain the presence of long-run relationships among variables, Johansen co-integrating test with the Trace and Eigen Value Statistics were adopted. In order to determine whether a causal relationship existed between tax policy and economic stabilization, the Granger Causality test was used. Finally, Ordinary Least Square regression was also used to test the hypotheses. The empirical results of the study showed that PPT, EDT was positive but insignificant on GDP while PAYE was positive and significant on GDP. Furthermore, VAT, CED was positive and significant while SD was negative and insignificant. The implication of the results showed that indirect taxes contribute more to GDP than direct taxes. The study therefore recommends that government and tax authorities should lay more emphasis on tax policies that favour indirect taxes as it will lead to improve revenue base and GDP and also ensure economic stability.

*Keywords:*Economic Stabilisation, Gross Domestic Product, Tax Policy.

Introduction

Between mid 2016 and mid 2017, Nigeria economy went into recession with Gross domestic product (GDP) declining by 2% with inflation rate at 17.1%. A lot of factors were responsible chiefly being the fall in oil price from a high \$112 per barrel in 2014 to a low \$50 in August 2016. This decline in oil price has affected the revenue base of government available for distribution to Federal, State and Local level (Afuberoh and Okoye, 2014). There is therefore the need to diversify the revenue base of government from oil to non oil as a matter of important urgency. The Federal government of Nigeria has shown concerted commitment to diversify the economy by growing non oil base in order to ensure economic stabilization. To be able to achieve the goal of economic stabilization, there is however, need to have a well articulated tax policy. This necessitated the Federal government to set up a study group in 2002 which was reviewed in 2004 to come up with a national tax policy that will provide guidelines, rules and mode of operation that will regulate Nigeria tax system and provide a basis for tax legislation and tax administration for economic stabilization (National Tax Policy, 2017). Tax policy therefore is a general statement of intention which guides the thinking or action of all concerned towards the realization of tax objectives. Listokin (2009) states that taxation policy attempts to balance many goals which include revenue generation, economic efficiency, redistribution, equity among similar taxpayers and above all economic stabilization. In Nigeria, with high public debt to GDP ratio, taxation policies are used for financing developmental projects. In designing tax policies to promote growth and ensure economic stabilisation, Kneller, Bleaney and Gemmell (1999) state that more importance should be placed on indirect taxation as it is considered less harmful to the economy. More so, return on investment is not reduced when compared to direct taxation, which presents a disincentive to invest in physical and human capital.

For years, Nigeria's tax composition favours direct taxes, which on average accounted for approximately 52.2% of tax revenue per annum. This bias is essentially in line with the taxation characteristics for many developing countries (Scarlett, 2011). There is no gainsaying that indirect and direct taxes play an equal role, overall it is believed that indirect taxes have low cost of collection and yield higher rate of returns. In order to correct this anomaly while not intending to relegate direct taxes in the non-oil sectors, the Federal Government of Nigeria has proposed and advocated a shift from direct to indirect taxation within the non-oil sector in order to stimulate economic growth in the sectors, while at the same time meeting revenue requirements (NTP, 2017).

Several reforms in the past have failed to address the structure of existing tax system and its inherent problems and this is because the reforms were not carried out under any tax policy or were done in a haphazard manner. Moreover, for decades Nigeria has traditionally depended largely on one primary product oil as its source of revenue as a result of which little or no attention was paid to other sources of revenue such as taxation. There is therefore need to diversify the existing revenue from oil to non oil to avoid jeopardizing the economy of Nigeria to susceptible fluctuation in international oil market. It is against the issues raised above that called for undertaking of this study to determine the effect tax policies have on the economic stabilisation of Nigeria with a view to ascertaining the relationship between direct tax and economic stabilisation in Nigeria and to examining the relationship between indirect tax and economic stabilisation in Nigeria. This paper is divided into five different sections. Section one is the introduction. Section two focuses on the conceptual, theoretical and empirical studies. Section three covers the research methodology. Section four focuses on data presentation, analysis and discussion of findings relating to this study. Section five is on the conclusion and recommendations emerging from the study.

Literature Review

This section reviews extant literature on taxation policy and economic stabilisation. First a conceptual foundation is provided, followed by a theoretical framework that underpins the work. Finally a review is undertaken of prior empirical works.

Conceptual Review

Tax

Aguolu (2004) defined tax as a compulsory levy by the government through its agencies on the income, consumption and capital of its subjects. On the other hand, Samuel and Simon (2011) defined tax as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government. However tax is defined, it is a burden that every citizen must bear. The essence of tax is to generate revenue for government for the provision of infrastructure for its citizen. There are different categories of tax but the commonest in Nigeria are the direct and indirect taxes (Anyaduba, 2004). The direct taxes are levied on the income of individual, group of individuals, and business firms and are paid directly by the person or persons on which it is legally imposed by the tax authority and they include the Personal Income tax, Company Income tax, Capital Gain tax, Education tax, Petroleum Profit tax, and Capital Transfer tax. Indirect taxes are taxes levied on expenditure that is, goods and services. These taxes are paid as part of payment for goods and services purchased by the ultimate users or consumers and include Import duties, Export duties and Value added tax (Samuel and Tyokoso, 2014).

Direct Tax

Taxes may be direct and indirect taxes. A direct tax is tax in which the taxpayers bear the burden of tax directly (incidence of tax) and it cannot be transferred to anybody. Examples include Pay As You Earn (PAYE), Companies Income Tax, Capital Gains Tax, Education Tax, Petroleum Profit Tax, Withholding Tax.

Indirect Tax

Indirect tax is the tax in which the taxpayer initially suffers the pain or burden of tax and subsequently transferred it to the final consumers of the goods and services. Example of indirect tax include: Value Added Tax, Stamp duties, Custom and Excise Duties. According to NTP (2017), taxes may be imposed in Nigeria on individual basis, on entities, on assets and on transactional basis and on the following bases.

(i) On Individuals

1. Personal Income Tax – imposed on the income of all Nigeria citizens or residents who derive income in Nigeria and outside Nigeria;
2. Development Levy – a flat charge imposed on every taxable person typically within a State

(ii) On Companies (Corporate Entities);

1. Companies Income Tax – imposed on the profits of all corporate entities who are registered in Nigeria or derive income from Nigeria, other than those engaged in petroleum operations;
2. Petroleum Profits Tax – imposed on the profits of all corporate entities registered in Nigeria or who derive income from oil and gas operations in Nigeria;
3. Education Tax – imposed on all corporate entities registered in Nigeria;
4. Technology Levy – imposed on selected corporate entities (telecommunication companies, internet service providers, pension managers, banks, insurance companies and other financial institutions within a specified turnover range) in Nigeria to support nationwide development of technology infrastructure and capacity.

(iii) On Transactions

1. Value Added Tax – imposed on the net sales value of non-exempt, qualifying goods and services in Nigeria;
2. Capital Gains Tax – imposed on capital gains derived from sale or disposal of chargeable assets; and
3. Stamp Duty – imposed on instruments executed by individual and corporate entities in Nigeria.
4. Excise Duty – imposed on the manufacture of goods within the Government territory collected by the Nigeria Customs Service
5. Import Duty - imposed on the import of goods into the Government territory collected by the Nigeria Customs Service
6. Export Duty – imposed on the export of goods outside the Government territory collected by the Nigeria Customs Service

(iv) On Assets

It includes taxes, such as property tax and other such taxes imposed on land or landed property.

Tax policy

The modern goal of fiscal policy is to achieve economic efficiency and stability (Zhattu, 2013). Tax is one of the instruments of fiscal policy used by government to achieve economic stabilization. Tax policy is a general statement of intention which guides the thinking or action of all concerned towards the realization of tax objectives. The Tax Policy as a concept is essentially aimed at creating awareness about the central role, which taxation can play in National Development and setting out general guidelines by which this can be achieved. Listokin (2009) states that tax policy attempts to balance many goals which include revenue generation, economic efficiency, redistribution, equity among similar taxpayers and above all economic stabilisation. In Nigeria, there have been tax policy reviews but they seemed not to have had much impact on the economy. Odusola (2006) identifies the need to have tax policy reforms which include; diversifying the revenue portfolio for the country so as to guard against the volatility of crude oil prices and to promote fiscal sustainability and economic viability. The Nigerian tax system centers more on petroleum taxes while ignoring direct and broad-based indirect taxes like the Value Added Tax (VAT), the gap in fiscal deficit over the years has threatened macroeconomic stability and prospects for economic growth makes the prospect of tax reform very appealing amongst others. Kneller et al. (1999) suggest that in designing tax policies to promote growth, greater reliance should be placed on indirect taxation. This is seen as being less harmful to the economy as it does not reduce the return on investment when compared

National Tax Policy in Nigeria

The FEC approved a revised NTP on 1 February 2017. The revised NTP, which replaces the old NTP issued in 2012. The Policy objective is to provide a set of guidelines, rules and modus operandi that would regulate Nigeria’s tax system and provide a basis for tax legislation and administration in Nigeria. The NTP was designed to address some of the challenges of the Nigerian tax system, which include:

i. Lack of framework for the taxation of informal sector and high network individuals

ii. Fragmented database of taxpayers and weak structure for exchange of information by and with tax authorities

iii. Multiple taxation by all tiers of government

iv. Insufficient information available to taxpayers on tax compliance requirements

v. Poor accountability for tax revenue

vi. Use of aggressive and unorthodox methods for tax collection

vii. Failure by tax authorities to honour refund obligations to taxpayers

viii. The non-regular review of tax legislation, which has led to obsolete laws that do not reflect current economic realities

x. Lack of strict adherence to tax policy direction and procedural guidelines for the operation of the various tax authorities.

Economic stabilisation

Economic stabilisation is the result of the governmental use of direct and indirect controls to maintain and stabilize the nation's economy during emergency conditions. There are two policy levers for stabilising an economy; fiscal policy and monetary policy (Listokin, 2009). Zhattau (2013) stated that the purpose of fiscal policy is essentially to stimulate economy. Government should use fiscal policy to stimulate an economy slowed down by recession by through deficit, that is, by spending more than it collect from taxes. On the other hand, to slow down an economy that is threatened by inflationary pressures, there should be increase in taxes or cutting spending to create a budget surplus that would act as a drag on the economy (Zhattau, 2013). According to (Zhattau, 2013), Stabilization policy requires that policy makers can determine feasible targets, have a reasonable knowledge of the workings of instrumental variables and can effectively control the instrumental variables, the targets of those variable for which the government seek desirable values.

The direct control measures employed by the government include setting or freezing of wages, prices, and rents or the direct rationing of goods.

Theoretical framework

The theory to be used to account for taxation policy and economic stabilization is based on endogenous growth theory.

Endogenous growth theory

Endogenous growth theorists believe that economic expansion is determined within the system and posit that tax policy does have an impact on economic growth over time. Assuming that output grows over time, Romer and Romer (2010) indicate that government tax actions can be taken to offset developments that may cause output to deviate from its normal path. For example, a tax cut may be implemented if policy makers need to stimulate demand to bring the economy out of a recession. Furthermore, tax measures could be implemented to increase growth above its long-term trend.A number of empirical works has been carried out in the exciting field of tax policy as lucidly presented in the review that follows.

Romer and Romer (2010) investigated the impact of tax changes on economic growth in the United States during the post-war period. Information on the legislative tax changes were gathered from narrative sources (including presidential speeches) and regressed on changes in real GDP over the period 1947 to 2007. The tax changes were separated into those related to prospective economic conditions and exogenous (other) reasons.The results indicated that tax changes have very large effects on output resulting in reduction of between 2.5 and 3.0 per cent. In addition, output effects were found to be more closely linked to changes in actual taxes rather than to news about future changes.

Using a quarterly data from 1990 to 2010, Scarlett (2011) examined the impact of taxation policy on economic growth in Jamaica. The data set included GDP per capita, physical capital and human capital as well as growth rate of the labour force and nineteen (19) tax indicators. The findings indicated that increasing revenue from indirect taxes was more conducive to economic growth in the long run. On the other hand, increasing the share of taxes from personal income (P.A.Y.E.) had the greatest harm on per capita GDP over time and correction to equilibrium from such an impact would take up to nine quarters.

However, Arnold *et al.* (2011) examined the long run relationship between tax structures and economic growth within the OECD. The authors utilised an error correction model with annual panel data of 51 countries. The model included individual tax indicators (expressed as a share of total tax revenue) along with the typical growth variables (physical & human capital and population growth) as well as a control variable, tax revenue to nominal GDP.The explanatory variables, including the lagged dependent variable, were used in both levels and first differences to account for transitional dynamics. The findings indicated that long run economic growth could be improved by gradually increasing taxes on consumption and immovable property as well as improving the design of individual taxes. Personal & corporate income taxes, consumption and immovable property taxes had the least harmful impact on long run GDP per capita. It was also suggested that reducing income taxes on low income earners would be the best option for increasing economic growth and aiding economic recovery. This is in a context where reduced income taxes on low incomes would stimulate demand, increase work incentives and lessen income inequality.

Akhor and Ekundayo (2016) examined the impact of indirect tax revenue on economic growth in Nigeria for the period covering 1993 to 2013. The study used VAT revenue and custom and excise duty revenue as independent variables and economic growth was proxy with real gross domestic product as the dependent variable. The result revealed that VAT had a negative and significant impact on real gross domestic product. In the same vein, past custom and excise duty had a negative and weakly significant impact on real gross domestic product. The Error Correction Model (ECM (-1)) coefficient had a correct negative and statistically significant sign. This showed that short-run deviation can be quickly corrected. The study therefore recommended that tax administrative loopholes should be plugged for tax revenue to contribute immensely to the development of the economy since past value added tax and custom and excise duty had a significant impact on economic growth.

Oti and Odey (2016) examined tax reforms and revenue trend in Nigeria from 1981 to 2014. To achieve the objective of the study, relevant secondary data were sourced from the Central Bank of Nigeria (CBN) statistical bulletin and Federal Inland Revenue Service (FIRS) gauge. The data collected were analyzed using relevant descriptive statistics and econometric models such as the Augmented Dickey Fuller and Philip-Peron unit root tests, Johansen co-integration test and Engle Granger Causality test. By way of preliminary test, the Augmented Dickey Fuller and Philip-Peron tests were employed to test for unit root. The Johansen rank test indicated that long-run dynamic trend exists between tax reforms and total federally collected revenue in Nigeria. The pair wise Granger Causality showed that tax reforms granger-caused total federally collected revenue. The model equally showed that the various income taxes were statistically significant and has positive relationship with total federally collected revenue. The coefficient of the Error Correction Model (ECM) is negative and statistically significant; showing that an established long-run dynamic relationship can be attained giving that 76.6114 percent of the deviation in total federally collected revenue is reconciled annually. They recommended among the following; granting of full autonomy for the Federal Inland Revenue Service (FIRS); eliminating multiple taxation; reviewing obsolete laws and rates to align with current changes in macroeconomic fundamentals for the promotion of fiscal responsibility and sustainability; a corruption-free and efficient tax administrative machinery with staff who are well trained, equipped and motivated to ensure accountability and transparency in tax administration, will help the public sector to generate more revenue through taxation.

Using an annual time serial data of 20 years (1994-2013) collected from the published report of the FIRS of various years, Nwadialor and Ekezie (2016) examined the effect of tax policy on economic growth in Nigeria. OLS regression analysis was used to investigate the relationship that exists between the dependent and independent variables. The findings revealed that tax had a significant effect on the economic growth in Nigeria. It showed that the proportion of indirect to total tax have increased over the years. The study therefore recommended among others that the government tax policy should shift more to indirect tax due to the expansionary and non-distortionary nature.

In a similar study, Ibadin and Oladipupo (2015) examined the impact of indirect taxes on economic growth of Nigeria, utilizing time series data spanning a thirty-four year period, from 1981 to 2014. The findings revealed that VAT and PPT exert a positive and significant relationship on the RGDP. It was also revealed that CED of two period lags had a positive relationship with RGDP and VAT of two-period lags showing a negative but significant relationship with RGDP. On the basis of these findings, it was suggested that some caution on the part of the government is required to identify all administrative loopholes for linkages to plug and to continue to maximize the contribution of VAT revenue to economic growth. In addition, to achieve an optimum policy thrust, there must be commitment and honesty on the part of the agents of VAT, PPT, and CED with respect to its collection and payment; special remuneration, training and retraining of these agents, all in an attempt to enhance impact of these taxes on economic growth.

Etim and Nweze (2015) examined the long-run relationship between tax revenue and economic growth in Nigeria from 1980 to 2013. This was motivated by the fact that taxation is a key component of any country's fiscal policy framework meant to discretionally enhance economic growth and stability. The results of the analysis revealed mixed growth performances for all the variables studied and positively correlation between and among the variables. It was further revealed that tax revenue components influenced economic growth although at varying degrees. One strong outcomes of the study was that CIT, PIT and VAT does not granger cause economic growth, that is are poor growth drivers, while PPT, CED ad EDT play vital role in that regard. It was, therefore, recommended that the government should handle lax related matters with tact to encourage investment, entrepreneurship and innovation, pay attention to developing infrastructures, reform taxes that have least effect on economic growth potentials as well as ensure accountability and transparency in the utilization of tax revenue.

Fasina and Adegbite (2015) empirically analysed the impact of VAT and excise duties on economic growth in Nigeria. Secondary data were obtained from central bank of Nigeria statistical bulletin covering the period of 1990 to 2012. The result showed that VAT, excise duties, exchange rate, inflation rate and interest rate were all found to have significant effects on the Gross Domestic Product (GDP) which was proxied for Economic Growth with the Adjusted R^2 of 93.6%. The study concluded that value added tax has positive significant impact on economic growth in Nigeria while excise duties had negative significant impact on economic growth in Nigeria. They recommended that government should reduce the VAT rate in Nigeria as the current rate has made goods and services very expensive and invariably contributing to the noncompliance of taxpayers. A rise in the VAT rate will have a bad effect on aggregate consumption and will weaken economic growth but a reduction in the VAT rate strengthens economic growth by stimulating aggregate consumption.

Ogbonna and Ebimobowei (2012) examined the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. The results from the various test showed that tax reforms are positively and significantly related to economic growth and that tax reforms granger cause economic growth. Based on the findings, the study concluded that tax reforms improved the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis. However, it was recommended that sustainable economic growth cannot be attained with tax reform processes except obsolete tax laws and rates are reviewed in line with macro-economic objectives, corrupt-free and efficient tax administrative machinery with personnel's and accountability and transparency of government officials in the management of tax revenue.

Gap in Literature

A lot of literature has been written on tax policy and economic growth (Arnold *et al.,* 2011; Scarlett, 2011; Romer & Romer, 2010; Greenidge and Drakes, 2009; Kneller *et al.,* 1999). Although the studies above provide useful insight into the relationship between tax policy and economic growth, most of these studies are predicted on data from developed economies. The existing studies to the best of my knowledge conducted in the developing nation especially in Nigeria are more or less review of related literature with few empirical studies; for instance Lawal (2015) study is a theoretical research that assesses the bi-directional two-way relationship between tax management and the economic growth in Nigeria. The main objective of the study is to examine the impact of tax management on the economic growth of Nigeria as a country in terms of poverty alleviation and provision of amenities. The results reveal that tax management has a significant impact on the economic growth of the country. However, there is over dependence on oil as source of revenue to the country which has resulted into poor management of the country's tax system. This has in turn led to a slow rate of economic growth and high rate of poverty among the populace. The study recommends a redefinition of tax management and strengthening of the internal mechanisms for economic growth and development. Tax management efforts should be improved upon to check the menace of tax evasion and improve the amount of revenue generated through tax; Zhattu (2013) employs a descriptive method to review the effect of fiscal policy in Nigeria. The study reveals that there are various challenges facing fiscal policy and tax implementation in Nigeria and that an appropriate method of tax implementation will increase the revenue of the country thereby accelerating economic growth. The paper submits that efficiency of tax system is not just a matter of appropriate tax laws but also the efficiency and integrity of tax administrators. Odusola (2006) study centers on tax policy reforms in Nigeria, with the specific objectives of examining the main tax reforms in the country; highlighting tax revenue profile and composition; analysing possible distributional impacts on the poor; discussing major problems that could prevent effective tax). However, the empirical ones like (Akhor and Ekundayo, 2016; Nwadialor and Ekezie, 2016; Etim and Nweze, 2015; Ibadin and Oladipupo, 2015; Fasina and Adegbite, 2015; Ogbonna and Ebimobowei, 2012) have found mixed results. Moreover, the latest period by some of the authors was 2014. The researcher believes that availability of timely information for government policy is necessary. The study therefore extends the period to 2017 to measure the effect of tax policies on economic stabilization.

Methodology

The research design adopted for this study was *Ex-post facto* research design involving time series data. The choice of this design was chosen because the researcher is reporting on what is already in existence.Secondary data for a period of eleven years covering 2002 to 2017 were obtained from Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) and Federal Inland Revenue Service (FIRS). The study used econometric analysis to analyse the relationship between dependent and independent variables. The descriptive analysis was used to summarize and describe the data. The Person product moment correlation coefficient was used to test the correlation between the variables. To ensure the regressions are not spurious, stationarity test involving GLS transformed Dickey-Fuller (DF-GLS) (ADF) unit root test was applied on the time series data. To identify the presence of long-run relationships among variables, Johansen co-integration test was adopted to test the existence of long-run relationship among the variables. Granger causality test was used to determine the direction of causality between tax policy and economic stabilisation proxied by GDP. Finally, Ordinary Least Square was used for multiple regression analysis.

Model Specification

The model for this study is in line with prior study (Nwadialor and Ekezie, 2016) and is as specified below:

Economic stabilization = f (Taxation policy, U) … … … … (i)

In econometric form, the model is rewritten as

$GDP = \beta_0 + \beta_1$ (Direct taxes) $+ \mu$ … … … … … (ii)

$GDP = \beta_0 + \beta_1$ (Indirect taxes) $+ \mu$ … … … … … (iii)

However, the model is re-specified to examine the effect of selected variants of tax policy on GDP:

$GDP = \beta_0 + \beta_1 PPT + \beta_2 EDT + \beta_3 PAYE + \mu$ … … … … … (iv)

$GDP = \beta_0 + \beta_4 VAT + \beta_5 CED + \beta_6 SD + \mu$ … … … … … (v)

A prori expectation: $\beta_1 – \beta_6 > 0$

Where β_1 = regression coefficients, μ = stochastic error, economic stabilization is proxied by Gross domestic product (GDP).

Taxation policies are proxied by direct and indirect taxes. Direct taxes comprise of Petroleum Profit Tax (PPT), Education Tax (EDT), and Pay as You Earn (PAYE) for, whereas the indirect taxes comprise of Value Added Tax (VAT), Custom and Excise duties (CED) and Stamp duties (SD).

Data analysis and discussion of results

Descriptive statistics

Table 1 Descriptive Statistics of independent and dependent variable

	GDP	PPT	EDT	PAYE	VAT	CED	SD
Mean	48453.29	1575.541	89.98438	33.66125	508.7106	633.1944	8.108125
Median	40352.75	1352.200	59.66500	30.81500	523.1450	609.5450	8.140000
Maximum	95177.74	3201.320	279.3600	108.0100	972.3000	1408.430	12.25000
Minimum	7128.200	224.4000	9.700000	1.700000	108.6000	89.10000	2.500000
Std. Dev.	34916.35	881.7799	77.85704	29.02990	290.6746	446.6386	2.472406
Skewness	0.172993	0.499677	0.994260	0.889273	-0.016257	0.318919	-0.419377
Kurtosis	1.319632	2.299270	3.172266	3.575104	1.540344	1.744604	2.827720
Jarque-Bera	1.962228	0.993153	2.655922	2.329312	1.421102	1.321904	0.488793
Probability	0.374893	0.608611	0.265017	0.312030	0.491373	0.516360	0.783177
Sum	775252.6	25208.66	1439.750	538.5800	8139.370	10131.11	129.7300
Sum Sq. Dev.	1.83E+10	11663037	90925.78	12641.03	1267376.	2992291.	91.69184
Observations	16	16	16	16	16	16	16

Source: Eviews 8.0

Table 1:presented the result for the descriptive statistics for the variables. As observed, GDP has a mean value of 48453.29. The maximum, minimum and median values stood at 95177.74, 7128.200 and 40352.75 respectively. The standard deviation is 34916.35 while the Jacque-Bera statistic of 1.962228 alongside its p-value of 0.37 indicated that the distribution failed normality test ($p = 0.00 < 0.05$). PPT showed a positive mean of 1575.541 and standard deviation of 881.7799. The maximum, minimum and median values were 3201.320, 224.4000 and 135.200 respectively. EDT showed a mean value of 89.98438 and standard deviations of 77.85704. The maximum, minimum and median values are 279.3600, 9.700000 and 59.66500 respectively. EDT showed a mean of 89.98438 and standard deviations of 77.85704. The maximum, minimum and median values were 279.3600, 9.700000 and 59.66500 respectively. PAYE showed a mean value of 33.66125 and standard deviations of 29.02990. The maximum, minimum and median values were 108.0100, 1.700000 and 30.81500 respectively. VAT showed a mean value of 508.7106 and standard deviations of 290.6746. The maximum, minimum and median values are 972.3000, 108.6000 and 523.1450 respectively. CE showed a mean value of 633.1944 and standard deviations of 446.6386. The maximum, minimum and median values were 1408.430, 89.10000 and 609.5450 respectively. SD showed a mean value of 8.108125 and standard deviations of 2.472406. The maximum, minimum and median values were 12.25000, 2.50000 and 8.108125 respectively.

Correlation matrix

Table 2: Correlation matrix table

	GDP	PPT	EDT	PAYE	CED	SD
GDP	1.000000	0.554354	0.621909	0.904836	0.963644	0.542439
PPT	0.554354	1.000000	0.762887	0.438405	0.444738	0.265065
EDT	0.621909	0.762887	1.000000	0.528432	0.577020	0.123013
PAYE	0.904836	0.438405	0.528432	1.000000	0.907845	0.582949
CED	0.963644	0.444738	0.577020	0.907845	1.000000	0.587567
SD	0.542439	0.265065	0.123013	0.582949	0.587567	1.000000

Source: Author's computation using E view 8.0

Correlation measures the degree of linear relationship among the variables. Therefore, *in Table 2*in above, the result showed that gross domestic product (GDP) has a highly positive correlation with Custom and Excise Duties (CED= 0.96) and Pay As You Earn (PAYE=0.90). Also, a highly positive correlation exists among the explanatory variables. This therefore means that there is a strong significant positive relationship among the variables under investigation. The correlation matrix also revealed that no two explanatory variables were perfectly correlated. This means that there is absence of multicolinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Unit root test

Table 3: Dickey-Fuller Generalised Least Square (GLS) unit root test

Variable	GLS ADF Value	Critical value@ 1%	Critical value @ 5%	P- Value	Order of integration
GDP	-3.501629	-2.740613	-1.968430	0.0039	I (1)
PPT	-3.661487	-2.740613	-1.968430	0.0029	I (1)
EDT	-3.144358	-2.740613	-1.968430	0.0078	I (1)
PAYE	-1.866428	-2.740613	-1.968430	0.0847	I (0)
VAT	-3.000589	-2.754993	-1.970978	0.0121	I (1)
CED	-4.441404	-2.740613	-1.968430	0.0007	I (1)
SD	-4.320035	-2.740613	-1.968430	0.0008	I (1)

Source: Author's computation using E view 8.0

Table 4.3aboveshowed Dickey-Fuller Generalized Least Square unit root test. Many tests are available to check for unit root in a time series but this study uses GLS transformed Dickey-Fuller (DF-GLS) which is the extension of Dickey and Fuller (1979) unit root test known as Augmented Dickey Fuller (ADF) test. Elliott et al.(1996) propose a simple modification of the ADF tests in which the data are detrended so that explanatory variables are taken out of the data prior to running the test regression. The unit root test results are presented in **Table 3** for each variable. A variable is stationary if its t-adf value is greater than the critical value at any given percent. It shows that all the variables were stationary at first difference except for PAYE.

Johansen Cointegration test

Table 5a: Johansen Cointegration Test

Date: 02/19/18 Time: 10:31
Sample (adjusted): 2004 2017
Included observations: 14 after adjustments
Trend assumption: Linear deterministic trend
Series: GDP PPT EDT PAYE
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**

None *	0.976978	106.5781	47.85613	0.0000
At most 1 *	0.916774	53.77995	29.79707	0.0000
At most 2 *	0.521664	18.97327	15.49471	0.0143
At most 3 *	0.460866	8.649085	3.841466	0.0033

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Source: Eview 8.0

Table 5b: Johansen Cointegration Test

Date: 02/19/18 Time: 10:36
Sample (adjusted): 2004 2017
Included observations: 14 after adjustments
Trend assumption: Linear deterministic trend
Series: GDP VAT CED SD
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.968422	86.19558	47.85613	0.0000
At most 1 *	0.879505	37.82134	29.79707	0.0048
At most 2	0.442381	8.195220	15.49471	0.4448
At most 3	0.001292	0.018103	3.841466	0.8929

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Source: Eview 8.0

Johansen's Co-integration tests (trace and max-Eigen) in *table 5a and 5b* showed that there is at least one co-integrating equation between the variables in the long- run. This shows that there exist a long run relationship between GDP and the fundamentals used in the model. If variables do not have long run relationship, the results may be less reliable.

Granger Causality Test

Table 4 Pairwise Granger Causality Test

Pairwise Granger Causality Tests
Date: 02/14/18 Time: 11:59
Sample: 2002 2017
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
PPT does not Granger Cause GDP	14	2.19371	0.1675
GDP does not Granger Cause PPT		2.85790	0.1094

EDT does not Granger Cause GDP	14	1.90388	0.2044
GDP does not Granger Cause EDT		2.67692	0.1224
PAYE does not Granger Cause GDP	14	14.5090	0.0015
GDP does not Granger Cause PAYE		0.02375	0.9766
VAT does not Granger Cause GDP	14	7.28310	0.0131
GDP does not Granger Cause VAT		0.07732	0.9262
CED does not Granger Cause GDP	14	1.25746	0.3299
GDP does not Granger Cause CED		2.42919	0.1433
SD does not Granger Cause GDP	14	8.35777	0.0089
GDP does not Granger Cause SD		1.15899	0.3566

Source: Eview 8.0

Table 4 showed the Granger Causality test for the causality between tax policy and economic stabilisation proxied with gross domestic product. The result revealed that petroleum profit tax (PPT) with a p-value of 0 .1675 is greater than the critical value of 0.05, which implies the rejection of the null and acceptance of the alternative that petroleum profit tax in Nigeria granger cause gross domestic product (GDP) while GDP does not granger cause PPT. The table also shows that education tax, customs and excise duties and personal income tax granger cause GDP, but GDP does not granger cause any of the tax variables. On the whole, the relationship between the variables is unidirectional.

Regression Result

Table 6: Regression Result for hypothesis 1

Dependent Variable: GDP
Method: Least Squares
Date: 02/20/18 Time: 20:40
Sample: 2002 2017
Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PPT	4.918816	6.773603	0.726174	0.4817
EDT	48.39422	81.21549	0.595874	0.5623
PAYE	954.2239	156.6854	6.090061	0.0001
C	4228.398	8214.534	0.514746	0.6161

R-squared	0.853827	Mean dependent var	48453.29
Adjusted R-squared	0.817284	S.D. dependent var	34916.35
S.E. of regression	14925.08	Akaike info criterion	22.27179
Sum squared resid	2.67E+09	Schwarz criterion	22.46494
Log likelihood	-174.1743	Hannan-Quinn criter.	22.28168
F-statistic	23.36493	Durbin-Watson stat	1.437409
Prob(F-statistic)	0.000027		

Source: Eview 8.0

From the regression result in *table 6*, it would be revealed that the R-squared value of 0.853827 showed that 85% of the systematic variation in the dependent variable is jointly explained by the independent variables. The F-statistics value of 23.36493 and its associated p-value 0.000027 showed that the overall model is statistically significant. This means that there exists a significant linear relationship between the dependent and independent variables in the model. For an evaluation of the effects of explanatory variables on gross domestic product, it was observed that PPT was positive (4.918818) and insignificant. This was contrary to the findings of (Ogbonna and Ebimowei, 2012; Etim and Nweze, 2015; Ibadin and Oladipupo, 2015; Nwadialor and Ekezie, 2016) who found positive and significant relation. EDT appeared positive (48.39422) and statistically insignificant at 5%. This was contrary to the finding of (Etim and Nweze, 2015) who found EDT negative and insignificant relation. PAYE appeared positive (954.2239) and statistically significant at 5%. This agreed with the findings of (Etim and Nweze, 2015; Ogbonna and Ebimobowei, 2012) but contrary to the finding of (Scarlett, 2011) who found negative but significant relation.

Table 7: Regression Result for hypothesis 2

Dependent Variable: GDP
Method: Least Squares
Date: 02/20/18 Time: 11:20
Sample: 2002 2017
Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5983.572	7764.691	-0.770613	0.4558
VAT	72.59712	24.21562	2.997946	0.0111
CED	30.93142	16.35578	1.891161	0.0031
SD	-256.4915	1015.333	-0.252618	0.8048

R-squared	0.959674	Mean dependent var	48453.29
Adjusted R-squared	0.949593	S.D. dependent var	34916.35
S.E. of regression	7839.237	Akaike info criterion	20.98399
Sum squared resid	7.37E+08	Schwarz criterion	21.17714
Log likelihood	-163.8719	Hannan-Quinn criter.	20.99388
F-statistic	95.19279	Durbin-Watson stat	1.507507
Prob(F-statistic)	0.000000		

Source: Eview 8.0

From the regression result in *table 7*, it would be revealed that the R-squared value of 0.959674 showed that 95% of the systematic variation in the dependent variable is jointly explained by the independent variables. The F-statistics value of 95.19279 and its associated p-value 0.000000 show that the overall model is statistically significant. This means that there exists a significant linear relationship between the dependent and independent variables in the model. For an evaluation of the effects of explanatory variables on gross domestic product, it was observed that VAT was positive (72.596712) and significant. This means that VAT significantly impact on economic stabilisation. This was consistent with the findings of (Nwadialor and Ekezie, 2016; Ibadin and Oladipupo, 2015; Etim and Nweze, 2015; Fasina and Adegbite, 2015; Ogbonna and Ebimobowei, 2012) but contrary to (Akhor and Ekundayo, 2016) who found VAT to be negative and significant. CED appeared positive (30.93142) and statistically significant at 5%. This agreed with the findings of (Ogbonna and Ebimobowei, 2012) but contrary to the findings of (Akhor and Ekundayo, 2016; Nwadialor and Ekezie, 2016; Fasina and Adegbite, 2015) who found CED to be negative. SD appeared negative (-256.4915) and statistically insignificant at 5%.

Conclusions

The objective of this study is to investigate the relationship between tax policies and economic stabilisation in Nigeria from 2002 to 2017 using correlation and regression analysis. The specific objectives of the study were to assess the effect of direct tax policy and indirect tax policy on economic stabilisation. The findings based on ordinary least square regression revealed that

i. Petroleum profit tax, education tax has positive and insignificant effect on gross domestic product while Pay As You Earn has positive and significant effect on gross domestic product.
ii. Value Added Tax and Custom and Excise duties are positive and significant whereas stamp duties appear negative and insignificant.

Though direct and indirect tax play equal role when looked from overall perspective. However, it is recommended that government should strengthen the indirect tax as it offers more growth prospect and less cost administration. In particular, VAT rate should be reviewed upward as it has shown over time that it gives constant inflow and a prospect for high compliance. With reference to PPT, EDT, SD it is recommended to improve the effectiveness and efficiency of administration and collection of taxes by government. Moreover, the study recommends for the enactment of the approved National Tax Policy into law. The passage of the National Tax Policy will improve the overall tax environment in Nigeria and making it competitive.

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VALUE ADDED TAX (VAT) INCOME, NATIONAL DEBTSAND BUDGET IMPLEMENTATION IN NIGERIA (2000 – 2015)

Michael Chidiebere Ekwe[1]& Osu Olugu Kalu
Department of Accounting
Michael Okpara University of Agriculture, Umudike
[1]ekwemike@yahoo.com

Abstract

Value Added Tax (VAT) appears to be a veritable and dependable source of government revenue in Nigeria as revenue accruing therefrom, has maintained a persistent increase in the past few years. Arguments for and against the increase in VAT rate have also been advanced. This study therefore analyzes the impact of Value Added Tax (VAT) income and national debts on budget implementation in Nigeria. The paper sought to reveal possible effects of VAT income, cost of debt servicesand total debt profile on budget implementation in Nigeria. The research design adopted was ex-post facto because secondary data, extracted from the publications of the Federal Inland Revenue Service, Debt Management Office, National Bureau of Statistics and Central Bank of Nigeria were used. Data were subjected to statistical tests using the Ordinary Least Squares (OLS) method of regression analysis. Also the properties of the data were scrutinized using descriptive analyses, unit root and co-integration tests. The results show that Value Added Tax (VAT) income had a positive impact on Nigeria's budget implementation at 1% level of significance while external debt services had a negative effect on Nigeria's budget implementation at 1% level of significance. The paper therefore, concludes and recommends that an upward review of VAT rate from 5% to 10% will greatly boost revenue base of government; thereby making more funds available for budget implementation and thereby reducing the propensity to borrow. The paper also recommends immediate termination of external borrowings because their servicing and eventual repayment lead to capital fights; rather government should consider zero per cent interest rate loans when financing budget deficits.

Keywords: Value Added Tax, National Debts, Budget Implementation,

Introduction

Value Added Tax (TAX),as a type of indirect tax imposed on goods and services plays an important role in economic development of any country by significantly influencing the quantum of revenue accruable to government as well as consumption (Jayakumar, 2010). In Nigeria, VAT has become a significant source of government revenue because it has maintained a significant increase overthe years. It replaced the sales tax introduced in 1986, which had a narrow base and discriminated against locally produced goods and services as it excluded imports. The sales tax revenue accrued exclusively to the state governments while VAT revenue is now shared by all levels of government. The impressive performance of VAT in virtually all countries where it had been introduced earlier clearly influenced the decision to introduce VAT in Nigeria in January 1994. According to Owolabi and Ekwu (2011), VAT is a tax on consumption implying that the more one buys, the more tax one pays VAT. One pays the tax to government whenever onebuys goods or services. In Nigeria, the revenue from VAT has risen steadily over some years. Such significant increase raises a question of what effects they have had upon economic growth of the country especially when juxtaposed with the volume of internal and external borrowings by successive governments.

Currently in Nigeria, revenue from the non-oil sector has been grossly untapped and insufficient to meet public needs. Federal Government of Nigeria in 1991 set up a study group which was led by Sylvester Ugo to review the Nigeria tax system and make appropriate recommendations. The idea to introduce VAT as a replacement of sale tax was recommended by this study group. Also in 1992, amodified Value Added Tax committee led by TAE B.I. Ijewere was set up to carry out feasibility study on the implementation of VAT. After extensive deliberations and consultations on the group's submission, VAT was introduced as a federal tax and back by decree 102, of 24th August, 1993 (Emran&Stiglitz, 2005). It is expected that with the introduction of VAT, more revenues would be generated internally and government borrowings will drop; but the situation in Nigeria appears to be the reverse.

Coincidentally, excessive debts more often than not impede economic development. The burden of debt on indebted countries has resulted in channeling of funds to debt servicing, instead of allocating resources to crucial developmental projects. Expectations are that increasing revenue base of government through increase in VAT incomes, would serve as a way of remedying the impeding effect of debt burden in a country where expenditure exceeds revenue and that VAT income required previously to pay and service such debts should be channeled to investment and other viable projects, enhance budget implementation and boost economic growth(Asehinen, 2009). Unfortunately, VAT incomes in Nigeria appear not to be playing this function.

Furthermore, during the visit of Christine Largarde, the Managing Director of the International Monetary Fund (IMF) to Nigeria on the 6th of January 2016, she advocated for the broadening of Nigeria's revenue base through increased VAT rate. She argues that Nigeria's VAT rate was among the lowest in the world, and contends that since VAT had proven to be a sustainable source of revenue, it can help Nigeria boost her revenue base and therefore reduce her tendency to borrow and avoid the burden of debt and debt services.She further insisted that the negative implications of cost of debt services and its burden had also affected the budget implementation in Nigeria. While advising the Nigerian government to exercise caution in borrowing, she observed that Nigerian debt profile was very high at 12% of the Gross Domestic Product (GDP) and that it weighs heavily on the public purse.Mrs. Largarde perhaps, speaking without any empirical evidence concluded that until measures are taken to increase VAT rate, stop government borrowings, the nation would remain in paltry implementation of its budget and as a consequence, will hardly grow. This view is in concord with Audu (2004), who opines that debt service burden has militated against Nigerian's rapid economic development and worsened the social problems.

On the other hand, a Human right and Anti-corruption Group, Vanguard for Transparency Leadership and Democracy (VATLAD), opposedthe proposal for any increase in VAT rate in Nigeria. They argued that raising VAT rate will be counterproductive, especially now that country depends on imported goods for basic human needs. While the group agreed with Lagarde on her concerns over Nigeria high debt profile which is said to consume over 35 percent of the national budget for debt servicing, they however vehemently opposed the proposal for increase in VAT rate paid for all goods and services except on imported goods and services that provide only luxuries to a selected privileged few elite class.

This divergence in opinions tends to put the government and policy makers in a tight situation with regards to decision making in this respect. Furthermore, the opinions of the two above (Lagarde and VATLAD) appear not to be substantiated by empirical research. More so, it appears that there exists, no other works that has empirically investigated fiscal balancing of the economy by studying the impact of Value Added Tax (VAT) income, national debts and budget implementation. This is the lacuna which this study sets to resolve by empirically assessing the effect VAT incomes and national debts have on budget implementation in Nigeria from 2000 – 2015. The paper specifically: examined the effect of VAT income on total budget implementation in Nigeria, identified the influence of Debt Services on total budget implementation in Nigeria, evaluated the effect of Debt Profile on total budget implementation in Nigeria.

Liteature Review

Budget and Budgeting Processin Nigeria

The Budget in the public sector is a document or a collection of documents that refer to the financial expression of Government's expected incomes and expenditure for a future fiscal year (Obadan, 2009, 2010,2014). It is a financial statement that sets out the estimate of expenditure and revenue of a government or an organization for the forthcoming year carefully articulated to realize government aims and aspirations in the coming year. It is a "mechanism through which subunits of government or any organization bargain over goals, make side- payments, and try to motivate one another to accomplish their objectives (Meyers, 2001). In Nigeria, it is an official proposal of expected revenues and expenditures of the Executive to the congress. In other to provide for a responsible government, budgeting is generated to a cycle. The cycle allows for the system to absorb and respond to new information and in doing so the government is held accountable for its action though it should be recognized that many factors curtail the extent to which the president can make major changes in the budget. Thus, it is referred to as a political document that involves bargaining between various sectors of the political economy. It is a "planning device" used for the translation of present scarce fiscal and human resources in the public sector into future government goal and programmes. It is a coordinating device used as a tool of fiscal policy in public administration. It serves as a legal or official document that provides a vehicle for fiscal controls over subordinate units of government. It constitutes one of the policy-nerve centers of government's response to the political environment in terms of authoritative allocation of scarce resources. The political view of the budget sees it, less as a tool of public management and much more as a part of the general social decision-making process in which various participants, clientele groups, agencies and the council of economic advisers combined to determine who gets what? Where? When? How and Why?

The Value Added Tax in Nigeria

Value Added Tax (VAT) became fully operational in Nigeria over two decades ago, twenty-four years to be precise. VAT, according to Tait& Robert (2005), "Is a tax on spending. The tax is borne by the final consumer of goods and services because it is included in the price paid for goods and services. The tax is at a flat rate of five per cent (5%) collected on behalf of the Federal Government by business organizations which have registered with the Federal Inland Revenue Services (FIRS) for VAT purposes".According to Olatunji (2009), the idea of introducing VAT in Nigeria came from the Study Group set up by the federal government in 1991 to review the entire Tax system. VAT was proposed and a Committee was set up to carry out feasibility studies on its implementation. In January, 1993, the Federal Government agreed to introduce VAT by the middle of the year. It was later shifted to 1st September, 1993 by which time the relevant legislation would have been made and proper ground work done. VAT came as a replacement to Sales Tax which had been in operation since1986 but was operated on the basis of residence.Besides, the rationale behind replacing Sales Tax with Value Added Tax was informed by a number of factors, notably: The base of the Sales Tax in Nigeria as operated under Decree No. 7 of 1986 was narrow. It covered only nine categories of goods plus sales and services in registered hotels, motels and similar establishments. The narrow base of the tax negated the fundamental principle of consumption tax which by nature was expected to cut across all consumable goods and services. VAT base is broader and includes most professional services and banking transactions which are high profit-generating sectors (Olatunji, 2009). Only locally manufactured goods were targeted by the Sales Tax Decree of 1986, although this might not have been the intention of the law.

VAT is neutral in this regard. Under VAT, a considerable part of the tax to be realized is from imported goods. This means that under the new VAT, locally manufactured goods will not be placed at a disadvantage relative to imports. Since VAT is based on the general consumption behaviour of the people, the expected high yield from it will boost the fortunes of the state governments with minimum resistance from the payers of the tax. Value Added Tax as a consumption tax has been embraced by many countries globally. This is because it is relatively easy to administer and difficult to evade (Owalabi &Ekwu 2011). The yield from VAT is a fairly accurate measurement of the growth of an economy since purchasing power (which determines yield) increases with economic growth. According to Oyedele (2013), African countries VAT rate presented at the International Tax dialogue Conference by International Bureau of Fiscal Documentation (IBFD) showed that VAT rate in Ghana is 12.5%, Cape Verde 15%, Senegal 17%, Guinea 18%, Cameron 18.7%, Chad 18%. The high performance of VAT in these countries prompted the Managing Director of the International Monetary Fund (IMF) Mrs Christine Largarde to advise the Federal Government of Nigeria to consider increasing the VAT rate which is currently at 5%.

Nigeria's Fiscal Imbalance and the Tax System

The revenue structures of most developing countries have not been as productive as desired. The growth in revenue has failed to catch up with government spending pressures, a situation that has occasioned huge imbalances between the demand and supply of public budgetary resources. Ariyo (1993)while applying the test by Blinder and Solow (1973) and Zee (1995) concluded that Nigeria was unable to get out of its fiscal deficit profile in the past two decades. Ariyo and Raheem (1990) further drew the attention to the fact that the unsynchronized revenue and expenditure profile since 1970s caused the recurrent fiscal deficit profile of Nigeria to be unsustainable. However, Alade (2003) contended that fiscal deficits could stimulate aggregate demand and set a country on the path of recovery. Iyoha (2004) was of the opinion that given the structural and systematic problems commonly associated with less developed countries, budget deficit invariably appears in the course of governance and such are usually financed by borrowing from the central bank, non-banking public and external sources in order to ameliorate the fiscal imbalance. He emphasized that fiscal deficits raise the level of money supply which in turn sets in motion private sector wealth and asset portfolio decisions with respect to financial and real assets.

Nigeria Rising Domestic Debt Profile

As Nigeria security challenges persist unabated, the Federal Government also seems helpless in tackling the nation's rising domestic debts profile. As the debt continues to rise at unprecedented rate, and even more drastically in the recent time, the nation's image is becoming dented. It is regretted that the Federal Government had failed woefully in efforts to reduce the nation's debt profile (Rahaman 2013). Considering the economic implications of the nation's rising debt profile, it becomes a major policy issue requiring extensive public analysis and discourse. More importantly, heavy indebtedness of nations remains one of the major challenges facing most developing countries at the beginning of the 21st century (Rahaman, 2013). Indeed, high levels of domestic national debt are likely to be deleterious for economic growth and development. It is also true that any economy structured and sustained by borrowing cannot achieve economic prosperity.

Nigeria's attitude to borrowing is somehow a national stigma and it calls for re-orientation of our value system. Nigerians are being misguided to believe that borrowing is inevitable and sacrosanct for economic growth. Whatever the likely benefits derivable from the huge internal borrowing, it is bound to have negative economic consequences on the citizens. The former Nigerian President, GoodluckEbeleJonathan,while presenting the 2012 budget proposal to the National Assembly, acknowledgedthat the country's domestic debt have been growing at alarming rates. Even the current administration of the President MuhamaduBuhari has also lamented on the nation's rising debt profile. This is a further prove of the nation's economic instability. It is also worthy of note, the decision of the federal government to earmark N1.60 billion for debt servicing in the 2015 budget; a decision analysts have described as outrageous. According to Rahaman (2013), debt servicing cost of public debt is likely to crowd out public investment.

The nation's leaders have severally and differently expressed that the increasing of Nigeria national debts portends danger for budget implementation and economic growth. Therefore, with the current economic realities, it is imperative that the nation should initiate a comprehensive debt servicing plan. In designing the plan, the government needs to carefully re-examine the nation's borrowing culture with it attendant consequences and installing effective control measures so that funds borrowed for public goods are not diverted. This is because according to Rahaman (2013) leadership corruption remains a factor affecting the national success in the area of debt servicing and budget implementation. Of particular interest is the alleged diversion of funds budgeted for servicing of debts and purchase of military arms to fight insurgency by people at the helms of affairs.

While introducing measures to reduce the nation's external and domestic debt profiles greater attention needs to be paid to viable investment initiatives that will stimulate good accountability and effective budget implementation in Nigeria. If government can ensure huge returns for private investors, the impacts will be felt positively by all and sundry in the country.

Nigeria's External Debt Sustainability Analysis

According to Chipalkatt and Rishi (2008) external debt sustainability is a country's ability to meet its foreign debt obligations. It assesses the short and long term needs of a country. A country can be said to achieve external debt sustainability if it can meet its current and future external debt service obligations in full, without recourse to debt rescheduling or the accumulation of arrears and without compromising growth. A debt sustainable analysis that was conducted in 2002 by the IMF showed that for Nigeria's debt to be sustainable, it will need 67 percent reduction of debt service payments, followed by a 67 percent reduction of the debt stock (IMF 2004). However, a study by Ajayi (2008); shows that the country's macroeconomic policies led to the accumulation of debt in excess of what was sustainable as judged by her export performance. They found out that for the entire period between 1970 and 1988, macroeconomic policy coupled with inadequate trade policy led to a rate of borrowing that was not sustainable by Nigeria. Therefore, a more drastic measure ought to be taken to reverse this ugly trend and generate revenue through all possible sources otherwise; the future of the Nigerian children will remain bleak. Adepoju, Salau, and Obayelu (2007) further noted that a huge external debt without servicing, which was the case for Nigeria before 2000, constituted a major impediment to the revitalization of her shattered economy as well as the alleviation of the debilitating poverty. They revealed that the much needed inflow of foreign resources for investment stimulation, growth and employment were hampered because without credit cover, Nigerian importers were required to provide 100 percent cash covers for all orders and this therefore placed them in a competitive disadvantage compared to their counterparts elsewhere.

According to Chipalkatt and Rishi (2008), the analysis of Nigeria debt sustainability signified that the debt stock/GDP ratio remained low at 12.5% relative to the maximum international threshold of 30.0% of GDP, even though it deteriorated from 11.6 percent in 2008 to 15.4 percent in 2009. In addition, the debt stock/revenue ratio showed a weaker position in 2009 at 144.3 percent, compared with 88.0 percent in 2008, showing the magnitude of total revenue that would be required to redeem the total debt stock. Also, the debt service/revenue ratio deteriorated from 10.5 percent in 2008 to 20.5 percent in 2009, implying that more than 20.0 percent of the total revenue was devoted to interest and principal repayments. The deteriorated sustainability ratios reflected the slow growth of the economy and the unimpressive performance of the federal government retained revenue relative to the preceding year.

The debt sustainability indicators show that Nigeria's debt profile up to the year 2012 is still sustainable, when compare with the international bench mark. For instance, the total debt to GDP and total external debt to GDP are within the bench mark of 30%. However in the case of total debt service to revenue and total debt to revenue, this is far from the bench mark of between 20-25 and 150 respectively due to poor revenue generation efforts of the government.

Considering the analysis above, this paper hypothesizes that:

H_1:Value Added Tax (VAT) incomes have no significant effect on budget implementation in Nigeria.
H_2:There is no significant influence of Debt Services on Nigeria’s budget implementation.
H_3:Total Debt Profile has no significant effect on total budget implementation in Nigeria.

Onaolapo and Fasina (2013)examined the effect of Value Added Tax (VAT) on the income profiles of state government in south-western Nigeria. Secondary data from the approved budget of five state governments were used for the study. Osun state was excluded because it shares the same characteristic with Ekiti state. Panel expression method was employed since the sample contains state and for the period 2002 to 2011. Fixed Effect (FE), Random Effect (RE) and Hausmen-test based on the difference in fixed and random effect estimators were conducted. The study concluded that the panel estimates indicate that Random effect is the best fit. From the Random effect estimate, VAT is positively and significantly related to revenue profile of states. It was recommended that Governments, policy maker should concentrate effect at ensuring that more VAT is generated by developing strategies on poverty alleviation as VAT is a consumption tax which is a function of real income in hands of the people. Increased consumption will put revenue into VAT component of the Federation Account.

Salman (2014),examined the perception of the VAT payers on value added tax since inception of VAT in Nigeria, assesses the impact of adequate accounting procedure on VAT efficiency and also investigated if VAT, Petroleum tax, Excise duties and company tax jointly have significant impact on GDP. Data were collected through a structured questionnaire administered to two hundred and fifty eight (258) respondents randomly selected from different sectors of the economy. While secondary data was obtained from FIRS and CBN bulletin. Both descriptive and inferential statistics were employed to analyze the data. Descriptive statistic was used to measure the perception and acceptance of VAT by the respondents while multiple regression and pearson product moment correlation coefficient were used to determine the influence of VAT on economic growth. Study discovered that since inception of VAT in Nigeria there has been considerable high rate of acceptance and payment. It was also shown that adequate accounting procedure spurs VAT efficiency in the country. The study also revealed that VAT, Petroleum tax, Company income tax and excise duty jointly and independently had significant impact on Gross Domestic Product. It was concluded that the level of VAT in Nigeria has influence on social welfare of the populace. The study recommended that government should ensure to embrace strategies that will help to maintain adequacy of accounting procedure in the tax system in order to spur VAT efficiency and also to increase the number of VAT agencies in the country to boost VAT productivity.

Joseph and Samuel (2014) examined a log linear Assessment of the effect of Value Added Tax (VAT) on revenue generation in Nigeria. Using a log-linear data for regression on e-view 7.0 technique, the study found a positive elasticity and buoyancy which are desirable. This shows that VAT is not only a viable taxation tool in Nigeria but also has great potential to generate adequate revenue for the Nigeria Government. However, government has an element of the package; included numerous exemption, generous concession, and arbitrary waivers especially for unproductive ventures. This has greatly affected revenue base leaving high annual budgets deficits and an extremely poor fiscal performance. This also has implications for proper VAT threshold which raises concerns of abuse and high cost sharply leading loosing and poor response of VAT to GDP growth. The paper therefore recommends that there is need to consider the technology of the tax collection. That is the feasibility of the tax instruments, cost of administration and compliance. Also, special attention in the area of automation consumer information and its mechanism modified to respond GDP flexibilities is required.

Amifowose (2010) studied the effect of external debt and debt servicing on ECOWAS countries economic growth over the period (1960-2008). The debt growth model used in the study includes external debt stock, debt servicing and the gross domestic product of each individual country; the data used were times series. The results illustrate that the economic effect of external debt stock and it servicing varied for different countries among the ECOWAS. In addition, external debt stock and debt servicing was severe on the economic growth of Burkina Faso, Cote d'Ivoire, The Gambia, Guinea-Bissau, Nigeria, Sierra-loan and Togo.

Ekeperiware and Oladeji (2012),examined the structural break in relationship between external debt and economic growth from 1980 to 2009 with a view to examine the effect of external debt relief on economic growth in Nigeria. The study used quarterly time service of external debt, external debt service and real gross domestic product to determine the structural break effect of external debt on economic growth in the Nigeria as a result of the debt relief. The result of the chow test showed that the 2005 external debt relief caused a structural break in economic growth relationship with external debt in Nigeria. The study further showed that besides the reduction in aids, resources were freed for economic growth projects in health and education sectors. Conclusively, the external debt relief did make available resources for economic growth in Nigeria. The real sector should be the focal point where value is created rather than impeding it with mismanagement and servicing debt.

Romanus (2014)examined the Nigerian external debt crises and efforts made to obtain debt relief in 2005. The study was aimed at finding efficient debt management strategies to prevent future debt crises. It argued that the huge external debt was responsible for the slow economic growth and development in the country. The findings revealed that lack of fiscal discipline, which was due to lack of integrity and accountability, over dependence on oil revenue and poor project analysis and implementation were factors responsible for the Nigeria debt crisis in the past. This article was based on descriptive survey and it also employed secondary method of data collection. It concludes that the debt relief has not translated into economic growth and recommends that strict policy guidelines should be adhered to in order to prevent future debt overhang.

Emeremini and Nnanna (2015) studied the effectiveness of external debt on economic growth within a span of 1981-2012. The broad objective of thestudywas to evaluate the impact of external debt stock and debt servicing on economic growth.In all, the models were to show the growth relationship between the independent, variable-inflation rate, exchange rate, interest rate government expenditure, external debt stock and external debt service and the dependent variable- gross domestic product (GDP). The data were collected from CBN statistical Bulletin 2010 and the debt Management office (DMO) Quarterly reports. The Engle and Grenger co-integration and Ordinary least square (OLS) were employed in the cause of this study. The Augmented Dickey Further test (ADF) shows that the variables were stationary and reliable for forecasting. The choice of OLS is most appropriately for the study in terms of goodness of fit and significance of regression coefficients. The result of the analyses showed that rising external debt stock inhibits the pace of economic growth of Nigeria by increasing the cost of its servicing beyond the debt sustainability limit while external debt servicing was found not to impair economic growth. It was found that external debt stock rises rapidly due to accrued compound interest and loans were secured for dubious projects. Part of the recommendations was that Nigeria should increase its export base by investing borrowed funds in productive ventures and she should also seek fixed interest payment, varying amortization schemes and multiyear rescheduling.

Benjamin and Olamipekun (2013)studied the 'Relationship between fiscal Deficit and public Debt in Nigeria: An Error correction Approach'.The paper examined the apexes between fiscal deficit and public debt in Nigeria. Public debt was disaggregated into domestic and external debt with a view to analyzing the causal relationship and relative effect of both categories of debt on fiscal deficit. Time series data were collected from statistical Bulletin published by the central Bank of Nigeria from 1970 -2011. Except for inflation rate that was 1(0) the unit root test results revealed stationary fiscal balance, and public debt and its components income, exchange rate and rate interest series at their difference; there are 1(1) series. Pair-wise granger causality results support bi- directional relationship between fiscal balance and public debt as well as its domestic component while causality run only from external debt to fiscal deficit. Johansen Co-integration results also confirmed the existence of co-integration positive relationship at 5 percent level of significant positive relationship with debt in Nigeria in both the short and long run. The result showed that 1 percent increase of public debt leads to 1.85 percent in fiscal deficit. In addition, 1 percent increases in fiscal deficit result into 0.08 percent increase in public debt. The paper concluded that the Nigerian government should consider appropriate mix of domestic debt and external debt as a mean of financing budget deficit.

Summary and Gap

Since the inception of the present government, there are calls from some quarters to raise VAT rate to generate more revenue for budget implementation.With the nation's abundant human and natural resources, the question that continues to agitate mind is the reason for Nigeria continued borrowing both internally and externally for budget implementation amidst her abundance resources. This high debt profile which is said to consume over 35 per cent of national budget for debt servicing is worrisome to every patriotic Nigerian.From all the empirical literature reviewed none of them focus on the impact of Value Added Tax (VAT) income and national debts on budget implementation in Nigeria (2000 – 2015). Hence, this study set to fill the gap.

Theoretical Framework

Two theories were found pertinent for this study. They shall provide the underpinnings for the work.

The Sacrifice Theory

This theory attempts to determine the burden that rests upon an individual in view of his payment of taxes and how much of his or her income remains for purpose of his own sustenance.According to this theory payment of tax is a sacrifice that an individual makes towards the support of the government. The measure of such sacrifice is found in the giving up of enjoyments, which is giving up a portion of individuals' means (income) of satisfying wants (consumption). Practically the sacrifice theory demands that individuals should only pay tax on that portion of income that is spent on luxuries, the sacrifice should only be in respect of individual's means over and above subsistence.However the application of this theory is indicate that it is mandatory to the suppliers of goods and service to be charged in accordance with the provision of Value Added Tax (VAT) act. So it touches to every individual as long as he/she purchases some products. Thus, sacrifice Theory has come in form of indirect tax. Applicability of this theory is conceptually difficult unless it is expressed in terms of income and consumption.

The theory is considered appropriate for the study because, to pay tax of any nature requires sacrifice by individuals giving up portion of their income in purchase of some goods and service especially income spent on luxuries thereby generated revenue to the government which value added stands for.

Debt overhang theory

The argument that debt relief affects economic growth through an incentive mechanism links a high debt to slow economic growth. Increasing the level of debt may hamper growth through the effects of debt overhang. Debt overhang exists when a country's debt exceeds its expected ability to repay, and expected debt services is seen to be an increasing function of the country's output. In essence, resources meant for investment in domestic economy are indirectly taxed away by foreign creditors in the form of debt service. This further increases the saving gap and increases uncertainties that discourage both domestic and foreign investments.When a country suffers from debt overhang, debt relief can improve economic efficiency. By reducing the stock of debt, debt relief reduces the implicit tax on investment and possibly reduces uncertainty. This is to reinstate the incentive for the debtor countries to undertake efficient investments and for new lenders to extent credit. This will enhance growth through increased volumes of investment, higher productivity better external stock.

This study chose debt overhang theory because it captured the effect of debt services on the internally generated revenue. This theory talks about the use ofgovernment generated revenue for debt services rather than for economic growth and development which is the government function and the focus of this study.

Methodology

The research design used was the*ex-post facto*. The researchers considered the *ex-post facto* best for this study of this nature as it does not create room for manipulation of data. This design was also adopted inAni (2010). Data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin of various years, National Bureau of Statistics, Debt Management Office (DMO), Federal Inland Revenue Services (FIRS), and Budget Office of the Federation (BOF), CBN Economic Reports and Annual Reports and Statement of Accounts.

ResearchVariables

The dependent variable is budget implementation measured by the total amount utilized in implementing the government's budget for the various numbers of years. It is important to state here that Budget is classified into three: approved budget,released budget and implemented or utilized budget. The study used the implemented figures as obtained from the Central Bank of Nigeria (CBN) economic reports and the Budget Office of the Federation (BOF).

The independent variablesare measured by Value Added Tax (VAT) income and national debts profiles and national debts services all from 2000 – 2015.

Model Specifications

In this study, the parameters of budget implementation were estimated by regressing value added Tax (VAT) income and national debts on sectors performance. This study employs a modified version of econometrics model of Miyajima and Saito (2003) thus.

$Y_{it} = B_o + B_1 G_{it}$ ------------------ 1

$Y_{it} = B_o + B_1 G_{it} + e_{it}$ ------------ 2

Where:

Y_{it} = Amount of budget implementation.

B_o = Constant term (the intercept parameter)

B_1 = Slope of Coefficient of determinants and it measures extent to which the independent variable explain what happen to the dependent variable.

G_{it} = Independent variable for value Added Tax (VAT) income and national debt services.

e_{it} = The error term which account for other possible factors that could influence Y_{it} that are not captured in the model.

Model I, for Hypothesis 1: Value Added Tax (VAT) income has no significant effect on total budget implementation in Nigeria.

$Y_{it} = f(VAT_{it})$ --------------------------- 3

$Y_{it} = A_o + A_1 VAT_{it} + e_{it}$--------------- 4

Where:

Y_{it} = Total budget implementation

VAT_{it} = Value Added Tax (VAT) incomes

A_o, A_1 = Parameters

e_{it} = Error term

Model II, for Hypothesis 2: There is no significant influence of Debt services on budget implementation in Nigeria.

$Y_{it} = f(TDS_{it})$ ----------------------------- 5

$Y_{it} = B_o + B_1 TDS_{it} + e_{it}$ ---------------------6

Where:

Y_{it} = Total budget implementation

TDS_{it} = Total debt Services

B_o, B_1 = Parameters

e_{it} = Error term

Model III, for Hypothesis 3: Debt Profile has no significant effect ontotal budget implementation in Nigeria.

$Y_{it} = f(DP_{it})$ ---------------------------------- 7

$Y_{it} = C_o + C_1 DP_{it} + e_{it}$ ----------------------8

Where:

Y_{it} = Total Budget Implementation

DP_{it} = Debt Profile

C_o, C_1 = Parameters

e_{it} = Error term

Data analysis and discussion of results

The results of the statistical and econometric analysis of data and the discussions of the findings were summarized and presented in this section as follow:

Descriptive Statistics
Table 1: Descriptive Analyses of the Variables

	LOGVAT	LOGTDEBPRO	LOGTDEBSERV	LOGTBUDGIMPL
Mean	11.46749	12.70047	11.74298	9.387731
Median	11.52548	12.70554	11.64154	9.429576
Maximum	12.01199	13.03935	12.45180	9.757775
Minimum	10.76693	12.34335	11.39266	8.845718
Std. Dev.	0.393638	0.202717	0.283095	0.288998
Skewness	-0.211219	-0.073723	0.920643	-0.348544
Kurtosis	1.691876	2.142401	3.342534	1.812162
Jarque-Bera	1.259762	0.504811	2.338444	1.264594
Probability	0.532655	0.776930	0.310609	0.531370
Sum	183.4798	203.2076	187.8876	150.2037
Sum Sq. Dev.	2.324260	0.616411	1.202139	1.252796
Observations	16	16	16	16

Source: Researcher's Computations 2016

The descriptive analyses of the selected variables are contained in table 1 above. The essence of showing the descriptive of the selected variables is to basically assess the normality of the variables utilized in the study. The results as shown in table 1above indicate variables with a high degree of co-movement. First, the data as collected from the official website of Central Bank of Nigeria (CBN) annual financial statement and economic reports, Federal Inland Revenue Services (FIRS), Debt Management Office (DMO) of Nigeria, Budget Office of the Federation and National Bureau of Statistics were logged to bring them to the same range since the figures of total budget implementation seem to be quite different in magnitude from those of debt profile and VAT incomes of several years.

The results of mean and median for all the selected variables suggest that they are well dispersed and hence are proper for estimating a model which can be relied upon for making a decision. This is also evident from a close analyses of these maximum and minimum figures (12.01199,10.76693; 13.03935,12.34335; 12.45180,11.39266;9.757775,8.845718) of the respective variables. The standard deviations also attest to the well spread nature of the variables. The Jacque Berra statistics, which indicate p-values higher than 0.5, except for total debt services also showed normality of the figures of the selected variables.

Unit Root Tests

The rationale for testing for unit root is to avoid working with non-stationery time series data thereby making forecast based on spurious results as estimates derived from such data will possess non-constant mean and variance. Consequently, the researchers tried to establish the time series data employed in this study are stationary by using the Augmented Dickey Fuller (ADF) test for unit roots.

Table 2 Unit Root Result at Level

Variables at level				
	With intercept and trend	ADF	Critical values at	Probability
VAT	"	-2.501032	1% level -4.728363 5% level -3.759743 10% level -3.324976	0.3227
Total Debt Profile	"	-1.879536	1% level -5.124875 5% level -3.933364 10% level -3.420030	0.0767
Total Debt Services	"	-4.791323	1% level -4.728363 5% level -3.759743 10% level -3.324976	0.0090
Total Budget Utilized	"	2.328836	1% level -4.886426 5% level -3.828975 10% level -3.362984	1.0000

Source: Researcher's Computations 2016

The above result showed that the time series data used in the study are all non-stationary at level. This necessitate test for stationary after first difference. The test was also conducted at first difference and the results indicated that some of the variables were stationary after first differencing that is, they were integrated of order 1(1) whereas some still have unit root. So we proceed to second differencing.However at second differencing, all the variables werefound stationary being integrated in the order of 2. We then proceeded to Co-integration Analysis.

Co-integration Analysis

Since it has been ascertained that the variables are not stationary at level but are integrated of order 2, it follows that the linear combination of one or more of these variables have the likelihood of exhibiting a long run relationship hence necessitating the need to capture the extent of co-integration among the variables using the Johansen co-integration methodology.

Table 3 Total Budget Implementation Co-integration Test (Johansen Method)

Date: 10/07/16 Time: 09:08

Sample (adjusted): 2000 2015

Included observations: 14 after adjustments

Trend assumption: Linear deterministic trend

Series: LOGVAT LOGTDEBPRO LOGTDEBSERV LOGTBUDGIMPL

Lags interval (in first differences): 1 to 1

Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.988148	108.0342	47.85613	0.0000
At most 1 *	0.901237	45.94100	29.79707	0.0003
At most 2	0.490219	13.53054	15.49471	0.0967
At most 3 *	0.253748	4.097686	3.841466	0.0429

Trace test indicates 2 co-integratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.988148	62.09317	27.58434	0.0000
At most 1 *	0.901237	32.41046	21.13162	0.0009
At most 2	0.490219	9.432849	14.26460	0.2519
At most 3 *	0.253748	4.097686	3.841466	0.0429

Max-eigenvalue test indicates 2 co-integratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: Researcher’s Computations 2016.

The result of co-integration reveal that there exist two co-integrating vectors (r>2) at 5% level of significance. The implication of this finding is that among the four variable sets (total budget implementation, total debt profile, value added tax income and total debt services) being explored in this study, at least two of them exhibits a long run relationship as can be observed from the Max-eigenvalue in the co-integration result. The findings also imply the rejection of null hypothesis which suggests that variables have no co-integration and acceptance of its alternative at 5% level of significance.

Table4: VAR Lag Order Selection Criteria

VAR Lag Order Selection Criteria						
Endogenous variables: LOGVAT LOGTDEBPRO LOGTDEBSERV LOGTBUDGIMPL						
Exogenous variables: C						
Date: 10/07/16 Time: 09:12						
Sample: 2000 2015						
Included observations: 14						
Lag	LogL	LR	FPE	AIC	SC	HQ
0	28.39971	NA	3.60e-07	-3.485672	-3.303085	-3.502574
1	90.09239	79.31917	6.01e-10	-10.01320	-9.100260	-10.09771
2	127.7459	26.89534*	6.24e-11*	-13.10655*	-11.46326*	-13.25867*
* indicates lag order selected by the criterion						
LR: sequential modified LR test statistic (each test at 5% level)						
FPE: Final prediction error						
AIC: Akaike information criterion						
SC: Schwarz information criterion						
HQ: Hannan-Quinn information criterion						

Source: Researcher's computations 2016.

From table 4 above, the lag order criteria using LR, FPE, AIC, SC and HQ respectively is 2. This is because the lag order selection result fell on 2 and the sequential modified LR test statistic each was tested at 5 percent level of significance. The optimal lag length was utilized to ascertain if there was co-integration among the variables, that is, if long relationship among total budget implementation, VAT income, total debt profile and total debt services of Nigeria; of which results showed the existence of at least 1 co-integrating vector at minimum Eigen value and trace statistic.

Test of Hypotheses

Hypothesis 1

Ho1: VAT income has no significant impact on total budget implementation in Nigeria

Table 5: Impact of VAT on Budget Implementation

Dependent Variable: BUDGIMPLEM		
Method: Least Squares		
Date: 10/26/16 Time: 10:14		

Sample: 2000 2015				
Included observations: 16				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.121850	0.427570	2.623779	0.0200
VAT	0.720810	0.037265	19.34289	0.0000
R-squared	0.963931	Mean dependent var		9.387731
Adjusted R-squared	0.961355	S.D. dependent var		0.288998
S.E. of regression	0.056812	Akaike info criterion		-2.781662
Sum squared resid	0.045187	Schwarz criterion		-2.685088
Log likelihood	24.25329	Hannan-Quinn criter.		-2.776716
F-statistic	374.1473	Durbin-Watson stat		1.622064
Prob(F-statistic)	0.000000			

Source: Researcher's analysis output 2016

Since the introduction of value added tax in Nigeria, many writers and researchers have consistently maintained that VAT appears to be an important source of Nigeria government revenue asides crude oil. By implication, VAT being a major contributor to government revenue could also contribute and explain to a significant degree the success of national budget implementation; this is the theoretical backbone of the model that informed the regression estimation output in table 5 above. Consequently, the result as shown above reflects a strong and positive influence of value added tax income on budget implementation. This result suggests that VAT income contribute extensively and directly to funds available for the execution of the national budget. In other words, the model is well fitted and its explanatory variable VAT is able to explain to a reasonable extent the changes occurring in budget implementation as is also evident in the f- ratio which is significant at 1%.This is in line with a- priori expectation since VAT implies an addition to the total amount of money available for the government to implement the budget. It also supports the findings of Joseph and Samuel (2014), that VAT has great potential to generate adequate revenue for the Nigeria Government.

The beta coefficient of VAT is positive suggesting a direct association and correlation between VAT and budget implementation; this association is further buttressed by the 1% significance level of the coefficient implying that VAT has a significant effect on the national budget implementation. Hence, on the basis of the result and its implication, we reject null hypothesis and accept its alternative which posits that VAT has a significant effect on Nigeria's budget implementation.

Hypothesis 2

Ho2: Debt services have no significant effect on total budget implementation in Nigeria.Table 6 below contains the regression estimation output of domestic and external debt services on effective budget implementation. The result yields an altogether fitted regression equation model going by the R squared value of 78% and adjusted R square of 75%, these values connotes a high degree of association or correlation between domestic and external debt services and budget implementation.

Table 6: Effect of Debt Services on Budget Implementation

Dependent Variable: BUDGETIMPLEM		
Method: Least Squares		
Date: 10/24/16 Time: 08:58		

Sample: 2000 2015				
Included observations: 16				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.741250	2.418736	1.546779	0.1459
DOMDEBSERV	0.660669	0.138389	4.774008	0.0004
EXTDEBSERV	-0.174936	0.105044	-1.665361	0.1197
R-squared	0.788423	Mean dependent var		9.387731
Adjusted R-squared	0.755873	S.D. dependent var		0.288998
S.E. of regression	0.142791	Akaike info criterion		-0.887502
Sum squared resid	0.265062	Schwarz criterion		-0.742642
Log likelihood	10.10002	Hannan-Quinn criter.		-0.880084
F-statistic	24.22173	Durbin-Watson stat		1.627915
Prob(F-statistic)	0.000041			

Source: Researcher's analysis output 2016

The f- statistics of approximately 24 which also shows significance at 1% indicates the explanatory powers of the independent variables. That is, it shows the ability of domestic and external debt services in explaining the changes that occur in the size or effective budget implementation in Nigeria.

The beta coefficients in specifics indicate firstly, a positive association between domestic debt services and budget implementation and secondly, a negative effect of external debt services on budget implementation. The implication being that whereas domestic debt services are directly associated with budget implementation, external debt services is inversely associated with it. As Audu (2004) rightly pointed out, the debt has shown capability of militating against Nigeria's rapid economic development and further worsened the social problems; but more pointedly is the fact that external debt services has proven from our results to have depleting impact on the success of budget implementation. This depleting impact could be linked to the fact that external debt services flows out to parties outside the economy; and the funds which flow out through this means are never utilized for the growth of the economy nor do they in any way contribute to the growth and advancements of economic activities with the Nigerian economy. So it is important to view each of the two contributory parts of the debt profile from their respective sources; i.e. they are internal (domestic) or external. This is because domestic debt services constitute an income to those who lend to the government but this people being within the economy contributes to its growth and internal revenue generation of the government unlike the external debt services which represents incomes for lenders outside of the economy.

Hence, based on the significance level of the t-statistics; we reject the null hypothesis and conclude that domestic debt services have a significant effect on the budget implementation of Nigeria. However external debt services having not yielded a probability level of less than 0.05, we accept null hypothesis in this case and conclude that external debt services have no significant influence on Nigeria's budget implementation.This finding agreed with the work of Amifowose (2010), that external debt stock and its servicing are severe on the economic growth and development of Nigeria and the Debt Overhang Theory which says that resources meant for investment in domestic economy are indirectly taxed away by foreign creditors in the form of debt service.

Hypothesis 3

Ho3: Total Debt profile has no significant influence on budget implementation in Nigeria. Consequent upon establishing divergent nature of the effects of domestic debt services and external debt services of the nation on budget implementation, this work further assessed the nature and direction of possible association between the two broad components of the national debt profile on the execution of the budget. Results as shown in table 7 above suggests a high degree of association between the variables in the model going by the high R square and adjusted R square values of 95% and 94% respectively.

Table 7: Effect of Debt Profile on Budget Implementation in Nigeria

Dependent Variable: BUDGETIMPLEM				
Method: Least Squares				
Date: 10/24/16 Time: 09:00				
Sample: 2000 2015				
Included observations: 16				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.209307	1.092906	2.021498	0.0643
DOMDEBT	0.732685	0.055096	13.29833	0.0000
EXTDEBT	-0.158542	0.051418	-3.083395	0.0087
R-squared	0.951994	Mean dependent var		9.387731
Adjusted R-squared	0.944609	S.D. dependent var		0.288998
S.E. of regression	0.068017	Akaike info criterion		-2.370765
Sum squared resid	0.060142	Schwarz criterion		-2.225905
Log likelihood	21.96612	Hannan-Quinn criter.		-2.363347
F-statistic	128.9000	Durbin-Watson stat		1.369665
Prob(F-statistic)	0.000000			

Source: Researcher's analysis output 2016

The f-statistic of 128.90 significant at 1% further attest to the R square results and also attest to the entire fitness of the model. This implies that the selected independent variables are to predict reasonably changes that occur in the successful budget implementation in the nation.Specifically, the beta coefficients indicate that domestic debt profile is directly associated with budget implementation whereas external debt profile is negatively related to it. The implication is that the nature of effects which the two debt profile makeup exhibit on the economic wellbeing of the nation may not be the same. Even though both results judging from the probability levels of their t-statistics are all significant at 1%, yet the negative sign on the beta coefficient of external debt profile justifies the need to view each of them separately. Having also found similar result in the previous section that dealt with debt services and budget implementation, there is a serious need for the government to be cautious of external debts and its services as they are damaging to successful budget implementation; this also implies that these categories of debt services and debt profile respectively, cut deep into the available funds within the nation for budget execution without further contributing to the economic growth in the form of taxes and fund re-investment as is the case of domestic debt services.The above findings inform the rejection of null hypothesis and acceptance of its alternative which states that debt profile has significant effect on total budget implementation in Nigeria. The finding is in agreement with the work of Ajayi (2008), that external debt contributes positively to growth up to a point after which its contributions become negative reflecting the presence of nonlinearity in effects and that external debt and its servicing requirements had negative impact on Nigeria economic growth.

Summary of Findings

The central aim of this work was to determine the impact of Value Added Tax (VAT) income and national debts on Budget Implementation in Nigeria from the period of 2000 to 2015.

Finally from the analysis, the study identified that:
(a)VAT incomes had a positive impact on total budget implementation at 1% level of significance. This suggests that increase in VAT income will bring a corresponding increase in the nation internally generated revenue for budget implementation and economic development.
(b) There is a positive association between domestic debt services and budget implementation at 1% level of significant. This implies that domestic debt services which are ploughed back into the Nigeria economy through government taxes contributes also to internally generated revenue of the government.
(c)External debt services had a negative effect on budget implementation at1% significant levelwhich means it truly brings about capital flight and shortage in the amount of money available for government to implement her budget for socio- economic development.
(d) Domestic debt profile directly associated with budget implementation at 1% level of significant. This suggests that, it is better to borrow from financial institutions in Nigeria than foreign institutions because of its economic benefits in terms of services.
(e)External debt profile is negatively related to budget implementation at 1% level of significant which means it is not the best financial mix of funding Nigeria budget deficit.
(f)Total debt profile had a negative effect on total budget implementation at 10% instead of 5% level of significance. This of course is against the a- priori expectation that borrowing funds are the appropriate means of financing budget deficit. Therefore, national debt remains a major obstacle to national development.
(g)Total debt services had no significant effect on total budget implementation. This is in line with a-priori expectation since external debt servicing entails capital flight and debt servicing bring shortage in the amount of money available for the government to implement her budget for national economic growth and development.

Conclusions

Based on the findings of the study the researchers conclude that, increase in Value Added Tax (VAT) rate can greatly boost revenue base of the Nigeria government. Nigeria government should borrow from financial institutions that are within the country as domestic debts substantially bring additional funds for budget implementation and it services are plough back into the Nigeria economy through taxes as internally generated revenue. Therefore, the recurrent budget deficit which also causes the Nigeria Government to borrow from financial institutions can only be overcome by improving the nation's internally generated revenue.

External debts are bound to put pressure on the government at the point of re-payment and it servicing and also have negative impact on budget implementation, as it brings about capital flight and shortage in the amount of money available for government to implement her budget. Foreign and Domestic debts mix are not the best means of financing the nation budget deficit because their services may cause the government to neglect some key government priorities as in the case of Nigeria where 35% of budget is only for debt services. Nigeria raising value Added Tax (VAT) rate from its current rate of 5 per cent can help for effective budget implementation and therefore reduce her tendency to borrow and avoid the burden of debt and debt services.

Recommendations

This study examined the impact of value Added Tax (VAT) income and national debts on budget implementation in Nigeria. Following the results discussed above, we recommend as follows:

i. Nigeria Government should explore a Value Added Tax (VAT) rate of 10% or 15% not only to raise revenue but also to align with rates of other West African countries like Ghana which is 12.5%, Cape Verde 15%, Senegal 17%, Guinea 18%, Cameron 18.7%, Chad 18%. It is believed that if such increased is effected and all leakages blocked, the tendency to borrow will be significantly reduced.
ii. The government should also consider including more goods and services into the VAT net so as to increase the VATable goods and services for increased revenue.
iii. Borrowing funds from foreign institutions should be discouraged by every possible means and for this to be realized, there should be co-operative efforts of all the stakeholders at the helms of affairs.
iv. The cost of running the government should be reduced with stringent laws on all government participants while budget proposal should fall within the expected internal generated revenue.
v. Government should consider those external loans that have zero per cent interest rate if they must borrow for budget implementation.This is to avoid capital flight usually associated with external loans arising from its servicing. Furthermore, borrowed funds should be invested in income generating ventures and not used to finance consumption. Projects to be financed with external loan should be supported with feasibility studies which include loan acquisition, deployment and retirement schedules.

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Conference theme 11:

DEVELOPMENTS IN CORPORATE GOVERNANCE

GOVERNANCE, RISK & COMPLIANCE (GRC):AN INSIGHT INTO AN EMERGING ENERGY COMPANY IN CRISIS.

Governance Risk & Compliance Department,
NNPC-NAPIMS, Lagos.

Muhammed Bappah

Abstract
Nigeria attained its diamond jubilee as exporter of crude oil, yet the participation of local companies in the entire value chain particularly the upstream aspect of the industry is not adequate. Several effort were made by the Nigerian government to domesticate the entire industry, one of the recent is the passage NCDMB act in 2012. However in same period the Nigerian financial system suffered the impact of the Global financial crisis of 2008, slump oil price and consequently lead mild distress in few Nigerian banks. The paper intends to address these challenges, particularly the impact of Nigerian Government intervention on non-performing loans that caused the collapse of atleast 21 oil companies in 2012 using field observations, interviews and analysis of information on the Africa's defunct pioneer drilling company 'Seawolf Oilfield Services Ltd'. The study confirmed the general belief that it is very risky to finance long term asset with money market instrument and relegation of GRC function is fatal. The paper concludes that sourcing long term capital is critical to the success of indigenous oil companies and Government aspiration on local content law. It is recommended that Emerging oil and gas companies to patronize available capital market instruments, specifically private placement as primary source of capital assets finance and also adopt GRC function as survival strategy.
*Keywords***:** Governance, Risk, Compliance, Seawolf, Oil and Gas

Introduction

Oil and Gas Companies globally face daunting challenges, such as project cost overruns, schedule slippages, legal and regulatory problems, host community unrest, insecurity, terrorism, fierce global competition, and aftermath of global economic meltdown. Moreover, an additional challenge is the slump in crude oil prices which necessitates the review of project and operational economics thus demand for more cost optimization techniques and robust risk management system, such as the adoption of Enterprise Risk Management (ERM) frameworks, deployment of right resources (people, processes & technology) and organizational agility more than ever before.

This paper intend to address these challenges, particularly the impact of Nigerian Government intervention on non-performing loans that caused the collapse of atleast 21 oil companies[1] in 2012. Most of the companies affected are importers of petroleum products and few upstream service companies. Although the problem is endemic, it is apparent, that over the years less attention was paid to Governance, Risk and Compliance (GRC) issues in oil and gas industry. This paper further narrowed the study to one of the Africa's pioneer drilling company 'Seawolf Oilfield Services Ltd' by analyzing secondary data on the company's rise and fall. Finally, we propose a number of recommendations on strengthening Governance to avert future occurrence of corporate failures in Africa's oil and gas industry.

Literature Review

According to Wikipedia (online free encyclopedia) Governance, risk management and compliance or GRC is the umbrella term covering an organization's approach across these three areas: Governance, risk management, and compliance. GRC was formally defined as "the integrated collection of capabilities that enable an organization to reliably achieve objectives, address uncertainty and act with integrity." Its referred to common "keep the company on track or under control" activities conducted in departments such as internal audit, compliance, risk, legal, finance, IT, HR as well as the lines of business, executive suite and the board itself.

Governance, Risk Management, and Compliance (GRC) are three related facets that help assure an organization reliably achieves objectives, addresses uncertainty and acts with integrity. Governance is the combination of processes established and executed by the directors (or the board of directors) that are reflected in the organization's structure and how it is managed and led toward achieving goals. Risk management is predicting and managing risks that could hinder the organization from reliably achieving its objectives under uncertainty. Compliance refers to adhering with the mandated boundaries (laws and regulations) and voluntary boundaries (company's policies, procedures, etc.).

Organizations reach a size where coordinated control over GRC activities is required to operate effectively. Each of these three disciplines creates information of value to the other two, and all three impacts the same technologies, people, processes and information.One of the common GRC Software is SAP GRC others are ACL GRC, Active Risk, GRC Envelop, InfoZoom, MetricStream, OpenPages, ServiceNow, TraceSecurity etc.

Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) consolidated Strategic, Financial & Operational Risks. It is believed to be a driver for organizational success COSO ERM defines risk as “The possibility that event will occur and affect the achievement of strategy and business objectives”. ISO 3100: defines risk as the “effect of uncertainty on objectives”. Risk is also “an effect of deviation from the expected (positive or negative). Risk is commonly analyzed using heat map displaying likelihood and impact ratings. The 2017 COSO ERM framework is aimed integrating strategy & performance under 20 principles in five areas thus: Governance & Culture; Strategy & Objective Setting; Performance; Review & Revision and Information Communication & Reporting. Sources IIA note book.

Seawolf Oilfield Services Limited

Seawolf Oilfield Services Limited is a Nigerian company with office Address at 26 Agodogba Avenue, Ikoyi, Area: Parkview Estate, Lagos, Website: www.seawolfoilfields.com. In 2016 the company was adjudge as biggest AMCON debtor to the N160 billion owed to the First Bank of Nigeria[2].

SeawolfOilservices Limited is financed mainly by Nigerian financial institutions led by First Bank of Nigeria, which has a board representation, and Leadway Assurance Plc, whose managing director, Oye Hassan-Odukale, also doubles as the chairman of the Seawolf’s board. The Pan-African Infrastructure Development Fund (PAIDF), a close-end private equity fund, is also a minority investor with 15 percent equity participation.

The company made entry to Nigerian markets with three oil rigs .Two of the three jack-up rigs, SeawolfOritsetimeyin and SeawolfOnome, arrived the Nigerian waters on January 30 2011. They are new builds by the United Arab Emirates-based oil and gas equipment fabrication specialists, Maritime Industrial

Services (MIS), valued at a cost of $508 million and they join the third rig, Delta Queen, which has been in the country since 2010.

Major contracts; the contracting of the rigs to operators in the oil and gas industry is a breather for the company. The Delta Queen is currently working for Conoil Producing while the SeawolfOnome is on field test at Addax' OML 123, offshore AkwaIbom. The SeawolfOritsetimeyin, which is currently located at the LADOL base along the Lagos Harbour waiting for contract deployment, has participated in five bids, winning two of them. Contracts negotiations are being finalised, according to the Seawolf[3].

*Cause of Distress:*The immediate cause of the company crisis is Onome's leg stuck in 2011 which causes delay of about a year, it was resolve by amputation. Consequently it turns tolabour crisis due to cash flow issues. The second and final incident is from same rig, the Onome's transformer room fire incidence in 2013. All the two incidences are preventable with robust GRC.

Seawolf in the Media: Comparative analysis of the company's information from the internet shows that the company has non-performing loan of 99billion Naira from First Bank Nigeria Plc in 2009[4]. On 20th July, 2011, the CEO of SOS Ltd was interviewed by CNN Market Place Africa with a caption 'Nigeria's home-grown oil firm takes on global players'. In the interview the CEO Mr. AdolorUwamu said 'for the last 40 years oil and gas drilling in Nigeria has been undertaken by the global players.'[5]. More over on 24th February 2015, there was another caption in Vanguard newspaper titled: 'First Bank seizes Seawolf's rigs over N25bn debt'. Similarly, in the same newspaper it was reported that the two rigs named: Onome and Oritsetimeyin, may not have been abandoned after all, but kept under watch by First Bank Nigeria Plc later transferred to AMCON (Asset Management Company of Nigeria a receiver set up by Government). Also stated the two rigs were working for Addax Petroleum Development Company and Total E&P Nigeria, with each generating $130,000 daily. Things started to fall apart when the directors of Seawolf were alleged to have been diverting the company's funds for personal use. These led to the gradual grinding of operations of the once flourishing oil servicing company wholly owned by Nigerians. When the company could no longer function, it terminated the employment of its more than 450 workers in August 2013, without paying their entitlements[6].

Oil Drilling Market

The oil drilling market is oligopolistic, drilling companies usually signed two year with additional one year optional extension contract with E & P companies. Thecontract price is based on agreed daily rates in the contract agreement. Due to skewed nature of the market the determination of daily rate is based crude oil price at international market and the complexity of the well. Other components of the contracts are mobilization/demobilization fees, standby rate, reimbursable etc. Example in 2017 Jack up rig daily rate average $75,000.00 per day when crude oil average price is $65 per barrel. However, in 2012 when oil price peaked at $125 per barrel the same jack up rig peaked up to $160,000.00. The standby rate is applicable only when the client is the cause of the delay.

The table below enumerate average drilling rate in Nigerian Market in 2017.

S/N	Rig type	Drilling days	Completion days	Daily rate $	Well Cost $m
1.	Land	15	10	30,0000.00	10-15
2.	Shallow(Jack up)	25	20	75,000.00	20-25
3.	Offshore(Submersible)	30	25	100,000.00	30-40
3.	Deep (Ship)	35	30	200,000.00	50-90

Source: interview

Drilling cost constitute 50 – 70% of well cost. There are also quantity discounts on drilling campaigns.

Global Financial Crisis

The aftermath of Global economic crisis of 2008 has further confirmed the assertion that the world is a global village. Emerging companies in the entire value chain of the Nigerian Oil and Gas industry were affected largely due to the near collapse of the Financial Market. The companies that sought finance from Capital Market survived the crash. However those that got financing from Money Market (Banks) could not withstand the shock. Though the problem was addressed by the apex regulatory body (the Central Bank of Nigeria), the consequences were fatal to many startup oil companies. Most of the companies affected are startups or new acquisitions with un-matured corporate governance. The presenter carefully observed the business environment from 2008 to date with a view to proffer solutions from existing frame works and standards. The oil and gas industry is unique, less responsive to global financial crisis compared to other sectors. However recent happenings in the industry especially the optimization of shale oil production processes, improvements in non-fossil energy and consistent low prices regime are eroding the uniqueness of the oil and industry.

While we are battling with the debt crisis and security challenges in the continent, the global outlook of the oil and gas industry is constantly changing. In an article titled: 'The oil and gas organization of the future' by Handscombetal; they mentioned, three game-changing trends that are reshaping the industry as: low oil price, digital disruptions on Internet of Things (IOT) and demographic change in workforce by mellinials[7]. These changes present enormous opportunities ready for grab by emerging African companies.

Hypotheses

In this paper I explore the following three hypotheses concerning the fall of SeawolfOilservices Limited:

1. Poor capital structure is the major cause of the collapse of company?
2. Absence of effective ERM function is the major cause of the collapse?
3. GRC practice can be effective tool for corporate survival?

Methodology

The study analyzed information from media interview colleagues with direct oversight on Production Sharing Contracts Drillings to validate all hypothesizes mentioned above.

Conclusions

The study confirmed that absence of ERM is the major cause of the company collapse against the media report that the Directors of the company are diverting cash flow for private use.

Reccomendations

The adoption of GRC is critical to sustainability of all companies irrespective of age or size including those in the oil and gas industry. The term GRC is a holistic approach to resource (Human, Machine, Capital, Rights, Space, Time etc) management where by an organization accomplishes its objectives by passing through several risky constraints as well as strict adherence to predetermine internal and compulsory external boundaries. The risks in today's oil and gas business environment are more dynamic. Consequently, the basic practice in GRC is the formation of Risk Management Committee at board of directors' level and creation of Enterprise Risk Register as a live document at execution level mirroring the whole organization as one. On the other hand, Internal Audit function whether at the board of directors committee level or at operating level provides parallel assurance service to an organization. Both GRC and

Internal Audit functions support organizations in managing both positive (opportunities) and negative risks thereby making companies to grow and remain perpetual entities.

Figure 1- GRC Image bound by constraints (risk).

In conclusion, we recommend:

- The adoption of Global best practices on GRC by oil and gas companies, increase adoption of management systems and enterprise risk management (ERM).
- The use of capital market instruments to financed capital projects, continuous improvement of processes.
- Inclusion of trade unions as part Enterprise Risk Management.
- Attract and retain talent, training and retraining of staff.
- Deployment of available ERP applications in managing resources.
- The creditors of SeawolfOil Services Ltd should convert their debt to equity.
- Lenders to ensure that their debtors have robust GRC
- ICAN to consolidate its publications on internal control and risk management into compendium to be review every 3 yearssimilar to COSO internal control & ERM frameworks.

Its hope that, by addressing governance issues emerging oil and gas companies shall maintain sustainable growth and be capable of withstanding all threats.

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Appendix 1

Jack up rigs Onome and Oritsetimeyin on cold stacked mode along outer Marina in Lagos Lagoon, Nigeria. The picture was snapped by Mohammed Bappah on 27/9/2016.

CORPORATE BOARD ETHNO - RELIGIOUS DIVERSITY AND PERFORMANCE OF QUOTED COMPANIES IN NIGERIA

Akinwunmi, A. Jelil
Owolabi, A. Sunday
&
Akintoye, I. Rufus
Department of Accounting,

Babcock University, Ilishan Remo, Ogun State, Nigeria

Abstract
The importance of the Board of Directors in their oversight function to Organisational success cannot be overemphasized. However, the composition of such boards for optimal performance has been subjected to a number of criticism overtime. This study examined the relationship between board Ethnic and Religious diversity and performance of quoted manufacturing companies in Nigeria.The study adopted Ex-post facto research design. Secondary data of purposively selected fifty three (53) companies from 2006 to 2015 were analyzed using descriptive and inferential statistics. The findings showed a positive but insignificant relationship between Ethnicity and performance measure of ROA (β= 0.008; $p > 0.1$). There was a negative and insignificant relationship with Tobin's Q (β = -0.884; $p > 0.1$). Board religious diversity was negative and insignificant with ROA (β = 0.002; $p > 0.1$) and Tobin's Q (β = -0.260; $p > 0.1$).It was recommended that stakeholders in board composition should always strive at incorporating value adding measures such as financial literacy, intellectual competence and consistency at meetings already established in literature, not diversionary and irrelevant considerations which lead to time wasting and resources dissipation.Again, regulatory bodies should emphasize and educate the stakeholders on the need for training of those charged with oversight functions in corporate environment for optimal performance.
*Keywords:*Board, financial literacy, intellectual competence, Diversity, Ethnicity, Religion, Performance

Introduction

As an ethnically and religiously diverse country, the significant place of ethnicity and religion in assessing the performance of individuals, groups and institutions that make up the Nigerian society cannot be over emphasized. These two phenomena are part of the fabrics of peoples' lives and strongly tied to their cultural identities. This has made ethnic and religious issues an important consideration in national discourse. Ethnicityis an umbrella concept that easily embraces groups differentiated by colour, language, and religion; it covers tribes, races, nationalities, and castes (Horowitz, 1985). A large body of work in comparative political science (Hutchinson & Smith, 1996) argues that ethnicity matters for violence, democratic stability, religious stability, institutional design, economic growth, and individual and makes general, cross-country predictions about its effects. The true origins of ethnicity have been traced back to Greece and the term *ethnos*, which was used in reference to band, tribe, race, a people, or a swarm (Hutchinson *et al*., 1996).Religion diversity on the other hand is a situation where people of different religions and faiths live together and interact at all levels without fear or prejudice (Idowu-Feron, 2009). It is an attitude or policy regarding the diversity of religious belief systems co-existing in society. Ethnic and religious diversity therefore, enables a country made up of different faiths and cultures to exist without sectarian warfare or the persecution of the minorities.

In assessing corporate organizations, board ethnic and religious diversity can be beneficial to the firm performance through better decision making and improved problem solving (Hong & Scott, 2001, 2004). In their models, diverse groups of problem solvers consistently outperform the homogeneous groups of the individuals who are best at solving problems. The reason is that the diverse groups get stuck less often than homogenous groups of high-ability solvers, who tend to think similarly. The authors argue that it is because more diverse groups have a broader spectrum of perspectives improving their decision-making (Hong *et al*., 2004). Berliant and Fujita (2008) also referred to the significance of cultural and religious diversity for creation of new ideas and knowledge, and knowledge transfer. Further, Alesina and La Ferrara (2005) proposed a simple theoretical framework, in which skills of ethnically heterogeneous groups of individuals are complementary in the production process for a private good, bringing more innovation and creativity, which translates diversity into increased productivity.

Statement of the Problem

In globalization era, governance in the corporate boards of evolving economies like Nigeria has attracted remarkable interests (Fortuna, 2012). Within the boardroom, there had been a paradigm shift about the expectations of the directors as a result of the global financial crisis and the attendant corporate failures that erupted in the early 2000s which led to the collapse of major corporate organizations in the developed countries. Similarly, Nigeria has had her fair share of the destructive pill. Several financial failures and a sweepingmisappropriation of funds in the recent past have been recorded in public organizations. As a consequence of these failures some central questions such asmanagement style, audit independence, the nefarious practices of board members, ethics and professionalism have been put forward (Uwuigbe, 2013). The general consensus is that the directors had contributed majorly to the unwholesome events (Boerner, 2011).Consequently, there is an increasing demand to study boardroom governance and the roles of the directors not from a structural narrative, but rather from a behavioural angle.Board diversity has gained a considerable level of strategic relevance within corporate entities as investors begin to consider diversity issues in making their investment decision (Ntim, 2015). Accordingly, this consideration is intended to strengthen the decision making procedures as members from different nationality, religion, age, ethnicity, experience, race and general backgrounds contribute varying ideas in terms of strategy, performance, reporting processes and investment decisions (Anifowose, Ab. Rashid & Annur, 2017; Hannifa & Cook, 2002)

This study filled a major knowledge gap in the study of board of directors. The critical role of ethnicity and religion in social lifeof Nigerian people cannot be over emphasized. To most Nigerians, ethnic affiliations and religious beliefs are essential features of everyday life. They determine their interaction with individuals within and outside their environment. It connotes what they believe in and value.These aspects of board diversity have received less attention in Nigeria. It is therefore imperative to examine the diversity of the board of Nigerian quoted companies along ethnic and religious divides.

Objective of the Study

The primary objective of this study is to examine the impact of board ethnic and religious diversity on performance of Nigerian quoted companies. The specific objectives are to:

1.examine the relationship between board ethnic diversity and performance of Nigerian quoted

Companies,

2. assess the association between board religious diversity and performance of Nigerian quoted firms.

Research Questions

1. What is the relationship between board ethnic diversity and performance of Nigerian quoted companies?

2. How does board religious diversity relate to performance of Nigerian quoted companies?

Research Hypotheses

In line with the research objective, the following hypotheses are formulated:

Ho1 Board ethnic diversity has no significant relationshipwith performance of Nigerian quoted firms

Ho2 Board religious diversity does not have significant relationshipwith performance of Nigerian quoted firms

Literature Review

Conceptual framework

Ethnicity

Ethnicity is one level of social stratification or social inequality that also includes race, class, kinship, age, estate, caste, and gender (Berreman, 1981). Chandra, (2006)also defined ethnicity as social category in which an individual is eligible to be a member. Ethnic identity categories are a subset of identity categories in which eligibility for membership is determined by descent-based attributes. By attributes that determine eligibility for membership, it means either those that qualify an individual for membership in a category or those that signal such membership. By descent-based attributes, it means attributes associated with, or believed to be associated with, descent. Attributes associated with descent include those acquired genetically (skin colour, gender, hair type, eye colour, height, and physical features), through cultural and historical inheritance (name, language, place of birth, and origin of one's parents and ancestors), or in the course of one's lifetime as markers of such an inheritance (last name or tribal markings). Attributes believed to be associated with descent are attributes around which a credible myth of association with descent has been woven, whether or not such an association exists in fact. The definition thus includes both a subjective and an objective element.

According to Horowitz (1985), ethnicity is based on a myth of collective ancestry, which usually carries with it traits believed to be innate. Some notion of ascription, however diluted, and affinity deriving from it are inseparable from the concept of ethnicity. The theoretical contribution on the effect of ethnic and cultural diversityon firm performance brings mixed conclusions. On the other hand, ethnic diversity can be beneficialto the firm performance through better decision making and improved problem solving (Hong & Scott, 2001, 2004). In their models, diverse groups ofproblem solvers consistently outperform the homogeneous groups of the individualswho are best at solving problems. The reason is that the diverse groupsget stuck less often than homogenous groups of high-ability solvers, who tend tothink similarly.

Religion

Religion is so complex in nature that it has no generally acceptable definition (Idowu, 1973). Part of the problems is that every discipline has its own definition of religion. The sociologists considered the social description of religious beliefs and defined religion as the mutual expression of human values. However, the Anthropologists definedreligious practices as they are found in existing communities. The historians gave the definition of religion in relation to activities emanating from views (Davis, 1988). For many people, religion is a structured method of beliefs, ceremonies, practices, and worship that focusseson one Supreme God. To various others, religion entails a quantity of gods or immortals. Some people have a religion in which no exact God or gods are adored (Ogunkunle, n.d). There are also some other people who engage in their own religious beliefs in their own personal way, remarkably autonomousof any other organized settings (Capps, 1981).

In addition, religions tend to connect adherents together and according to Marshall (2005), speaking about Christians and Churches, often has much influence on how they live their lives. Chan-Serafin, Brief and George (2012) describe religiosity as the degree to which a system of feelings, values and emotions is shared by a group and guides members' code ofbehaviour by which individuals may judge the personal and social consequences of their actions. Therefore, religiosity is one aspect of institutional context that seems intuitively important as a determinant of firm conduct and performance (Aviad, 2016).Furthermore, Ellis and Garrie (2004) explored the role of religion in political setting and submitted that it was hugely over religious instincts that Africans have a deep thought of today's world; religious beliefs afford them with a way of becoming part of social and political participants.

Ethnicity and Religiosity in Nigeria

Nigeria is the third most ethnically and linguistically diverse country in the world, after New Guinea and Indonesia (Blench & Dendo, 2003). This level of ethnic diversity has very significant implications in almost every area of theeconomy. It implies a major investment in educational and media resources to reach a diverse population. Nigeria as a multi-ethnic country was created in 1914 and it consists of over 200 different ethnic groups. The three main groups speaking over 250 languages are the Igbo, Yoruba and Hausa (Falola, 1999). Thomson (2000) further identified different sub-divisions within the three tribes.

The northern region is home to the Hausa-Fulani under the northern protectorate, which was being administered through indirect rule by having emirs as intermediaries. The western region was predominantly for the Yorubas, and the eastern region was largely dominated by the Igbos were combined in 1906to form the Southern Protectorate and eventually joined with the Northern protectorate to establish a single Nigeria in 1914 (Falola, 1999; Thomson, 2000). Before the amalgamation, the three regions were operated as distinct administrative regions. Given this distinct regional administrative pattern, it was only natural, according to Thomson (2000) that ethnic groups would develop within, and identify with, these separate regions, as this was a rational way to lobby the colonial authorities for resources.

On the other hand, Nigeria is constitutionally recognized as a secular state, this is evident in its multi-religious activities. This claim is justified by its religious diversity, vibrancy and actual state involvement in religious matters like pilgrimages to which public funds are committed. Therefore, the centrality of religion in the life of the average Nigerian cannot be ignored (Oba, 2011). Nigerian constitution unequivocally prohibits the State from pronouncing an official religion (constitution of Nigeria, 1999) but given the prominence and governmental recognition of Islam and Christianity, Oba, (2011) has rightly pointed out that the two religions are de facto state religions.Muslims, Christians, and believers of various traditional religions are the three main religious groups in Nigeria. Islam and Christianity are the most powerful and recognizedreligions in the country (Nwauche, 2008). There is a general notion that Muslim is to the North and Christian to the South. However, the author expressed the misconception perspective of these submissions. According to Oba (2011), in the north, though Muslims are tremendously the majority, there are few non-Muslims;equally, in the south, while Christianity as a religion pulled a very huge followership, Islam similarly has a significant number of adherents among the Yoruba in the southwest and some in the southeast(Nwauche, 2008). Although the last population censuses (1991 and 2006) have avoided data on religion, the controversial 1963 census put Nigeria's population at 49 per cent Muslim, 34 percent Christian and 17 per cent adherents of indigenous religious traditions (Suberu, Mala & Aiyegboyin, 1999). Also, The U.S. Central Intelligence Agency (CIA) in 2011 gave the figures at 50% Muslims, 40% Christians, and 10% Traditionalists (CIA, 2011).

Board Ethnic Diversity and Performance

The evidence substantiating a positive relationship between ethnic diversity and business outcomes abound. A number of evidence from the United States of Americathat found positive relationships between board ethnic diversity and firm performance was identified by Scott (2011). The business case for the inclusion of ethnic minority directors on the board was examined by Carter, D'Souza, Simkins and Simpson (2010). Precisely, the relationship between the number of ethnic minority directors on the board and important board committees and financial return on assets and Tobin's Q was investigated. The study found no significant relationship between the ethnic minority of the board or important board committees and performance for a sample of major United State of America corporate entities. The studies of FTSE 100 firms in the United Kingdomindicated a relationship between the companies' stock total value and appointment of minority ethnic directors on the board.

Marimuthu (2008), investigated how ethnic diversity at executive level managementimpacted firm financial performance in Malaysia. Secondary data from the major 100 non-financial companies listed on the main board of Malaysian companies from 2000 to 2005 (a period of six years) was used. The board ethnic diversity was measured by the percentage of directors who are not of Malaysia origin. In the findings, ethnic diversity on boards of directors was more likely to translate to a better financial performance. Similarly, in Malaysia, some studies found a positive and significant relationship between board ethnicity and firm performance (Marimuthu & Kolandaisamy, 2009; Shukeri, Shin & Shaari, 2012;Zainal, Zulkifli, & Saleh, 2013) while some studies found no significant relationship between ethnic diversity and firm financial performance in context of Malaysia (Bolbol, 2012; Ismail, Abdullah & Nachum., 2013). Hassan, Marimuthu and Johl (2015), also investigated the implication of diversity and corporate governance on firm financial performance. They concluded that ethnic diversity presents potential investors, top managements and all stakeholders the necessary impetus needed to calculate firm performance.

Within Nigerian corporate environment, Ujunwa, Okoyeuzu and Nwakoby(2012) examined the impact of Board ethnicity on performance of 122 companies quoted on the Nigerian Stock Exchange between 1991 and 2008, a positive but insignificant relationshipwas found between board ethnicity and the financial performance of firms quoted in Nigerian. Similarly, Omoyeand Eriki (2013) investigated board ethnic diversity and firms' financial performance in Nigeria. The concept of board ethnic diversity was measured using the ratio of the three major tribes (Hausa, Yoruba and Igbo) to the total board size. The study used 96 selected quoted companies in Nigeria Stock Exchange and a cross sectional OLS multiple regression analysis. The findings showed that board ethnic diversity of quoted companies in Nigeria had a negative relationship with firm performance.

Board Religious Diversity and Firm Performance

Study on board religious diversity and firm performance is in its infancy. The few studies carried out in this area include, Porta, Lopez-de-Silanes, Shleifer and Vishny (1997) who found that the type of dominant religion in a culture can affect trust and hence the ability of strangers in large organizations to co-operate. Also, Harrington, Preziosi, and Gooden (2001) suggested that the more congruent employees' values and spiritual aspirations are with the organization, the greater the possibility that employees will find true meaning at work. According to Webley (2011) people who followed a religion were significantly more likely to be trustful and participate in civic activities by formally or informally volunteering. Certain independent socio-demographic variables (including religion, educational attainment and household size), showed a consistent relationship with trust and participation in formal activities. This perhaps suggests that those who practice a religion are more likely to have a sense of community development which is a quality valued in any workforce (Webley, 2011).Anifowose *et al.* (2017) examined the moderating effect of board heterogeneity on the relationship between intellectual capital disclosure and corporate market value of listed firms in Nigeria using a sample of 91 listed firms. The study used religious and ethnic affiliations of the directors to measure board heterogeneity.A two-step dynamic system generalized method of moment estimation was also adopted and found that board religious composition has moderating effect on the relationship between intellectual disclosure and firm value.

Theoretical review

Upper Echelons Theory

A significant theory dealing with corporate board diversity and its relationship with firm performance is the Upper Echelons Theory put forward by Hambrick and Mason (1984). The upper echelons theory states that organizational outcomes, strategic choices and performance levels are partially predicted by managerial background characteristics (Oppong, 2014). Accordingly, the main focus of upper echelons theory, are of two interrelated parts: directors react on the basis of their adapted understanding of the strategic situations (Hambrick, 2007). In understanding the reason for certain performances of an organization, deliberation must therefore, be devoted to the predispositions of the directors of corporate board.

The basic foundation of upper echelons theory is connected with the prior notions about the features of the executive management and viable behaviours displayed by them. Hence, competitive behavioural characteristics at upper echelons level could have a positive relationship with the performance of the organization. The essential foundation of upper echelons theory is that executives' experiences, values, beliefs and personalities greatly influence their interpretations of the situations they face and in turn, affect their choices (Hambrick et al., 1984).

Social Categorization Theory

The natural tendency for people within a particular group to differentiate the others in the group is premised on social categorization theory (Tacheva, 2007). The categorization conceptis basically built on social status and noticeable attributes of age, race, nationality, economic status, ethnicity, religiosity and so on. Dissimilarities between group members are stressed while similarities are suppressed. Social categorization theory further suggests that it is natural for persons to perceive members from within a group positively and members from outside of a group negatively (Goethals, 2003). Hence, discriminationis the sole problem that social categorization creates and has inverse impacts on team working and performance (Eiser, 1986).

Furthermore, developments connected to group decision-making are recommended as imperative drivers of team cohesiveness and efficiency. According to the similarity attraction argument (Pfeffer, 2003), similarity attracts members of a group to appreciate one another's positive characteristics, and differences incites unpleasant treatment and lessens the acknowledgement of another person'sarea of strengths because of social categorization processes. Diversity in the corporate board may subsequently have negative effects on individual creativity because of the probability of emotional and interpersonal conflict which is the result of being different (Mannix & Neale, 2005). If a team is affected by interpersonal conflicts caused by diversity, creative processes of engaging in a thorough and elaborate ideas with one anotherin a teamare less likely to be achieved(Mannix *et al*. 2005).

Methodology

This study adopts ex post facto research design. The population of the study is the entire 186 companies listed on the Nigerian Stock Exchange as at December 2015. Purposive sampling technique was applied to the 71 manufacturing companies listed on the NSE during the study period which resulted in a sample of

53 listed manufacturing companies with usable data. Due to the nature of this study, secondary data were used and the data were extracted from the annual reports and accounts of the various companies under consideration and NSE fact books. The Nigerian Stock Exchange and corporate head offices of the companies were the major sources of the data.

Variables Definition and Measurement
The study considered board ethnic and religious diversity as the explanatory variables while performance indicators used are Return on Asset (ROA) and Tobin's Q (TQ). Board size (BSize) and Firm Leverage (FLev) are used as control variables. The time frame is from 2006 to 2015- a period of ten years.

Dependent Variables Measurement

*Return on Assets (ROA):*Return on assets is a performance measurement parameter that relates the earnings generated from the operating activities before charging interest and tax to the total assets of the firm. It measures the extent to which the assets of the firm have been put to use in generating profit during a particular period. Babatunde and Olaniran (2009), Sanda, Mikailu and Garba (2005) and Farooque, Zijl, Dunstan and Karim (2007) justified the use of ROA as performance measurement metric.

$$ROA = \frac{\text{Profit before interest and tax (PBIT)}}{\text{Total Assets}} \times 100$$

Tobin's Q: Tobin's Q is another measure of performance that relates the ratio of the market value of a firm's assets (as measured by the market value of issued shares and debt) to the replacement cost of the firm assets (Lang & Litzenberger, 1989). Previous studies: Ali Shah, *et al,* (2011); Denis and McConnel (2002); Eric (2001) and Lang *et al*. (1989) justified the use of Tobin's Q as a measure of growth opportunities. It was indicated that a Tobin's Q above 1 is a necessary condition for a firm to be at a level of investment that optimizes its value and that, a Tobin's Q below 1 characterizes a firm with no growth opportunities.

$$Tobin's\ Q = \frac{\text{Market value of firm's equity and debt}}{\text{Book value of assets}} \times 100$$

Independent Variable Measurement
The independent variable of board religious diversity was measured using the Blau (1977) index defined as:

$$D_{it} = 1- \sum_{j}^{k} P^2_{i,j,t}$$

where, $P_{i,j,t}$is the proportion of the board members of firm *i* on date *t* that belongs to category *j*; and *k* is the number of possible categories, given the board size or nature of the variable measured. For the purpose of this study, the members of the board of firm *i* were classified into three major religions in Nigeria: Islam, Christianity and Traditional religion. Therefore, for religious diversity index,the number of categories (k) was three (3). The maximum diversity index was 1 if the board was divided equally among the three major religions and zero if members of a particular religion dominated the entire board. Similarly, the members of the board of firm *i* were classified into three major ethnic groups in Nigeria: Hausa, Igbo and Yoruba and others who could not be classified under any of the three groups. For ethnic diversity index,the number of categories (k) was four (4). The maximum diversity index was 1 if the board was divided equally among the four groups and zero if one group dominated the entire board.

Control Variables Measurement

To control for the effect of other variables not captured in this study but which may equally affect firm performance, board size and leverageare employed.

*Board Size:*According to Pfeffer (1972), the larger the board size, the higher the level of performance. This is because board size is associated with greater capability to secure significant resources required by the firm. John and Senbat (1998) also held that board monitoring ability increases as the number of the directors increases. The natural logarithm of the number of board members is used to measure board size.

Firm Leverage: Debt holders may have more effective controls over management than equity holders (Angaye, Gwilliam, Marnet, & Thomas 2000). This may alleviate conflicts of interest between shareholders and managers.Debt owed to large creditors such as banks is also believed to be a useful tool for reducing the agency problem (Sanda *et al*. 2005); they posit that large creditors, like large stakeholders also have interest in seeing that managers take performance-improving measures. Leverage is employed in this study as a control variable and measured as total debt divided by the total assets. This measure is consistent with the studies of Alexander *et al*. (1995); Ali *et al*. (2014).

Method of Analysis and Model Specification

Descriptive statistics and regression analysis were used in establishing the relationship between board ethno-religious diversity on performance of Nigerian quoted companies. In testing the hypotheses, the following regression models were specified:

Main model

$$Perf = \beta_0 + \beta 1BETHit + \beta_2 BREL_{it} + \beta_3 BSIZE + \beta 4FLEVit + \epsilon_{it} \text{ -------------------------- } (1)$$

Specific Models

$$ROA = \beta_0 + \beta 1BETHit + \beta_2 BREL_{it} + \beta_3 BSIZE + \beta 4FLEVit + \epsilon_{it} \text{ -------------------------- } (2)$$

$$Tobin's\ Q = \beta_0 + \beta 1BETHit + \beta_2 BREL_{it} + \beta_3 BSIZE + \beta 4FLEVit + \epsilon_{it} \text{ -------------------------- } (3)$$

Where:

Perf = performance

BETH = Board Ethnic diversity

BREL = Board Religious Diversity

BSIZE = Board Size

FLEV = Firm Leverage

ROA =Return on Assets

Tobin's Q = Tobin's Q

$\beta_0 - \beta_4$= Coefficients of the explanatory and control variables

ϵ_{it} = Residuals

Data analysis and discussion of results

Descriptive Statistics

The descriptive statistics for the dependent, independent and control variables are presented in table 1. It contains 530 observations from 53 companies listed on the Nigerian Stock Exchange over a period of ten years (2006 to 2015). On the average, the companies recorded a profit of 9% on total assets with ROA having a mean value of 0.087, standard deviation of 0.177, minimum and maximum values of -0.94 and 0.74 respectively. The companies equally reported a favourable growth potential average value of 2.21 of Tobin's Q and standard deviation of 4.10. The corresponding minimum and maximum values for the companies are 0.02 and 41.8 respectively. The companies were moderately religiously diverse having recorded an average religious diversity of 0.27 with standard deviation of 0.20 and minimum (0) and maximum (0.62) values.

Table 1: Descriptive Statistics of Variables

VARIABLES	(1) N	(2) mean	(3) Sd	(4) min	(5) Max
ROA	530	7.97	16.95	-93.58	74.12
TobinsQ	530	2.21	4.09	0.00	41.80
BETH	530	0.51	0.18	0.00	0.76
BREL	530	0.27	0.20	0.00	0.620
LogBSIZE	530	8.63	2.25	3.00	15.00
LEV	530	0.88	2.04	0.00	27.72

Source: Researchers' Field Desk Report (2018)

Correlation Result

Table 3 presents the correlation analysis of the variables adopted in this study. ROA is negatively and significantly correlated with Tobin's Q ($r = -0.1554$; $p < 0.1$). Similarly, it exhibits positive and significant relationship with while it is negative and not significant with BRel ($r = -0.0098$; $p > 10$) but positive and significant correlation is established with Beth ($r = 0.153$; $p < 0.05$); BSize ($r = 0.2164$; $p < 0.1$) and Lev ($r = 0.454$; $p < 0.05$). However, Tobin's Q is negative and insignificant when assessed with BRel ($r = -0.0412$; $p > 0.1$). Though relationships are established among the variables, most especially the independent variables but the correlations are generally weak and in some cases negative, so the problem of multicollinearity does not arise in this study.

Table 3: Correlation Matrix

	ROA	TobinsQ	BETH	BREL	logBSIZE	LEV
ROA	1					
Tobin's Q	-0.1554*	1				
BETH	0.153**	0.042	1			
BREL	-0.0098	-0.0412	0.191**	1		
logBSIZE	0.2164*	-0.0671	0.225**	0.0451	1	
LEV	0.454**	0.805**	0.063	-0.0609	0.5319*	1

Source: Author's Computation (2018). *** p<0.01, ** p<0.05, * p<0.1

Regression Analysis

Table 4 and 6 consist of the estimates computed for the relationship between board ethno-religious diversity and performance indicator of return on assets (ROA) and Tobin's Q. From the result, L-M statistic tested for the presence of random effects in the underlying pooled OLS model. The results indicated the presence of panel effects, hence the study decided between fixed and random effects using Hausman specification test. The Hausman test values of -23.91(0.1989) and 0.143(0.7072) respectively are strong evidence that the null hypotheses cannot be rejected. Thus, the study interpreted the random effect models.

Table 5Regression Results: Board Ethno-Religious Diversity and ROA

Variables	Coefficients	t- stat	p-value
Constant	0.021	0.22	0.827
BETH	0.008	0.11	0.911
BREL	-0.002	-0.02	0.982
LnBSIZE	0.078**	2.02	0.043
LEV	-0.025***	-5.70	0.000
R-squared 0.038			
F-test 104.90***			
Prob (F-statistics) 0.000			

Source: Author's Computation (2018). *** p<0.01, ** p<0.05, * p<0.1

$$ROA = 0.021 + 0.008Beth - 0.002BRel_{it} + 0.078BSize_{it} - 0.025Lev_{it} + \epsilon_{it} \text{ ------------- } (1)$$

The regression result indicates that board ethnic diversity (BEth) and board religious diversity (BRel) are insignificantly related to ROA (β = 0.008; p > 0.1 and β = -0.002; p > 0.1 respectively). This shows that board of directors' heterogeneity along ethno-religious considerations doesnot significant relationship with return generated on assets by Nigerian quoted companies. The regression coefficient of 0.008 implies that a 1 percent increase in board ethnic diversity willattract a 0.8%increase in Return on Asset (ROA) but the increase is not significant. Similarly, a 1% increase in board religious diversity will result to a 0.2% decrease in Return on Asset (ROA). Board size (BSize) has a positive and significant relationship with Return on Asset (β = 0.078 p < 0.05) which means that a 1 percent increase in the number of board members will induce a 7.8% increase in ROA. Leverage has a negatively significant correlation with Return on Assets (β = -0.025; p < 0.01) of Nigerian quoted companies.

The null hypotheses of no significant relationship between board ethnic and religious diversity and firm performance of ROA are therefore not rejected.

Table 6Regression Results: Board Ethnic and Religious Diversity and Tobin's Q

Variables	Coefficients	t- stat	p-value
Constant	0.188	0.12	0.907
BETH	-0.884	-0.95	0.341
BREL	-0.260	-0.33	0.743
LnBSIZE	0.364	0.50	0.620
LEV	1.609***	58.21	0.000
R-squared	0.365		
F-test	11658.0***		
Prob (F-statistics)	0.000		

Source: Author's Computation (2018). *** p<0.01, ** p<0.05, * p<0.1

$$\text{Tobin's Q} = 0.188 - 0.884BEth - 0.260BRel_{it} + 0.364BSize_{it} + 1.609Lev_{it} + \epsilon_{it} \text{---------------(2)}$$

The result in table 6 indicates that board ethnic diversity (BEth) and board religious diversity (BRel) are negatively and insignificantly related to Tobin's Q (β = -0.884; p > 0.1, β = -0.260; p > 0.1). This means that diversity in corporate board ethnic and religious affiliations do not have positive and significant impact on the long term growth potentials of Nigerian quoted companies. The coefficient of -0.884 means that a 1% increase in ethnic diversity of Nigerian corporate board will attract 88.4 decline in Tobin's Q. Similarly, a 1% increase in board religious diversity will induce a 26% decrease in Tobin's Q. Board size (BSIZE) has a positively insignificant impact on Tobin's Q (β = 0.364; p > 0.1). The result indicates that a 1% increase in board size (BSize) will cause a 36.4% increase in Tobin's Q. However, Leverage (Lev) shows a negative and significant association with Tobin's Q (β = 1.609; p < 0.1). A 1% increase in leverage will result to a 161%% increase in Tobin's Q. The null hypotheses of no significant relationship between board ethnic and religious diversity and firm performance of Tobin's Q are therefore not rejected.

The finding in this study in relation to board ethnic and religious diversity is consistent with the study of Carter *et al*. (2010) who did not find a significant relationship between the ethnic minority of the board and financial performance for a sample of major US corporations. Some studies in Malaysia have also found no significant relationship between ethnic diversity and firm financial performance (Bolbol, 2012; Ismail *et al*. 2013). Within Nigerian corporate environment, Ujunwa *et al*. (2012) documented a positive but insignificant regression coefficient of board ethnicity in predicting the financial performance of Nigerian quoted firms. Similarly, Omoye *et al*. (2013), regression results also established that all the three foremost ethnic groups on the board of quoted companies in Nigeria were negatively associated with returns on equity. Wening *et al*. (2015) also did not find any significant influence of religious beliefs on organizational commitment and performance.

However, our result is in contrast with the findings of Galbraith & Galbraith, (2007); Hoe, Isa, Hin, Hashim, Yunus, and Abdullah (2012); Ida and Mohani (2013) and Nwankwo, Gbadamosi, and Ojo(2012) who established positive significant correlations between board ethnicity and religiosity and corporate performance.In Malaysia, some studies also found a positive and significant relationship between board ethnicity and firm performance (Marimuthu *et al.*, 2009; Shukeri, *et al.*, 2012; Zainal, *et al.*, 2013).

Marimuthu (2008), findings showed that board ethnic diversity is more probable to result in superior financial performance of companies. Richard, *et al*. (2003) also suggested a significantrelationship between increased ethnic diversity and returns on equity for banks that are pursuing an innovation strategy. Richard (2000) identifies a positive correlation between workforce ethnic diversity and productivity in firms pursuing growth strategies.

Conclusions

This study examined the relationship between board ethno-religious diversity and performance of 53 manufacturing companies quoted on the Nigerian Stock Exchange between 2006 and 2015.The finding of the study did not establish any significant relationship between board ethnic and religious diversity with performance of quoted companies in Nigeria.The implication of this study is that, the main areas of diversity (ethnicity and religion) in the selection and appointment of those at the upper echelons in both private and public establishments in Nigeria are less effective in assessing the performance of the companies. This study delivers some significant insights into some of the major corporate governance issues in assessing the corporate board vis a vis the economic performance of their companies. First, it assessed an aspect of corporate board which has received less attention from accounting and finance literature in Nigeria. Second, it provides an empirical direction to the companies and policy makers on the area of consideration in the appointment and composition of corporate board members and lastly, it has implications for those companies desirous of effective and efficient board.This study therefore recommends that stakeholders in board composition should always strive at incorporating value adding measures such as financial literacy, intellectual competence and consistency at meetings already established in literature, not diversionary and irrelevant considerations which lead to time wasting and resources dissipation.Again, regulatory bodies should emphasize and educate the stakeholders on the need for training of those charged with oversight functions in corporate environment for optimal performance.

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CORPORATE GOVERNANACEMECHANISMS AND FINANACIAL PERFORMANCE OF NIGERIAN INSURANCE COMPANIES (2007 – 2016)

Usman, M.M[1]., Abuh Addah[2] and Olojede, P. A[3].
Department of Accounting, Kogi State University, Anyigba
[1]silmohentmmusman@gmail.com
[2]abuh addah@gmail.com
[3]Department of Accounting, Covenant University, Ota; polojede@yahoo.co.uk

Abstract
Corporate governance mechanism is a structure through which enterprise or corporation is directed and controlled. It requires transparency, accountability and fairness in the management of an enterprise to ensure that the interests of shareholders and other stakeholders are met. The main objective of this study is to examine the effect of corporate governance mechanisms on financial performance of listed Insurance companies in Nigeria, considering the fact that constant business failure hinges on the choice of appropriate model necessary for capturing suitable corporate governance mechanisms that would result in effective financial performance of firms. The sample size for the study is 23 listed Nigerian Insurances companies. The methodology adopted was panel data usingmultiple regressions and stata software as tools for the analysis. It was found that board independence and ownership concentration have negative significant effect on financial performance of insurance companies in Nigeria. While both board size and management shareholdings were having insignificant negative effects,gender diversity, audit committee independence and leadership structure had significant effect on financial performance of listed Insurance companies in Nigeria. It was recommended that board independence should continue to be maintained in all insurance companies in Nigeria. Effort should be made to ensuring that corporate governance practice is of high standard and conform to the global best practice, adherence to the ethics and codes of corporate governance in building shareholders and other stakeholder's confidence so as to encourage positive investment flows into Nigerian insurance market.

Keywords: Corporate Governance Mechanisms, Financial performance, Insurance Firm, Nigeria.

Introduction
Corporate governance mechanism has become a concern in developing economies since the financial crises in the past, which have resulted in demands for improved corporate governance practices. Good corporate governance mechanism has become essential for improving firm performance, ensuring investor rights, enhancing the investment atmosphere and encouraging economic development (Braga-Alves&Shastri, 2011; Price, Roman &Rountree, 2012). The corporate governance structure specifies the rights and responsibilities of the participants in the firm and also spelling out the rules and procedures for decision making. Wolfenson (1999),Uche (2004) &Akinsulire (2006) agreed that corporate governance mechanism provides the structures through which the company's objectives are set and strategies, the tactics and the means of attaining those objectives and monitoring performance are defined.

The recent global financial crisis has negatively impacted the economy of countries, resulting in major challenges in insurance companies. The crisis was aggravated by corporate scandals around the world. A vivid example of corporate failure in Nigeria is the banking experienced in 2009 which led to the collapse of the stock market. There was also Cadbury Nigeria's case of over-statement of its profit by ₦13.25billion between 2002 and 2005. Cadbury's board was able to do this through stock buyback, cost deferrals, trade loading and false supplier's stock certificates. In 2007, Nampak Nigeria Plc. overstated its accounts by

₦2.8billion, while the board of African Petroleum Plc. concealed ₦22billion in its 2000 account.This highlights theimportance of appropriate corporate governance structure for managing firms' risks. Insurance companies were not left out during the crisis as some of the insurance shares have become worthless. A share that was worth ₦2.50 became ₦0.50k per share, some Insurance companies folded up, while some were merged, and those that could wither the storm remain afloat all because of the absence of good corporate governance mechanisms.

Insurance is a key component of the financial services sector. Insurance activity promotes growth by providing a platform for efficient risk management, promotes long-term savings, encourages the accumulation of capital and mobilizes domestic savings for productive investment (Arena, 2008). Insurance services are essential for economic stability and development. A virile insurance sector is a yardstick for measuring healthy economy and efficiency of financial services sector (Vadlamannati, 2008).The foundation for good corporate governance mechanism is sound business strategy along with competent and responsible management team. The insurance industry in Nigeria has faced unique challenges in this regards which may be attributed to inherent institutional factors precipitated by lack of clear operational guidelines affected by board independence, board size, gender diversity, ownership concentration, audit committee independence, management shareholdings and leadership structure. It is the effectiveness of the corporate governance mechanism influenced by the proxies as mentioned and resulting in good financial performance is what this study is trying to establish and to see if there is a gap that is required to be filled or addressed.

The conceptual framework of the study is designed to address the relationships between governance practices and the performance of listed insurance companies in Nigeria. The hypotheses formulated in this study are based on the relationships between corporate governance mechanism and the firm performance of listed insurance companies. One of the major objectives of corporate governance practice is to enhance corporate performance by reducing potential conflicts between managers and the interests of the shareholders and also combined benefits of all stakeholders by considering the interests of all stakeholders.

Moreover, corporate governance mechanisms and performance have been empirically examined in many different ways and with different variables at different periods, however, most of these studies are conducted in developed economies like UK and US. Those researches carried out in developing economies particularly in Nigeria attempted to address the problem of corporate governance mechanisms in such a way that most of the studies conducted concentrated exclusively on firms quoted on the Nigerian Stock Exchange (Sanda,Mikaila&Tukur 2005; Kajola, 2008; Babatunde&Olaniran, 2009; Duke &Kankpang, 2011).

Also in examining corporate governance mechanisms and its compliance with relevant codes and international best practices on Insurance firms quoted in Nigerian Stock Exchange, previous researches: Attiya and Robina (2007); Brown andCaylor(2004) and recently by Tukur andBilikisu (2014) did not comprehensively breakdown the mechanisms into Board Independence, Board size, Gender diversity, Ownership concentration, Management shareholdings, Audit committee independence and Leadership structure. Hence, previous researches in Nigeria failed to determine which particular aspect of corporate governance mechanisms have a significant effect on the financial performance of listed Insurance companies in Nigeria.

Therefore, what has not been clearly resolved in the existing literatures are the specific corporate governance mechanisms that are relevant to providing improvement in the Insurance industry in Nigeria, and in other to fill this gap the study assesses the effect of board independence, board size, gender diversity, ownership concentration, management shareholdings, audit committee independence and leadership structure on the financial performance of listed Insurance companies in Nigeria. Also, all the empirical researchers reviewed in this study, none covered the period from 2015 to date. This study provides up to date evidence on the effect of corporate governance mechanisms on the financial performance of insurance companies in Nigeria. The scope of this study covers the period from 2007 to 2016 which differentiate it from the previous empirical studies. Additionally, the independent variables reviewed in this study are tied to the dependent variable (ROA).These create variable inclusion gap for this study to fill. These, therefore, necessitate a study of this nature to fill all the raised obvious gaps. Consequently, the following research question is raised:What is the effect of board independence, board size, gender diversity, ownership concentration; management shareholdings, audit committee and leadership structure on the Return on assets of listed insurance companies in Nigeria?

The main objective of the study is to examine the effect of corporate governance mechanisms on the financial performance of listed insurance firms in Nigeria, while the specific objective is to test and assess the relationship of each of the corporate governance variables on the financial performance of listed insurance companies in Nigeria. The importance of the study is to show how management have been carrying out their mandate through corporate governance practices and how it has helped to improve transparency in financial reporting and thereby increase audit quality and improve financial performance.The remaining part of the paper has been divided as follows: Section 2 focuses on the literature review and theoretical framework, Section 3 discusses the research methodology used for the study and Section 4 is devoted to data presentation, while Section 5 draws conclusion and make recommendations.

Literature Review

Corporate governance mechanism is the system by which organizations are directed and controlled. It is a set of relationships between company directors, shareholders and other stakeholder's as it addresses the powers of directors and of controlling shareholders over minority interest, the rights of employees, rights of creditors and other stakeholders. Corporate governance mechanism is an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Corporate Governance mechanism is viewed as ethics and a moral duty of firm.Sanda et.al (2005) on their own part see corporate governance mechanism as the way in which all parties showing interest in the wellbeing of the firm attempt to ensure that management and other insiders take necessary measures to safeguard the interest of all stakeholders. However, the major weakness of this definition is its identification of the function of corporate governance mechanism with the management alone without incorporating the board, which is an important player in corporate governance structure.

Conclusively, what is evident from the various definitions received is that the corporate governance mechanism is the set of structures, processes, cultures and systems through which objectives are set, and the means of attaining the objectives and monitoring performance are determined and companies are directed and controlled. The four (4) components of effective corporate governance, as suggested by Klapperand Love (2002) are board's composition (BC), board size (BS) Power separation (PS) and the composition of the audit committee (CAC). Perhaps it may be correct to some extent, but how effective is corporate governance practices without consideration of board independence, board size, gender diversity and ownership concentration of shareholdings emanating from the actions of the board and management?

These factors also need to be considered as their negative contribution might have an adverse effect on the running of a corporate enterprise.

State of corporate governance mechanismin Nigerian Insurance Companies

Owing to the unique nature of insurance, there are adequate corporate governance laws and regulations in place to promote good corporate governance mechanism in Nigeria. Some of the most important ones include: National Insurance Commission (NAICOM) Act of 1985, the Company and Allied Matters Act (CAMA) of 2004, the International Financial Reporting Standards (IFRS), International Accounting Standard on Insurance (IAS), NAICOM circulars and guidelines among others (Adenikinju&Ayorinde, 2001). There are also some government agencies and non - governmental associations that are in the vanguard of promoting good corporate governance practices in Nigeria Insurance companies. These organizations apart from National Insurance Commission (NAICOM) include, the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), Corporate Affairs Commission (CAC), Financial Reporting Council of Nigeria,the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN) among others.

The Nigerian Insurance Industry has been controlled by regulations prior to this time. Of this, the capitalization programme seems to have had the most effect. Recapitalizations of the sector have been carried out in 2003 and 2005 and that of 2005 was concluded in 2007. They were directed at flushing out operators with weak dubious financial bases from the financial sector and galvanize them in 2007 challenge of transforming the nation into one of the top ten world economies within the turn of a decade. After the 2007 recapitalization, the industry was left with 49 insurance companies and 3 reinsurance companies (NAICOM, 2007). Najjar (2012) is of the view that any governance principle adopted by the insurance industry should be flexible enough to take into account the variety of insurers within its purview because each insurance company tailors its corporate governance procedures according to its own circumstances. An effective corporate governance framework will impose appropriate standards to recognize and protect the rights, relationships and interests of all interested parties in the insurance firm, in other words, all the stakeholders. It will prevent the abuse of self-serving conduct along with imprudent and high-risk behaviours thereby resolving the conflict of interests between managers, the board of directors, employees, shareholders and the policyholders.

Review Of Prior Studies

Most of thestudies reviewed in this study concentrated on the board’s independence, board size, gender diversity, ownership concentration, management shareholdings, audit committee independence and leadership structure as corporate governance mechanisms and financial performance measured by return on assets (ROA). This creates variable inclusion gap for this study to fill.

Sponge and Sullivan (2007) in their study on corporate governance outlined that the previous studies (Ogun, 1994; Pearce & Zahra, 1992; Daily &Ellstrand, 1996; Rosentein& Wyatt, 1997; Klein, 1998;Weir &Laing, 2001;Bhagat& Black, 2002; Sanda et, al 2005) all on board composition and performance, focused mainly on corporate governance mechanism of firms, while they did not look at the effect of board composition on these organizations value. Furthermore, apart from the studies by Attiya andRobina (2007) as reviewed in board composition studies, all the other studies listed above focused on the developed market. Studies by Lipton andLorch (1992); Jensen (1993);Klein (1998); AgrawalandKnoeber (1996); Adams and Ferreira (2003); Adams andMehran (2003); Coles, Daniel and Naveen (2008) among other studies on board size and performance have been criticized by Bolton (2006) to consider just a single measure of governance. Bolton (2006) further expressed that these studies are also restricted to the Organization for Economic Cooperation and Development (OECD) framework only.

Gap in the previous studies
As observed, most prior studies on corporate governance mechanisms and financial performance made use of the market-based performance measure and not accounting performance measures. In order to cover the lapses in prior studies, this study will build on the studies by Brown andCaylor (2004); Sandaet. al(2005) and a recent study by TukurandBilikisu (2014) to examine the effect of corporate governance mechanism on financial performance of Nigerian insurance firms. However, from their studies there was no empirical evidence linking insurance companies financial performance to corporate governance, except the one by Tukur&Bilikisu (2014) which dwell only on board diversity on financial performance of Nigerian insurance companies though made brief reference to board size and gender diversity, but did not go further to look at other variables like board independence, ownership concentration of shareholding, management shareholdings, audit committee independence and leadership structure that affect financial performance of insurance companies in Nigeria. Furthermore, there is no clearly stated specific corporate governance mechanisms that are relevant to provide improvement in the insurance industry in Nigeria.

Theoretical review
Good corporate governance mechanism contributes to nation's economic growth and development; as it increases investors' confidence and goodwill, ensures transparency, accountability, responsibility and fairness. The literature on corporate governance provides some form of meaning on governance which includes words like manage, govern, regulate and control. However, the understanding of corporate governance mechanism can be deciphered from an examination of a number of theories that attempt to explain the basis and rationale behind the concept. The subsequent literature is reviewed from three complementary theoretical perspectives: agency theory, stewardship theory and stakeholder theory.

Agency theory
Agency theory is one of the theoretical principles underlining the concept of corporate governance mechanism. It has its roots in economic theory exposited by AlchianandDemsetz (1972), and further developed by Jensen &Meckling (1976). The principle emerges out of separation of ownership and control. It focuses on the relationship between the principals (e.g. shareholders), the agents (e.g. company executives) and the managers. According to this theory, shareholders (who are the owners or principals of the company) hire agents to perform work; while, the principals delegate the running of the business to directors or managers (who are the shareholder's agents).The essence of agency theory is the control of the shareholders over the management. This is manifested through the hiring of the agent (the management) and entrusted with the fund supplied to run the business in the interest of the shareholders. The separation of ownership and control here placed emphasis on the management of proper accountability, transparency and prudent manner of running the affairs of the firm in an effort to make returns to the fund providers. Agency theory is therefore relevant to good corporate governance provided the agents that are directors live up to expectation and worked in the best interest of the shareholders.

Stewardship theory
The theory is based on the assumption that the interest of shareholders and the interest of management are aligned; hence management is motivated to take decisions that would maximize firm's performance and total value. The theory advocates that there is greater utility in cooperative than individualistic.Both agency and Stewardship theories discussed the relationship between the shareholders and management, while agency theory distinguished ownership from control, stewardship theory is on the functions of management

in the interest of shareholders. Stewardship theory did not give regards to other stakeholders but only place emphasis on the primary roles of management in the interest of the shareholders.

Stakeholder Theory

Agency theory advocates that there is a contractual relationship between managers and shareholders, whereby managers have the sole objective of maximizing shareholders wealth. Stakeholder theory considers this view to be too narrow, as manager actions impact other interested parties, other than shareholders. The stakeholder theory holds the view that managers in organizations have a network of relationships to serve; this includes employees, shareholders, suppliers, business partners and contractors. The theory was developed by Freeman (1984) with emphasis on the need for managers to be accountable to stakeholders, including shareholders.From this analogy on can then infer that the stakeholder theory does not only protect the interest of shareholders alone but also that of other people such as customers, suppliers, employees, trade unions, government agencies and others. In this way, a board is expected to use a more diversified mechanism to control and motivate the management.

From the related theories reviewed above and considering their relevance to the study hypotheses chosen a particular theory as the framework for this study was not an easy choice to make. However, since all the theories are relevant and cannot serve as the framework for the study, the researcher tilted to favour the Agency theory as the theoretical framework for this study, given its emphasis and relationship with some of the key variables highlighted in the study. That is the corporate governance mechanism represented by proxies like BIND, BS, GD,OC, MSH,AC,LS, as independent variables and financial performance as dependent variables. The measurement for financial performance is ROA.

Research Hypotheses

In line with the objectives of the study and empirical as well as theoretical framework reviewed above the hypothesis to be tested is stated below:

Ho: Corporate governance mechanisms (using board Independence, board size, gender diversity, ownership concentration of shareholdings, management shareholdings, audit committee independence, and leadership structure as proxies) do not have significant effect on the Return on Assets of listed Insurance firms in Nigeria.

Research Design

The methodology adopted was panel data usingmultiple regressions statistical technique and stataas software for data analysis to examine the effect of identified independent or explanatory variables in this study. The population for this study consists of 45 listed insurance companies in Nigerian Stock Exchange as at 31st December 2016. The time frame for this study is between 2007 and 2016. This is a ten year period long enough to satisfy all the needful for the research. In choosing the sample, this study selected 23 (230 firm years) fully operational Insurance companies from 45 insurance companies that were listed on the Nigerian Stock Exchange as at 31st December 2016. The study used secondary data only, which was obtained from the financial statements of all the sampled firms of the study. The data in respect of the variables of the study were extracted and the respective ratios or percentages are taken, from the sampled firms in order to test the hypothesis of this study. .

Techniques of Data Analysis

In order to test the hypotheses of this study, multiple regression analysis specifically fixed and random effect was employed. This is because of the effectiveness and efficiency of the technique in estimating the statistical relationship/effect of one variable on another variable. The analysis of the relationship between corporate governance and financial performance of listed insurance companies in Nigeria is conducted using STATA as the software to test the data.

Variable Definition and Measurement

The explanatory variables used as proxies of corporate governance mechanisms are boards independence, board size, audit committee independence, gender diversity, ownership concentration of shareholders, leadership structure and management shareholding. The choice of explanatory variable is based on the alternative theories related to corporate governance and corporate governance variables used in previous studies conducted.

Board Independence - Measure the percentage of non – executive directors to total board size
Board size - Measure the percentage of the total number of Independent directors on the board
Board gender diversity – Measure the percentage of females on the board
Ownership concentration– Measure the proportion of shares owned by the largest shareholders to a total number of shares issued expressed as a percentage.
Management shareholding- Measure the proportion of shares held by the Management to a total number of shares issued expressed as a percentage.
Audit committee independence–Measure the number of independent members divided by the total number of audit committee members.
Leadership structure-leadership structure is represented by a dummy variable. The division of the CEO and chairperson roles is important because it enables the board to carry out its duties more effectively. This implies that the separation of the two roles is useful to firm performance. If the roles are occupied by two people, the variable will be classified as separate leadership and will be coded '1'. The value of the variable is '0' if one person holds both roles.The dependent variable used as a measure of financial performance is ROA, as guided by literature.
Return on asset (ROA) – Net income ÷ Total Assets

Model Specification and Justification for the model

This study employed a multivariate version of the econometric model.Therefore the model designed for the study is given as:

Model

$ROA_{it} = \alpha + \beta_1 BIND_{it} + \beta_2 BS_{it} + \beta_3 GD_{it} + \beta_4 OC_{it} + \beta_5 MSH_{it} + \beta_6 AC_{it} + \beta_7 LS_{it} + \varepsilon_{it}$-- *(i)*

Where:

ROA = Return on Asset (Financial Performance

BIND = Board Independence

BS = Board size

GD = Gender diversity

OC = Ownership concentration
MSH = Management shareholding
AC = Audit committee independence
LS = Leadership Structure
α = Intercept
ε = stochastic error term.

β_1, β_2, β_3, β_4, β_5 β_6 β_7 are the parameters to be estimated.

The a priori is such that: β_1 BIND; β_2BS; β_3 GD; β_4 OC; β_5 MSH; β_6AC; β_7LS >0. The implication of this is that a positive relationship or effect is expected between explanatory variables β_1 BIND; β_2BS; β_3 GD; β_4 OC; β_5 MSH;β_6AC;β_7LS and the dependent variable. The size of the coefficient of correlation will assist to explain various levels of relationship or effects between variables.The study employs basically secondary data from the annual or financial reports of the Insurance companies listed in Nigerian Stock Exchange (NSE) the estimated period for the study is 2007 to 2016, a ten years period long enough to make a reasonable judgment on the outcome of the model.

Control Variables

Control variables that may likely have impact on the Return on Assets are:

1. Firm Size (FIRMSIZE): This is the size of the insurance firms measured by the value of the assets base. For the regression analysis, it is the natural logarithm of firm in a year
2. Firm Age (FIRMAGE):This is the distance between the time of firm establishment to the study period

Validity and Reliability of Instruments

The validity and reliability of instruments used are such that can be described as truly reliable since it involves the use of software to carry out the analysis, and also valid to the extent that the obtained results were made possible by the software. As such, it can be relied upon for the purpose of analysis and for prediction.

Data analysis and discussion of results

Descriptive Statistics

The descriptive statistics of the data collected for the study is presented and discussed in this section. The summary of the descriptive statistics of the data collected is presented in Table 4.1 as follows;

Table 4.1: Descriptive Statistics of the Variables

VARIABLES	*Min*	*Max*	*Mean*	*SD*	*Skewness*	*Kurtosis*
ROA	-0.24	0.85	0.32	0.227	0.506	2.94
BIND	3.97	71.00	29.86	16.69	0.561	2.993
BS	18.02	21.99	20.09	0.986	-0.162	2.496
GD	-0.45	0.63	0.04	0.151	1.891	12.357
OC	2.59	6.14	3.97	0.681	0.806	4.204
MSH	20.52	26.50	23.93	1.508	-0.298	1.997
AC	0.66	2.70	2.09	0.401	-1.358	5.605
LS	0.00	1.00	0.67	0.473	-0.700	1.490

Source:Stata output (2017) N= 230

As indicated in table 4.1, the value of the average Return on asset (ROA) within the period of this study was 0.316163. ROA was at its maximum when the value was 0.8501014 while the minimum value was -0.2375593. This indicates that -0.238 is the lowest value in the data set while 0.850 is the highest value in the data set which signifies that there is no serious outlier issue in the data setthe highest value in the data set which signifies that there is no serious outlier issue in the data set.The kurtosis value of 2.94 also suggests that majority of the data are higher than mean, as such the data did not meet the Gaussiandistribution assumption. Similarly, the coefficient of Skewness 0.506275 implies that the data is positively skewed, and thus, the data did not meet the symmetrical distribution assumption. The model is fit as the result revealed that the mean value of 0.316 is greater than the standard deviation value of 0.227.

Following the presentation and interpretation of the descriptive statistics of the data collected for the variables of the study which to a large extent suggested that the data is not normally distributed, Shapiro wilk normality test was conducted. The results are presented in Table 4.2 as follows

Table 4.2 Results of Normality Test

VARIABLES*W*		*V*	*Z*	*Prob>Z*
ROA	0.94935	8.538	4.969	0.00000
BIND	0.96352	6.149	4.208	0.00001
BS	0.98480	2.562	2.180	0.01462
GD	0.56907	72.637	9.930	0.00000
OC	0.95173	8.137	4.857	0.00000
MSH	0.95418	7.723	4.737	0.00000
AC	0.89207	18.192	6.722	0.00000
LS`	0.99561	0.740	-0.696	0.75687

Source: Stata output(2017)

The variables of the study are subjected to Shapiro-Wilk (W) test for data normality; the technique test the null hypothesis (that the data isnormal), that is, the variable came from a normally distributed population. From Table 4.2, the result indicates thatthe data for the Leadershipstructure (LS) variables are normally distributed, because the P-values is not significant (LS, from Prob>Z value of 0.7568), thus, the null hypothesis (that, the data is not normally distributed) is accepted here.While, the data for the remaining variables (independent and dependent) are normally distributed, because the P-values are significant at 1% level of significancethus, the null hypothesishere that says, the data is not normally distributed is rejected. This may have effects on the results, as most of the parametric method of analysis including regression assumed that the data is normally distributed, the result of Shapiro Wilk (W) test of normality indicate that the variable came from abnormally distributed population.

Correlation Results

Table 4.3 Correlation Matrix of the Dependent ROA

VARIABLES	ROA	BIND	BS	GD	OC	MSH	AC	LS
ROA	1.0000							
BIND	-0.2382 (0.0003)	1.0000						
BS	-0.1051 (0.1118)	-0.3900 (0.0000)	1.0000					
GD	0.4076 (0.0000)	-0.2223 (0.0000)	-0.1367 (0.0382)	1.0000				
OC	-0.0978 (0.1394)	0.0275 (0.6786)	-0.2865 (0.0000)	0.5475 (0.0000)	1.0000			

MSH	-0.1514	-0.0149	0.3859	-0.1703	-0.1418	1.000		
	(0.0217)	(0.8217)	(0.0000)	(0.0097)	(0.0315)			
AC	0.0599	0.0441	-0.2974	0.2621	0.5371	-0.2367	1.000	
	(0.3662)	(0.0000)	(0.0000)	(0.0001)	(0.0000)	(0.0003)		
LS	-0.2722	-0.3149	0.2663	-0.1626	0.0343	0.0761	-0.0123	1.000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.6047)	(0.2505)	(0.8524)	

P-Values in Parentheses
Source: Stata output(2017)

In this section, Table 4.3, presents the correlation results between predictor variables (BIND, BS, GD, OC, MSH, AC, & LS) and the dependent variable (ROA)of the listed insurance firms in Nigeria. The result shows that there is a sgnificant negative relationship between Return on asset (ROA) in the model and board independence (BIND) from the correlation coefficient of -0.2382, at 1% level of significance, (p-value 0.0003). This result suggests that as BIND increases in the sample firms, ROA would decrease.

Also, from the Table 4.3, the results indicate that there is a negative relationship between ROA and Board size (BS) from the correlation coefficient of -0.1051 which is not significant at all levels of significance (p-value of 0.1118). This implies that the more BS increases in the sample firms, ROA decreases, but is not statistically significant.

In the Table 4.3 also the results show that there is a positive relationship between ROA and Gender diversity from the correlation coefficient of 0.4076, with a p-value of 0.0000. This suggests that ROA of listed insurance firms in Nigeria increases with the increase of their gender diversity, which is statistically significant at 1% level of significance. The results from the Table 4.3 also indicate that there is a negative relationship between ROA and Ownership concentration of shares (OC), given the correlation coefficient of -0.0978 andp-value of 0.1394 which is statistically not significant at 1%, 5% or 10% level of significance, thus not robust.

Moreover, Table 4.3 shows that there is a significant negative relationship between ROA and managerial shareholding from the correlation coefficient of -0.1514, at 5% level of significance, (p-value 0.0217). The Table 4.3 also shows that ROA has a positive correlation coefficient with Audit committee independence (AC) which is not significant statistically (coeff. value of 0.0599 &p-value of 0.3662). Finally, ROA is negatively significantly correlated with leadership structure (LS), with a coefficient value of -0.2722 which is significant at 1%.

Presentation of Regression Results and Hypotheses Testing

The classical assumption of regression model assumed that the error terms are normally distributed and independent (that is the error terms are uncorrelated); the predictor variables are not perfectly correlated (absence of multicollinearity); the variance of the error terms is constant (Homoskedastic). When these assumptions have not been met, the estimators are biased and cannot be used in drawing any inference. However, the results proved the absence of perfect multi-collinearity among the independent variables, because on average variance inflation factor (Mean VIF) is 1.56, The rule of thumb for the Tolerance Value is that any value of 1.0 and above implies the absence of perfect multicollinearity in the estimates, while for the Variance Inflation Factor a value of 10 and above is an indication of perfect multicollinearity.

The evidence from Breusch Pagan/Cook-Weisberg coefficient of 11.84 with a p-value of 0.0006 confirms the presence of the effects of heteroskedasticity, as shown in Hettest result that is, there is constant variance in the residuals. Thus, suggested Fixed and Random regression to solve this problem. In choosing the most appropriate between Fixed and Random effect regression for this study, usually two important tests are conducted; Hausman Specification Test and Breusch and Pagan Lagrangian Multiplier Test. The Hausman specification test for the model suggests that there are Fixed Effects in the model for the study as evidenced by the Chi^2 of 38.22 with a p-value of 0.0000 therefore fixed effect regression result is interpreted for the model.

Table 4.4: Regression results with ROA as Dependent Variable

Dep. Var: ROA	Coeff	StdDev	t-stat.	Prob.
BIND	-0.0038696	0.0008526	-3.79	0.000
BS	-0.024801	0.0150044	-2.55	0.011
GD	0.9044155	0.1036569	7.78	0.000
OC	-0.1583735	0.0247257	-6.81	0.000
MSH	-0.0142116	0.0086476	-0.39	0.699
AC	0.1476278	0.0356101	2.30	0.022
LS	-0.0788349	0.0281124	-3.32	0.001
R^2	*0.4454*			
Adj R^2	*0.3782*			
Fstat	*22.95*			
F. sig	*0.0000*			
Hausman	*38.22 (0.0000)*			

Source: Stata output(2017)

Table 4.4 shows the result of the regression analysis of the effects of the corporate governance on the ROA as a measurement of performance of Nigerian insurance companies. The result reveals that the model is well fitted (F-statistic = 22.95, p-value = 0.0000). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 45% of the variations observed in the dependent variable were explained by the independent variables. This was moderated by the Adjusted R-squared to 38%, indicating that there are other variables other than our explanatory variables that might also have effect on the dependent variable. The result shows that BIND has a negative and significant effect on the performance (ROA) of Nigerian insurance companies (BIND coefficient = -0.00387, p-value = 0.000, t-value = -3.79). The result shows that BS, has a negative but not significant effect on performance (ROA) of Nigerian insurance companies (BS coefficient = -0.024801, p-value = 0.0117, t-value = -2.55).

Also, GD had a positive and significant effect on performance (ROA) of Nigerian insurance companies (GD coefficient = 0.9044155, p value = 0.000, t-value = 7.78). Likewise, OC had a negative and significant effect on performance (ROA) of Nigerian insurance companies (OC coefficient = -0.1584, p value = 0.000, t-value = -6.81). While MSH had a negative and non-significant effect on performance (ROA) of Nigerian insurance companies (MSH coefficient = -0.0142, p value = 0.699, t-value = -0.39). Likewise, AC had a positive and significant impact on performance (ROA) of Nigerian insurance companies (AC coefficient = 0.1476278, p value = 0.022, t-value = 2.30). While finally, LS had a negative and significant effect on performance (ROA) of Nigerian insurance companies (LS coefficient = -0.0788349, p value = 0.001, t-value = -2.89).

Decision-based on stated Hypotheses with regards to ROA

The results in Table 4.4, shows that Board independence (BIND) has a statistically significant negative impact on the ROA of listed Insurance firms in Nigeria. That is, BIND significantly decreases the ROA of listed Insurance firms in Nigeria. Thus, the null hypothesis (H0) which states that Board independence has no significant effect on financial performance of listed insurance firms in Nigeria is rejected. The study infers that BIND has a negativelysignificant effect on the financial performance of the listed insurancefirms in Nigeria, during the period covered by the study.

The Table 4.4 also shows the Board size (BS) on the financial performance (ROA) of listed insurance firms in Nigeria is negative. That is when BS improves ROA would affect negatively, though the result is not robust. Based on this, we lack evidence to reject the null hypothesis (H0) which states that Board size has no significant impact on financial performance of listed insurance firms in Nigeria. Therefore, the study infers that BS hasan insignificant negative effect on the ROA of listed insurance firms in Nigeria, during the period covered by the study.On the contrary, the results from the Table 4.4 shows that the Gender diversity (GD) has a significant positive impact on the financial performance of insurance firms in Nigeria. This suggests that the higher the GD of the firm the higher the ROA of listed insurance firms in Nigeria during the period of the study. Based on this, the study rejected the null hypothesis (H0) which states that Gender diversity has no significant impact on financial performance of insurance firms in Nigeria.

The Table 4.4 also shows the ownership concentration of shareholdings (OC) on the financial performance (ROA) of listed insurance firms in Nigeria is significantly negative. That is when OC improves ROA would be decreased. Based on this, we reject the null hypothesis (H0) which states that ownership concentration of shareholdings has no significant impact on financial performance of listed insurance firms in Nigeria. Therefore, the study infers that OC hassignificant negative impact on the ROA of listed insurance firms in Nigeria, during the period covered by the study.The Table also shows the management shareholding (MSH) on the financial performance (ROA) of listed insurance firms in Nigeria is insignificantly negative, that is when MSH improves ROA would not improve. Based on this, we fail to reject the null hypothesis (H0) which states that management shareholding has no significant effect on financial performance of listed insurance firms in Nigeria. Therefore, the study infers that MSH has an insignificant negative impact on the ROA of listed insurance firms in Nigeria, during the period covered by the study.

The Table 4.4 also shows the Audit committee independence (AC) on the financial performance (ROA) of listed insurance firms in Nigeria is significantly positive. That is when AC improves ROA would also improve. Based on this, we reject the null hypothesis (H0) which states that Audit committee independence has no significant effect on financial performance of listed insurance firms in Nigeria. Therefore, the study infers that AC has significant positive effect on the ROA of listed insurance firms in Nigeria, during the period covered by the study.

Finally, Table 4.4 also shows the Leadership structure (LS) on the financial performance (ROA) of listed insurance firms in Nigeria is significantly negative. That is when LS improves ROA would be decreased. Based on this, we reject the null hypothesis (H0) which states that Leadership structure has no significant impact on financial performance of listed insurance firms in Nigeria. Therefore, the study infers that LS has significant negative effect on the ROA of listed insurance firms in Nigeria, during the period covered by the study.

Discussion of Results

In the methodology of this study ROA is used as proxies for financial performance. The analysis of the model using fixed and random effect regression in confirming the effect of board independence, board size, gender diversity, ownership concentration, management shareholding, audit committee independence and leadership structure on financial performance. The Inferential results on insurance companies revealed that board independence has negative effect on the financial performance of Nigerian insurance companies as shown by the model. This is consistent with the recent studies carried out by Tukur&Bilikisu (2014) which revealed that there was a significant relationship between corporate governance and firm performance.Inferential results on board size also revealed a negative relationship between board size and financial performance of Insurance companies in Nigeria using ROA as the dependent variable.The inferential result further revealed that gender diversity also has a positive effect on the financial performance of the Nigerian Insurance companies using ROA as a measure of financial performance.The result also revealed that negative effect on financial performance of Insurance companies in Nigeria using ROA as a measure of financial performance

Moreover, the result further revealed that Management shareholding has no positive effect on the financial performance of Nigerian Insurance companies as shown by the result of the model of this study. Also, the result revealed that audit committee independence (AC) has only a positive relationship with the financial performance of Nigerian Insurance companies as measured by ROA. Finally, the result further revealed that leadership structure has a negative effect on the financial performance of Nigerian Insurance companies during the period of the study.The study is in accordance with the views of Najjar(2012), Tornyeva&Wereko (2012) as well as that of Tukur&Bilikisu (2014), stating that firm with good corporate governance mechanism act more efficiently in their activities which would increase financial performance of a firm. The finding adds to the current flow of relevant empirical literature, such as the relationship between the firm's leadership structure and performance and particularly, the studies concerning how corporate governance mechanism affects the financial performance.

Conclusions

Based on the key findings of this research, the study concludes thatthe Board independence has a negative effect on the financial performance of listed Insurance companies in Nigeria as shown in model. Board size has a negative effect on the financial performance of listed Insurance companies in Nigeria as revealed in the model. Gender diversity also has a positive effect on the financial performance of listed Insurance companies in Nigeria as explained by the model. Both Ownership concentration of shares and Audit committee independence have a negative effect on the financial performance of listed Insurance companies in Nigeria as shown by the model. The model further revealed that Management shareholding has no positive effect on the financial performance of listed Insurance companies in Nigeria. While Audit committee independence has a positive effect on financial performance, the leadership structure has a negative effect on the financial performance of listed Insurance companies in Nigeria. Overall the study concluded that there is a significant effect of corporate governance mechanisms on the financial performance of listed insurance companies in Nigeria.

Recommendations

To ensure good corporate governance practices amongst insurance firms in Nigeria, the following recommendations were put forward.

i. Board independence should be seen as sacrosanct and must be in existence to ensure that good corporate governance is in practice. This will build shareholders and other stakeholder's confidence in the industry and thereby attract positive investment flows into the Insurance market.
ii. Female participation at board level should continue to be practiced while dual Leadership structure of CEO and chairmanship should is maintained in all Insurance firms in Nigeria..
iii. Board size, management shareholdings both having insignificant effect on financial performance of listed insurance companies in Nigeria should be looked into and ensure that manageable board

size is maintained, while acquisition of shares by management should be monitored to avoid conflict of interest. Ownership concentration of shareholdings should bediscouraged while audit committee independence should continue to be maintained.

iv. Adherence to the codes of good corporate governance and peer review amongst various insurance companies in Nigeria should be carried out regularly by NAICOM to ensure that no firm is lagging behind in the implementation of good corporate governance mechanisms.

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CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

Daniel. O. Gbegi
Department of Accounting and Finance
University of Agriculture, Makurdi
gbegidan@gmail.com
Martins .O. Kutus
Department of Accounting
University of Jos, Jos
martinskutus2006@yahoo.co.uk
And
Kaigama Nata'ala
Department of Accounting and Finance
University of Agriculture, Makurdi

Abstract

This study examines the effect of corporate governance on the financial performance of listed banks in Nigeria. Data was collected using annual reports of eight sampled banks from 2012 to 2016. Multiple regressions were used as the technique to test the hypotheses formulated using STATA version 13. It was found that Board independence has a positive (0.009) and significant (0.005) relationship with the financial performance of listed banks in Nigeria. It was discovered that Auditor committee independence has positive (0.003) but insignificant effect (0.545) on the financial performance of banks under investigation. It was found that Audit committee size has a negative (-0.063) but significant (0.016) relationship with financial performance of listed banks in Nigeria. It was also found that Board size has a positive (0.002) but insignificant (0.999) effect on financial performance of banks investigated. It was found that External audit independence has a negative (0.129) with an insignificant effect (0.399) on financial performance of listed deposit money banks in Nigeria. Based on the findings above it was recommended that banks should maintain their Board independence in other to continuously improve their financial performance, that banks should encourage the independence of audit committees; this may significantly improve their financial performance, and also banks are encouraged to use auditors with high experience and technical competence to audit them among others.

Keywords: Corporate governance, Deposit, Financial Performance, Listed, and Money Banks.

Introduction

Recent failures or collapse of some established institutions around the world such as Eron, WorldCom, Merrill Lynch, Martha Stewart, Global Crossing, Parm'alat, Cadbury Nigeria Plc and a host of others have shown that no company is immune from being failed. A common trend among these failed firms was the poor corporate governance which undermined investor's confidence. In some corporations, checks and balance that ought to have been the tool to protect shareholders' interest were jettisoned, due to much interest in profit maximization. While in some other corporations, failures were the result of fraudulent accounting and other illegal practices, which ought to have been minimized by corporate governance. Corporate governance is therefore about building credibility, ensuring transparency and accountability as well maintaining an effective channel of information disclosure that would foster good corporate performance. It is crucial that banking sector observe strong corporate governance. However, in the face of scandals and malpractices there has been a renewed emphasis on corporate governance.

Over the last two decades, corporate governance has attracted a great deal of public interest because of its apparent importance for the economic health of corporations and society in general. Corporate governance, as a concept can be viewed from at least two perspectives: a narrow one in which it is viewed merely as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction (Rwegasira, 2000); and a broad perspective in which it is regarded as being the heart of both a market economy and a democratic society (O'Sullivan, 2000). The narrow view perceives corporate governance in terms of issues relating to shareholder protection, management control and the popular principal-agency problems of economic theory.

The term corporate governance is an umbrella term that describes the multifaceted system which directs the operations of a corporation. In other words it implies that corporate governance is the mechanisms, processes and relations by which corporations are controlled and directed such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term. Corporate governance includes the rights and duties of a corporation's shareholders, board of directors, management employees which are in general the stakeholders. The term also encompasses the efficiency and transparency of a company's financial and information structure. Corporate governance describes the integrity of a corporation's operations from the ground that is, the beginning.

The benefit of effective corporate governance is that it paves the way for corporate success and growth according to the management study guide. Good corporate governance also makes shareholders more confident which has positive effects on the profitability of banks. Corporate governance can also help banks to maintain good rapport with the public by fulfilling social and environmental responsibilities. Most importantly, corporate governance provides a direction and a purpose for bank, which is critical to building long term success which in turn leads to increase in profitability. In view of this, the study tends to examine the effect of corporate governance on financial performance of Banks in Nigeria.

Statement of the Problem

The corporate world has in recent times been facing problems and credibility crises as a result of misconduct of the management of the organization who have served as catalysts in the collapse of many corporate organizations in the world. The recent financial crisis and the collapse of the capital market in both developed and developing economies are a clear indication of financial recklessness and gross misconduct of the management of business organizations. In literature (McConnell, Servaes and Lins, 2008), poor corporate governance has been cited as a major cause of global financial crisis. Although corporate governance in developing economies has recently received a lot of attention in the literature (Lin (2000); Goswami (2001); Oman (2001); Malherbe and Segal (2001); Carter, Colin and Lorsch (2004); Staikouras, Maria-Eleni, Agoraki, Manthos and Panagiotis (2007); McConnell, Servaes and Lins (2008) and Bebchuk, Cohen and Ferrell (2009), yet corporate governance of banks in developing economies as it relates to their financial performance has almost been ignored by researchers (Caprio and Levine, 2002); Ntim (2009).

Even in developed economies, the corporate governance of banks and their financial performance has only been discussed recently in the literature (Macey and O'Hara, 2003). The few studies on bank corporate governance narrowly focused on a single aspect of governance, such as the role of directors or that of stock holders, while omitting other factors and interactions that may be important within the governance framework. Feasible among these few studies is the one by Adams and Mehran (2002) for a sample of US companies, where they examined the effects of board size and composition on value. Another weakness is that such research is often limited to the largest, actively traded organizations- many of which show little variation in their ownership, management and board structure and also measure performance as market value. In Nigeria, few among the many empirically feasible studies on corporate governance are the studies by Sanda, Mikailu and Garba (2005) and Ogbechie (2006) and Uwuigbe (2011) that studied the effect of corporate governance and banks financial performance. However, further studies are required in this area because one, the earlier studies were done a long time ago before the banking reforms of the CBN by Charles Soludo in 2006 and since then the banking sector has witnessed unprecedented changes both in terms of structure and financial reformation consequently, the banking sector as the provider of funds for investment and other activities needs to be checked regularly to find out its performance. Two, the findings of the researchers in this area are opened to doubts because most of the researchers used regression analysis but failed to pass their data sets through the required tests like multicollinearity, heteroskadesticity and Variance Inflation Factor (VIF) that are determinants for the use of regression analyses. Three, earlier researchers that studied the effect of corporate governance and firm financial performance of listed banks in Nigeria failed to take into account performance measures which are very important for the banking sector like the net interest margin . In order to address these deficiencies, this study examines the effect of corporate governance on the financial performance of listed banks in Nigerian for the period 2012-2016 using Net Interest Margin as a measure of performance and all the required tests to satisfy the conditions for regression analyses.

Objective of the Study

The general objective of the study is to examine the impact of corporate governance on the profitability of quoted banks in Nigeria. The specific objectives are to:

1. Examine the effect of board size on the financial performance of listed Deposit Money Banks in Nigeria.
2. Determine the effect of board independence on the financial performance of listed Deposit Money Banks in Nigeria.
3. Examine the effect of audit committee size on the financial performance of listed Deposit Money Banks in Nigeria.
4. Determine the effect of audit committee independence on the financial performance of listed Deposit Money Banks in Nigeria.
5. Examine the effect of external audit independence on the financial performance of listed Deposit Money Banks in Nigeria.

Statement of Hypotheses

In the light of the above, the following hypotheses were stated in null form that:

H_1: There is no significant relationship between board size and the financial performance of listed Deposit Money Banks in Nigeria.

H_2: There is no significant relationship between board independence and the financial performance of listed Deposit Money Banks in Nigeria.

H_3: There is no significant relationship between audit committee size and the financial performance of listed Deposit Money Banks in Nigeria.

H_4: There is no significant relationship between audit committee independence and the financial performance of listed Deposit Money Banks in Nigeria.

H_5: There is no significant relationship between external audit independence and the financial performance of listed Deposit Money Banks in Nigeria.

Literature Review

Corporate Governance refers to the systems and processes within an entity which establish its goals and objectives, and which monitor achievement of these goals and objectives in ways which conform to the operating values of the entity. Corporate Governance means doing everything better, to improve relations between companies and their shareholders; to improve the quality of outside directors; to encourage people to think long-term; to ensure that information needs of all stakeholders are met and to ensure that executive management is monitored properly in the interest of shareholders. 'Corporate Governance is all about relating to different stakeholders that include shareholders, policyholders, employees, suppliers and society at large.' Corporate Governance consists in the rules and procedures that determine the decision-making, control and monitoring processes within the company.'

Cadbury (1992) defined corporate governance as "the system by which companies are directed and controlled". It is concerned with the duties and responsibilities of a company's board of directors to successfully lead the company, and their relationship with its shareholders and other stakeholder groups. It is also defined as a "process through which shareholders induce management to act in their interests, providing a degree of investor confidence that is necessary for the capital markets to function effectively" (Rezaee, 2009).'Effective Corporate Governance ensures that long-term strategic objectives and plans are established, and that the proper management structure are in place to achieve these objectives; while at the same time making sure that the structure functions to maintain the organization's integrity, reputation, and accountability to its relevant constituencies.'

Apparently, corporate governance means a lot of different but mostly interrelated things to different people depending on the organization to which it is applied. The definitions are sometimes so different that one often wonders whether they are really all about the same thing. We should bear in mind however that these definitions need to be interpreted in their proper context. Nzota (2004) opines that corporate governance is a term that is commonly used to describe the way business firms are managed. He further stated that corporate governance code covers every aspect of the organizational set up, right from how resources are generated and how they are deployed and utilized. Cook (1999) posits that corporate governance primarily concern with how equity investors induce managers to provide them with an appropriate return on their invested capital. In another development, corporate governance refers to the mechanism through which private or state owned corporations and their management are governed, and that it provides a structure which the objectives and the performance of a corporation are determined and monitored (Lemo, 2007). However, governance is broad in concept touching on human issues, political, judicial and corporate issues. Getting good governance calls for improvement that touch virtually all aspects of the public sectors from institutions that set the rules of the game for economic and political interactions, to organizations that manage administrative systems and deliver goods and services to citizens, to human resources that staff government bureaucracies, to the interface of officials and citizens in political and bureaucratic areas.

The term corporate governance is susceptible of both narrow and broad definitions. Narrowly defined, it concerns the relationships between corporate managers, directors and shareholders. It can also encompass the relationship of the corporation to stakeholders and society (Daily and Dalton, 1992). More broadly defined still, corporate governance can encompass the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to attract capital, perform efficiently, generate profit and meet both legal obligations and general societal expectations.

Board composition

The composition of board members has been proposed to help reduce the agency problem (Weisbach, 1988). Empirical studies on the effect of board membership and structure on performance generally show results either mixed or opposite to what would be expected from the agency cost argument. While some studies find better performance for firms with boards of directors dominated by outsiders (Pearce and Zahra 1992; Vafeas, 1999), others find no such relationship in terms of accounting profits or firm's value (Weir and Laing 2001 and Bhagat and Bolton 2005).

The composition of the board of directors is expected to play an important role in synchronizing the interest of the managers and that of the shareholders. Corporate governance structure in Nigeria requires that number outside directors on the board should be more than that of the executive directors. Also, the non-executive directors must comprise of independent directors appointed on the basis of experience and competence. Since the outside directors do not possess any interest regarding the shareholding of the firm, in order to maintain their reputation, they are expected to act in such a manner that maximizes the value of the firm. The basic argument is that if board composition, as represented by independent outside directors, affects firm performance positively, then it should be inversely related with earning management. Similarly if it negatively influences corporate performance, then it should be negatively positively with opportunistic behavior of managers. The relationship between board composition and firm performance has been explored in the literature. Most of these studies are the extension of Weisbach (1988) who investigated the efficiency of Chief Executive Officer (CEO) monitoring mechanism between inside and outside directors. This means that boards that are dominated by outside directors can significantly constrain the opportunistic tendencies of managers and act in a manner that is consistent with the value maximization objective of the firm. Overall, it is expected that if board independence can constrain managers to play along the line of shareholders' wealth maximization objective, then it should be positively related to firm performance when the true financial performance is considered rather the reported earnings which could be marred by the impact of earnings management.

Audit committee

Audit committee plays an important role in monitoring management to protect shareholders' interest. The code of best governance practice in Nigeria requires that the committee should be largely independent, highly competent and possess high level of integrity. It is responsible for the review of the integrity of financial reporting and oversees the independence and objectivity of the external auditors. Audit committee has been explored in prior literature and how it relates to earnings management using various constructs of audit committee effectiveness such as size of the board (Xie*et al*., 2001), composition and independence (Klein, 2002), audit committee meetings (Beasley et al., 2000), financial expertise of committee members (Kalbers and Fogarty, 1993), and financial motivation of independent directors (Chtourou, Bedard and Corteau., 2001). In the existing literature, (Hassan, 2011) observed that more attention has been given to financial expertise as a construct of board competence. This, he observed, could be misleading as accounting expertise is much more relevant to the board members in the discharge of their duties as a monitoring mechanism.

The results of studies on the relationship between audit committee and opportunistic accounting are inconclusive. Xie et al (2001) investigated the roles of the board and audit committee on earnings management. Using a sample of 282 firm-year observations from the S&P 500 index of each year of 1992, 1994 and 1996, they find that active committee of experienced members, that is members with some financial expertise and/or corporate background is associated with reduced level of discretionary accruals. The disparity in governance structures and regulatory frameworks call for an investigation of similar phenomenon in the Nigerian context. Institutional shareholders have both the incentive and power to compel managers to act in consonant with value maximization objective of the firm. This is because large institutions have the opportunity, resources and ability to constrain managers' behavior (Roodposhti and Chashmi, 2011) and they also represent ownership concentration in some cases because of their ability to make bulk purchases of the firms' equity shares. If this argument can be relied on then institutional shareholding should be positively related with firm performance while it should be inversely related with earnings management. "However, at least in principle, it is possible that managers might feel more compelled to meet earnings goals of these investors and, thus engage in more earnings manipulations" (Cornett, Marcus, Saunders and Tehranian, 2005).

The interaction between institutional shareholding and earnings management has been explored in the literature. Cornet et al. (2008), investigate how governance structure and incentive-based compensation influence firm performance when measured performance is adjusted for earnings management. The study used top 100 firms rated by S&P in U.S., they find that earnings management is significantly reduced by institutional shareholders whether institutional shareholders is measured based on the proportion of shares owned by all institutional shareholders or by institutional involvement in the firm.

External audit

External audit has been the bastion of assurance of the quality of financial reports contained in annual reports. External audit is the controlling mechanism used by the company to address agency problems. Any manipulation of accounting information can be reduced through an audit. Ahmed observes that although company management is primarily responsible for preparing the financial report, the external auditors play a key role in the disclosure practices of their clients. Previous works categorize audit firms based on their size; whether they belong to the 'big five' or not. In Nigeria, the big four auditing firms are Price Waterhouse Coopers, KPMG, Delloite and Touche, and Ernst and Young. In a related study, Umoren and Peace provide evidence that the auditor type influences overall disclosure level. This is possibly because large audit firms are able to provide high quality audit services due to their big reputation.

Board size

Board size plays an important role in affecting the value of a firm. The role of a board of directors is to discipline the CEO and the management of a firm so that the value of a firm can be improved. A larger board has a range of expertise to make better decisions for a firm as the CEO cannot dominate a bigger board because the collective strength of its members is higher and can resist the irrational decisions of a CEO as suggested by Pfeffer (1972) and Zahra and Pearce (1989). On the other hand, large boards affect the value of a firm in a negative fashion as there is an agency cost among the members of a bigger board. Similarly, small boards are more efficient in decision-making because there is less agency cost among the board members as highlighted by Yermack (1996).

Black (2006) investigated how corporate Governance Predict Firm's performance in Korea. The study adopted OLS method of estimation in exploring the relationship between the dependent and independent variable. 515 firms were studied, variable of board size, CEO duality, board independence and return on investment. They submitted that corporate governance has a positive influence on firm value and better CG is less likely to predict higher firm profitability. This study negates the importance of fixed effect and random effect in estimation of panel least square.

Shamimul and Normah (2015) examined the influence of firm's level CG on market capitalization. Ordinary least square was used to estimate the relationship between the dependent and independent variable. The linear relationship between CG and market capitalization is recognized at one percent level of significance. A positive and significant relationship between board independence and market capitalization is identified. On the other hand, a negative and significant relationship between public ownership and market capitalization is detected by the model. The present practice of CG does not capable to bring back the eroded confidence of external shareholders. The study recommends some steps for improve the situation such as at least two independent directors or one-third whichever is higher, mandatory training for directors to improve their mindset, introduce audit review system, introduce VFM review mechanism, establishing a high powered financial reporting council (FRC).

Kyereboah-Coleman and Biekpe's (2006), study investigates the role of boards and CEOs in the performance of the Ghanaian banking sector examining 18 banks both listed and not – listed for the period 1997 – 2004 by adopting panel data to support their model. The conclusion was that the more independent the board is, the worse the profitability of a bank. Also, the regression results showed a positive relationship between the board size and ROA, while on the other hand, they showed that CEO's tenure largely indicated a negative impact on ROA. Goddard, Molyneux and Wilson (2004) investigated the profitability of European banks during the 1990s. They used data of 665 banks from 6 European countries Denmark, France, Germany, Italy, Spain and the UK, for the period 1992–1998. In their study, they created cross- sectional, pooled cross -sectional time-series and dynamic panel models in order to identify selected determinants of profitability. The result was that despite the high competition, which is effective in eliminating abnormal profit, there is significant evidence of abnormal profit from year to year. However, there is some variation between countries in effectiveness of competition in eliminating abnormal profits.

Ayorinde, Toyin and Leye (2012) studied the effect of corporate governance on the performance of the Nigerian banking sector. The judgmental sampling technique was used in selecting the 15 listed banks out of 24 banks that met the consolidation date line of 2005. A positive correlation was observed between the level of corporate governance items disclosed by the banks and return on equity which is the proxy for performance. This means that banks who disclose more on corporate governance issues are more likely to do better than those that disclose less. More so, a positive correlation was observed between the directors' equity interest and corporate governance disclosure index. The uses of correlation as a means of examining relationship between multi-measure variables like corporate governance cannot be reliable due to the inability of the technique to accommodate interaction among the variables.

Ahmad and Mensur (2012) examined corporate governance and financial performance of banks in the post-consolidation era in Nigeria. Data were sought from sixty annual reports of 12 banks for the period of 2006 – 2010. The independent samples t-test and multiple regressions (Analysis of Variance were used to achieve the study objectives. Findings revealed that Dispersed equity holding does have an impact on the earnings and dividend of banks. Also, board size does not have an impact on profitability of banks. The existence of a chief compliance does not significantly enhance profitability of healthy banks in Nigeria.

Adigwe, Nwanna and John (2016) this study examined the effect of corporate governance mechanisms on the financial performance of banks in Nigeria. Ordinary Least Square (OLS) regression was used to find out the effect of corporate governance variables on banks' performance. The study observed that board audit committee and directors' equity interest have a positive and significant effect on financial performance of banks; while board composition has a negative but significant effect on banks' financial performance. The study concluded that the existence of board audit committee enhances banks' financial performance.

Uwuigbe (2011), researches on corporate governance and financial performance of banks in Nigeria. A panel data regression analysis method was adopted in analyzing the relationship that exists between corporate governance and the financial performance of the studied banks. This indicates a significant negative effect of board size on the financial performance of the listed banks. Outside directors do have significant but negative impact upon bank performance as measured in terms of ROE. All these aforementioned studies on Nigeria failed to take into account the different measures of performance. Also, the studies on corporate governance in Nigeria failed to accommodate the interaction among measure of corporate governance, which arguably affect the efficiency of the model estimates.

Theoretical Review

This study uses the agency theory as a theoretical background to develop an empirical framework for examining corporate governance and financial performance of listed Money Deposit Banks in Nigeria.

The Agency theory having its roots in economic theory was exposited by Alchian and Demsetz in 1972 and further developed by Jensen and Meckling in 1976. The Agency theory is defined as *"the relationship between the principals, such as shareholders and agents such as the company executives and managers"*. In this theory, shareholders who are the owners or principals of the company, hire the agents to perform the work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Meanwhile, Daily, Dalton and Canella (2003) argued that two factors could influence the prominence of agency theory. First, the theory is conceptual and simple theory that reduces the corporation to two participants of managers and shareholders. Second, agency theory suggests that employees or managers in organizations can be self-interested.

The agency theory states that shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross in 1973, and the first detailed description of agency theory was presented by Jensen and Meckling in 1976. Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by Davis, Schoolman and Donaldson in 1997. With agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits, even with the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). It has been argued that instead of providing fluctuating incentive payments, the agents would only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, but it does not eradicate or even minimize corporate misconduct (Muogbo, 2013). Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004). Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners.

Methodology

The research design for the study is ex-post facto design. The ex-post facto design is adopted because the data used in the study is obtained from annual report of the banks under investigation. The population of this study is made up of twenty one (21) Deposit Money Banks listedon the Nigerian Stock Exchange within the study period (2012-2016). The study makes use of 8 banks which are Systemically Important Banks (SIBs) in Nigeria. The systematic banks are selected in accordance with the Central Bank of Nigeria ranking of 2016. They were selected owing to their important role and position in banking sector in Nigeria to maintain a Capital Adequacy Ratio of 16% and Liquidity Ratio of 35% above other Money Deposit Banks.Ordinary Least Square (OLS) multiple regression analysis was considered the most appropriate technique but owing to the panel nature of the data the data was further subjected to the Random Effect (RE), and the Fixed Effect (FE) regression analysis to ascertain the best model that is fit for the data. These techniques were used because of their ability to determine the relationship between the independent and the dependent variables in a data set of panel nature. To select between the three techniques of multiple regression OLS, FE and RE the following tests were conducted the Lagrange Multiplier (LM) Test , the Hausman specification test and the table of estimates; all these tests favoured the use of the fixed effect technique as a result, the FE multiple regression technique was selected for data analysis. Multiple regression analyses is a technique that has a number of assumptions and to use the technique, the data set is passed through certain econometric tests to be sure that the assumptions of the regression model are not violated. Thus the Variance Inflation Factor (VIF), Tolerance Value (TV), Multicollinearity and Heteroskedasticity tests were conducted to avoid the use of spurious regression results. The Statistics/Data Analysis package (STATA) version 13 was used to aid the data analyses.

Variables specification

Net Interest Margin (NIM)

Dependent variable isNet Interest Margin (NIM) which is a measure of the difference between the interest incomes generated by banks and the amount of interest paid out to their lenders. The independent variables are board size, Board independence, audit committee size, Audit committee independence and External audit independence.

Model Specification

The model for the study is as shown below:

$NIM=\beta_0+\beta_1 BS_{it}+\beta_2 BI_{it}+\beta_3 ACS_{i,t}+ \beta_4 ACI_{it}+EAI_{it} + u_{i,t}$……………..…...1

where:
NIM = Net Interest Margin
BS = Board size
BI = Board independence
ACS = Audit committee size
ACI = Auditor committee independence
EAI= External audit independence
β_0 = the intercept
$\beta 1$, β_2, β_3 = Coefficients of the independent variables
U = error term

Table 1:Study Variables, Measurement and expectation

Symbol	*Variable name*	*Variable type*	*Measurement*	*sign*
NIM	Net interest margin	Dependent	Interest income- interest paid to lenders	

BS	Board size	Independent	No of board members	**-/+**
BI	Board independence	Independent	No of years of experience of board members	**-/+**
ACS	Auditor committee size	Independent	Total NO of audit committee members	**+**
ACI	Auditor committee independence	Independent	If CEO not member of the committee 1 otherwise 0	**-**
EAI	External audit independence	Independent	If big 4,1 others o	**+**

Source: Author's compilation

Data analysis and discussion of results

This section presents and analyses the data collected from the eight companies that were sampled for the study with the help of Statistics/Data Analyses Package (STATA) version 13. To carry out a perfect analysis of the data, it was important to run a number of post estimation tests on the dataset to ascertain the most appropriate multiple regression technique to use. These tests include the Breusch-Pagan Lagrange Multiplier test of random effect (LM), Hausman Specification test, heteroskadasticity test and the Variable Inflation Factor test.

Heteroskedasticitytest: After the Ordinary Least Square regression was conducted on the dataset a heteroskedasticity test was done to check if the variability of the error terms was constant. The null hypothesis is that there is the presence of homoskedasticity however; the result of the test shows a p-value of 0.000 indicating the presence of heteroskedasticity implying that the error term does not have a constant variation.

Variance inflation factor (VIF): Table 2 below revealed that the average VIF obtained from the regression result is 1.76 which is above the bench mark of 1, to be specific the VIF of ACI is 2.59, that of BS is 1.70, EAI is 1.44, ACS is 1.20 and BI is 1.13 the mean VIF of the model is less than 5. This clearly indicates the absence of multicollinearity problem among the independent variables under investigation. Table 2 also show that the tolerance value (TV) for all the variables is above 0 and close to 1 which falls within the recommended range for regression analysis; these results are pointers to the fact that there is absence of multicollinearity problem among the independent variables.

Table 2: Variance Inflation Factor (VIF)

Variable	*VIF*	*1/VIF*
ACI	2.59	0.386798
BI	1.13	0.884376
BS	1.70	0.587600
EAI	1.44	0.694053
ACS	1.20	0.831177

Mean VIF	1.76

Source: STATA version 13

*Lagrange multiplier (LM) test:*The Breusch-Pagan Lagrange Multiplier is a test that helps the researcher to decide between the random effect (RE) regression and the simple time series ordinarily list square (OLS) regression techniques for the analysis of data. The null hypothesis in the LM test is that variance across entities (panels) is zero implying that there is no panel effect in the data therefore; one can run a simple OLS. The decision rule is that if the prob>chi2 is less than 0.05 the null hypothesis is rejected otherwise accepted. In this study, the LM test show the prob>chi2 of 0.414 which proves evidence of insignificant differences across panels thus the null hypothesis is accepted meaning that the OLS simple time series regression is a more appropriate technique against the random effect model.

Table 3: Summary of Descriptive Statistics

Variable	*Obs*	*Mean*	*Std. Dev.*	*Min.*	*Max.*
NIM	40	.066	.0763528	.01	.28
BI	40	9.93275	3.839342	1.55	12.59
ACI	40	46.875	36.51216	19	120
ACS	40	.725	.4522026	0	1
BS	40	.1705	.0758524	0	.33
EAI	40	.0635	.0806877	0	.34

Source: STAST version 13 output

The results from the descriptive statistics show a total of 40 observations. NIM has a mean of 0.066 with a variability of 0.0763. This shows that cooperate governance proxies under investigation have a positive effect on NIM of companies under investigation. The maximum and minimum values of NIM are 0.28 and 0.10 respectively and are widely dispersed (0.76) this result is consistent with that of (Pearce & Zahra, 1992) and (Clasessens & Fan, 2003). The 0.066 mean further show that corporate governance has a low effect of firm financial performance with Deposit Money Banks under investigation. The low effect level does not support the fact that high financial performance is a function of the EAI of the firm, nor a function of the ACSe as opine by (Ahmed and Mensur 2012). The table also show a mean of 9.93 and a maximum and minimum of 12.59 and 1.55 respectively measured in terms of BI. In addition, ACI has a mean of 46.87 and 19 as minimum with 120 as maximum. The mean deviation of ACS stood at 0.725 with a standard deviation of 0.45 and a minimum of 0.00 and maximum of 1.00. Furthermore, BS has a mean of 0.17 and standard deviation of 0.76 with a maximum and minimum of 0.33 and 0.00 respectively.

Table 4:Correlation statistics

	BI	ACI	ACS	BS	EAI
BI	1.0000				

ACI	-0.0766	1.0000			
ACS	0.2401	0.0413	1.0000		
BS	0.0936	-0.5147	-0.0632	1.0000	
EAI	0.1331	-0.3305	0.2660	-0.0363	1.0000

Source: STATA version 13 output

From table 4 above, the highest correlation is between EAI and ACS which is 0.266, this figure is far less than 8.00 which is considered harmful for the use of regression analyses. The highest value of correlation among the predictor variables is relatively low, this connotes that the independent variables are related in such a way that their individual effect on the outcome variables can clearly be distinguished implying that there is absence of multicollineality problem.

Table 5: The Ordinarily Least Square regression result (OLS)

NIM	*Coef.*	*T*	*P>/t/*
BI	.0085596	3.02	0.005
ACI	.0002754	0.61	0.545
ACS	-.0627704	-2.53	0.016
LEV	.2024491	1.15	0.257
BS	.0017913	0.01	0.992
EAI	-.1297515	-0.85	0.399
Prob>F			0.0054
R-squared			0.4090
Adj R-Squared			0.3016

Source: STATA version 13 output

The significance test: this was used to test the fitness of the regression model adopted for the study. This was tested at 5% level of significance. The decision rule is that a significance level of less than or equal to 0.05 shows that the model used for the study is fit and can lead to the generalisation of results otherwise, the model is not fit to generate good and convincing results and should be modified or discarded however, results from OLS above show Prob.**>F** values (0.0054) which is significant which shows that the model was fit for the study.

The table further show an Adj. R-square of 0.302 meaning that 30.20% of the variation in NIM is accounted for by the effect of the predictor variables under investigation. It further implies that 69.80% of the variation in the outcome variable is influenced by factors other than the predictor variables. The result also show that cooperate governance generally account for 40.9% of the variation in NIM. The predictor variables in the study gives a difference of 1.10% (0.409 – 0.302) implying that if the entire population was sampled, this result would have differed from that of the entire population by just 1.10% which is insignificant to change the direction of the generalisation of the results.

Discussion of Results

Board independence and Banks financial performance

The earlier expectation of the researcher was that the association of board independence to firm financial performance could be positive or negative but result of table four shows that board independence has a positive association with banks financial performance. To be more specific, board independence significantly (0.005) affects firm financial performance of companies under investigation. The t statistics also show a value of 3.02 which falls outside the region of non rejection of -+1.98. Based on this result, the null hypothesis is rejected and the alternative hypotheses is accepted leading to a conclusion that board independence has significant effect on the financial performance of banks investigated. This result is in line with the extant literature like that of Waddock and Grave (1997); Uwuigbe (2011), Vafeas (1999) Pearce and Zahra (1992), Cleassens and Fan (2003) who opine that board independence can be associated with effective firm financial performance because a firm that has board independence is capable of taking decisions that will improve the economic situation of the company without interferers from outside. .

Audit committee independence and Banks Financial Performance

The earlier expectation of the researcher was that the relationship between audit committee independence and banks financial performance could be negative but result of table four shows that audit committee independence has a positive association (0.003) with firm financial performance however, the level of association is insignificant. The t- statistics also show a value of 0.61 which falls within the region of non rejection of -+1.98. Consequently, the null hypothesis is accepted and the alternative hypothesis is rejected leading to the conclusion that audit committee independence has no significant effect on the financial performance of banks investigated. This result is in line with the extant literature like that of Vafeas (1999) Pearce and Zahra (1992), Cleassens and Fan (2003) and inconsistent with that of Waddock and Grave (1997); Uwuigbe (2011), who opine that audit committee independence has a positive and insignificant relationship with firm financial performance. The insignificant effect of the audit committee independence with firm financial performance could be linked to the fact that the performance of the firm may depend largely on the sales volume, and economic policies of the firm and not necessary based on whether or not the audit committee is independent.

Audit committee size and Banks Financial Performance

Contrary to the earlier expectation of the study that the relationship between audit committee size and banks financial performance could be positive the result of table four shows that audit committee size has a negative (-0.628) relationship with firm financial performance. In addition, audit committee size has a significantly (0.016) effect on firm financial performance of companies under investigation. The t- statistics also show a value of -2.53 which falls outside the region of non rejection of -+1.96. As a result, the null hypothesis is rejected and the alternative hypothesis is accepted leading to the conclusion that audit committee size has significant effect on the financial performance of firms considered. This result opposes the study conducted by Ahmad and Mensur (2012), Achigwe, Nwann and John (2016), Uwuigbe (2011), Vafeas (1999) Pearce and Zahara (1992), Cleassena and Fan (2003) who opines that audit committee size positively relet with firm financial performance. The negative association of audit committee size with firm financial performance may be linked with the fact that audit committee size whether large or small may perform the same function however, the audit committee of firms investigated may be weak in carrying out their duty allowing the management to take advantage of earnings management which consequently affect the financial performance of the firms investigated.

External audit independence and Banks financial performance

The result of table four shows that EAI has a negative association (0.103) with firm financial performance. To be precise, EAI is insignificantly (0.399) related to banks financial performance of companies under investigation. The t statistics also show a value of -0.85 which falls within the region of non rejection of -+1.98. Consequently, the null hypothesis is accepted and the alternative hypothesis is rejected leading to the conclusion that EAI has no significant effect on the financial performance of banks investigated. This result is at variance with that of Vafeas (1999), Pearce and Zahra (1992), Cleassens and Fan (2003) and consistent with that of (Waddock & Grave, 1997 Uwuigbe, 2011). The possible explanation to this negative and insignificant association is that external auditors in some cases liaise with the management of the firms to produce reports that favour the management of the firms by covering their misdeeds against the shareholders who have employed them. A situation where a company goes bankrupt after a beautiful audit report showing a true and fair quality financial performance.

Board Size and Banks Financial Performance

The researcher was indifferent as to the expectation of the nature of relationship between board size and banks financial performance but table four shows that board size has a positive association (0.002) with firm financial performance. To be more specific, BS is insignificantly (0.996) related with firm financial performance of companies under investigation. The t statistics also show a value of 0.01 which falls within the region of non rejection of -+1.96. Consequently, the null hypothesis is accepted and the alternative hypothesis is rejected leading to the conclusion that BS has no significant effect on the financial performance of banks investigated. This result is consistent with that of Vafeas (1999), Pearce and Zahra (1992), Cleassens and Fan (2003) and inconsistent with that of Cadbury (1992), Ayorinde, Toyin and Leye (2012) who carried out a similar study but found that BS has significant effect on firm financial performance. The insignificance of the BS to firm financial performance may be viewed from the fact that efficiency may not necessary be in the quantum of people handling a particular job but may be a function of total quality management which advocates that managers should get it right to avoid waste and maximise resources.

Conclusions

The study used five proxies to represent corporate governance and each was used to form a hypothesis aimed at answering the research questions the study was set to solve. On the average, the results demonstrated that a positive but insignificant association exist between corporate governance and firm financial performance hence; BI demonstrated a positive and significant relationship on the financial performance of the companies under investigation. On the other hand, the ACI and BS demonstrated a positive but significant relationship with the financial performance of firms under investigation. However, ACS associated negatively but significantly with firm financial performance. Furthermore, EAI has a negative relationship but insignificant effect on firm financial performance. Based on the findings above it is incorrect to assert that corporate governance is paramount in determining the financial performance of the firm. Generally, this study concludes that, corporate governance has no significant effect on the financial performance of firms investigated.

Recommendations

i. Since BI has significant positive effect on firm financial performance it is recommended that firms investigated should maintain their BI in other to continuously improve their financial performance.

ii. ACI has a positive but insignificant relationship with firm financial performance. It is recommended that firms under investigation should encourage the independence of audit committees in their firms; this may significantly improve their financial performance.

iii. ACS has negative but significant effect on the financial performance of firms investigated. Therefore, the management firms investigated are encouraged to make use of economic policies that would enhance the financial performance of the firm.

iv. Board size is insignificant to firm financial performance. It is recommended that companies should hold an optimal number of board members that the company can effectively manage bearing in mind that the higher the number of board members the more difficult it is to make quick decisions. On the contrary a decision taken by few members may be subject to bias.

v. EAI is negative but insignificant to firm performance of listed Deposit Money Banks in Nigeria. Firms investigated are encouraged to use auditors with high experience and technical competence to audit their firms.

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CORPORATE GOVERNANCE PRACTICES FOR ORGANIZATIONAL SUSTAINABILITY- A PERSPECTIVE STUDY

Okafor G.O and *Okaro S. C.

Department of Accountancy, NnamdiAzikiwe University, Awka

*Corresponding author- eziogidi@yahoo.com

Abstract
The purpose of this study is to ascertain the perception of auditors and non-auditors on corporate governance practices suitable for organizational sustainability in Nigeria. We used structured questionnaire of the likert-scale type to elicit responses from the identified stakeholder groups - auditors and non-auditors. Simple percentages, descriptive statistics of mean and standard deviation were used to analyse the data of study. In addition, a t-test statistics was used to determine whether there are significant differences in the perception of the two groups. We found a general agreement, among participants, of 19 corporate governance practices suitable for organizational sustainability. In particular, the stakeholders identified a board that has the appropriate mix of skills, experience and independence; a board that constantly presents a balanced and understandable assessment of the company's position and prospects; a board that is diligent in its duties; and a board that provides a reporting format that discloses economic, social and environmental performance of the organization and an effective audit committee as important corporate governance practices, among others, that impact organizational sustainability in the Nigerian context. Our finding has policy implication for FRCN that has the mandate of regulating corporate governance practices in Nigeria. The study adds to the scanty literature on corporate governance practices for organizational sustainability in Nigeria even as it provides information for curricula update in Nigerian tertiary institutions.

Introduction

Society does not operate in isolation but as part of a broader ecosystem consisting of the society as whole and the environment. Numerous stakeholders from society affect and can be affected by the operations of a company,these stakeholders include consumers, employees, local communities, institutional investors and government. These stakeholders may not necessarily have aligned interests. Increasingly companies can no longer indulge on activities that could harm the people, communities or the environment without attracting negative attention as a result of advances in information dissemination and regulatory oversight. Responsible companies therefore aim at creating sustainable shareholders value over a long-term, while at the same time managing their relationships with the various stakeholders from society and also managing any negative impact on the environment.They do this through the development of their corporate social responsibility(CSR)(UNEP, 2014). Corporate governance is one way to integrate shareholders and stakeholders objectives(Roudaut, 2016). The International Finance Corporation (IFC) (2010) defines corporate governance as "the quality, transparency and dependability of the relationships between the shareholders, board of directors, management and employees that define the authority and responsibility of each in delivering sustainable value to all the stakeholders. Cadbury (1992)defines corporate governance as system by which businesses are directed and controlled. Sustainability, on the other hand, refers to a strategic approach that goes beyond focusing on efficiency and effectiveness but also on productivity for creation of value to the owners (on competitiveness) as they follow from the environmental, economic and social dimensions(Kocmanová, Hrebicek & Docekalová, 2011).

Increasingly, corporate governance and sustainability issues are taking the front burner in public discourses. This is because of the widespread cry for change in ways of doing business as a result of scandals trailing the collapse of global giants including Enron and WorldCom. Sustainability covers effective management of physical resources so that they are conserved for the future. While the economic concept focuses on the long-term economic performance of the organization itself, the key issue in the social sphere is social justice(Dembo & Rasaratnam, 2015). If sustainability has become the moral and economic imperative of the 21st century, then it follows that governance, strategy and sustainability have become inseparable(IFC, 2010).

Literature integrating corporate governance and organizational sustainability are evolving because thoughton linking the two concepts has been recent since it is an aftermath of the recent corporate collapses, accounting scandals and the financial crisis. In 2015, the Organisation of Economic Cooperation Development (OECD) put up some principles of corporate governance. These principles are to be put into effect in a variety of ways in different countries. Many countries, including the UK, have since domesticated the OECD principles of corporate governance. In Nigeria, an attempt was made to mandate a unified code of corporate governance in 2016 by the Financial Reporting Council of Nigeria (FRCN). It was also an attempt to integrate sustainability principles into corporate governance practices in Nigeria in line with the OECD guidelines. However, the code was suspended following public outcry against some of its provisions suggesting lack of consensus among the stakeholder groups. This situation begs the issue of whether the move by FRCN to integrate sustainability principles into corporate governance is sanctioned by Nigerian stakeholders.What is the perception of stakeholder groups as to corporate governance practices that make for organizational sustainability in Nigeria? This is the research question that guided this study. Our study sought the perception of accountants on the corporate governance practices necessary for organizational sustainability in Nigeria.

This paper aims to assist policy makers and practitioners to keep abreast of corporate governancepractices necessary for organizational sustainability in Nigeria and formulate policies that will enhance the effectiveness of these practices. It will also contribute to the limited literature on these practices in emerging economies, specifically, Nigeria. Researchers will have a list of corporate governance practices in Nigeria for organizational sustainability for further studies.

Literature Review

Corporate Governance and Sustainability

Corporate governance has emerged as a topic connected to the establishment of agreements and the implementation of improvements in three dimensions: environmental, social and economic. Corporate governance has been defined as a system by which companies are directed and controlled. It thus deals with the organization of relations among management, shareholders and stakeholders in the context of corporate transparency. Sustainable governance in particular, is a practice commonly used to anticipate and manage potential risks to legitimacy and corporate reputation.

The concept of sustainability, on the other hand, is a multi-faceted and diverse one. This increases the difficulty of understanding it. However, corporate governance is emerging as a topic related to the implementation of sustainability because the businesses are beginning to consider sustainability as a means to increase market value and improve the organization in general while reducing operating costs and increasing profit(Jaimes-valdez &Jacobo-hernandez, 2016). Increasingly, therefore, the concept of "integrated governance is gaining currency and connotes a situation whereby companies are directed and controlled by integrating sustainability issues in a way that ensures value creation for the company and beneficial results for all stakeholders in the long-term(UNEP, 2014).

Principles of Good Corporate Governance and Regulatory Actions
The rule of law is the foundation of good corporate governance. Five critical factors have been identified as driving good corporate governance, these are trusteeship, transparency, empowerment and accountability, control and ethical citizenship(Smith, 2013). In line with this, OECD advocates that corporate governance framework should also recognize the rights of all stakeholders' not just shareholders, and should encourage active cooperation between the entities and stakeholders in creating wealth, jobs and sustainability of financially sound entities. Similarly it requires that there should be disclosure and transparency.

Regulators across various climes are increasingly issuing codes of corporate governances to document best practices in organizational management to guide companies within their domains as it is recognized that no single corporate governance model is valid for every country as a rule, compliance with these governance recommendations are not mandatory but companies are usually required either to comply or explain the reason for non-compliance. Codes of corporate governance are not static but are revised and updated in line with the changing circumstances of the corporate world, (Karayel, Sayli& Gormus, 2009).

Corporate Governance Codes in Nigeria and Challenges to Corporate Governance
The 2003 SEC code was the beginning of Code of corporate governance in Nigeria. In 2011, the Nigerian Security and Exchange Commission (SEC) issued a revised code of corporate governance to replace the 2003 code. It widened the scope of reports to be made available by a company to its stakeholders including sustainability reports. In 2016, FRCN mandated a unified private sector code of corporate governance in Nigeria (Private Sector Code). The code was intended to further update corporate governance practices in Nigeria in line with international best practices. The code prescribes that all private companies shall henceforth have a whistle-blowing policy which shall be known to employees and other stakeholders of the company. In line with the increasing interest on sustainability issues and in accord with international best practices, the code puts "Sustainability Issues "at the core of the relationship of the board of private companies with other stakeholders outside. Private companies are thus enjoined to pay adequate attention to the interests of their stakeholders such as employees, creditors, consumers, suppliers, trade unions, host community, government, the general public and future generations(Section 35.1 of the Code). The code enjoins the boards of all private companies to henceforth report annually on the nature and re-extent of its social, ethical, safety, health and environmental policies and practices.

Traditionally, there are many challenges to good corporate governance in Nigeria. These include audit committee ineffectiveness and low level of shareholder activism(Jafaru & Iyoha, 2012). Others are lack of whistle blowing culture and low ethical standards(Adekoya, 2011). Yet, others are weak internal control systems and voluntary nature of the codes(Inyang, 2015). Family ownership of some companies also pose challenge to corporate governance in Nigeria(Adegbite, 2015). The challenge of corporate governance in Nigeria has taken a newand wider dimension with the increased emphasis on corporate governance practices that drive organisational sustainability.

Brief Empirical Review
Smith (2013)examined the perceptions of managers regarding the governance and sustainability of organisations within the Nelson Mandela Bay Region in South Africa.200 respondents were served questionnaire to elicit their opinion. The Chi- square test statistic was used to test the hypotheses of study.

Respondents agreed that governance for sustainability needs to be embedded in the strategic plans oforganisatons and resides on the board to ensure good governance principles. The study is predicated on the corporate governance philosophy of trusteeship, transparency, empowerment and accountability, control and ethical citizenship. However, the study was limited to the Nelson Bay Region of South Africa which limits the representativeness of the sample of the study.In a related study, a content analysis of the reports of 5 elite European companies was undertaken to elicit their corporate governance and sustainability practices.The study found that sustainability was not the exclusive prerogative of certain industries or large firms.The five firms studied had very different businesses. All the companies detailed their long-term orientation in expressing their commitment to sustainability and durable value creation(Salvioni, Gennari& Bosetti, 2016); of particular interest in the findings of this study is generalization of sustainability across industries and firms. Alimitation of this study is inherent, its use of content analysis. Companies in such situations communicate only what they choose to.

In a related Nigerian study, top executives of 6 companies in the country's oil industry were interviewed. The interview covered the following key areas: corporate governance practices;sustainability practices; the link between corporate governance and sustainability practices and; benefits of corporate governance and sustainability practices. It was found that corporate governance is a pillar of sustainability practice and the two should come to convergence(Dembo & Rasaratnam, 2015). These studies suggestwidespread desire by stakeholders in developed countries for good corporate governance practices for organizational sustainability. The need for such practices cut across industrial and firm-size. In the context of Nigeria, only one research, to the best of our knowledge, has documented such perception by oil industry top executives albeit before the FRCN 2016 suspended code.The questionremains as to what is the perception of wider-stakeholder Nigerian groups as to the corporate governance practices for organizational sustainability as documented by FRCN 2016 code and our literature search.

Methodology

The results reported in this study were based on a purposive sample of 200accountants serving as either auditors or non-auditors drawn from different parts of the country. Members of the Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) were targeted for this purpose.The sample was chosen randomly to ensure representation from all parts of the country. Once the sample was identified a questionnaire of the likert- type was developed and pilot tested with two accounting professionals and their corrections effected.Usable responses of 118 were received representing a 59% response rate. The response rate was considered adequate for the purpose of this study(Oscar, Emmanuel, Nosakhare, & Osazuwa, 2012)

The Questionnaire

The questionnaire was developed with the intention of identifying the corporate governance practices for organizational sustainability as captured in the 2016 FRCN unified code of corporate governance supplemented by other practices gleaned from literature. Section A of the questionnaire consists of two questions meant to get the demographic details of the respondents. The first question sought information on the gender of the respondents while the second question wanted to capture the work experience of the respondents.

Section B consists of 20 statements. The respondents were required to rate the extent of their disagreement or agreement with each of the statement based on a 5 point likert scale ranging from (1)

Strongly disagree to (5)Strongly agree. Question 20 was an open- ended question and was meant to elicit other corporate governance practices that will make for organizational sustainability. 118 valid responses were received on which the analysis was based, 50 of the 118 respondents were females while 68 were males. 87 of the respondents had had 5years and below of work experience while the remaining 31 had over 5 years work experience.

Data analysis and discussion of results

Table 1 shows thedescriptive statistics of corporate governance practices that influence sustainability.

Table 1: Descriptive Statistics on Corporate Governance Practices that influence Sustainability

Questions							
	1	2	3	4	5	Mean	S.D.
Corporate Governance Practices that have positive influences on organizational sustainability							
1)Aclear division between the board of directors and Executive management responsible for day to day running of the company's business.	5	9	9	42	53	4.09	1.102
2)The presence of independent directors whose function is to monitor and advise the executive directors.	0	10	11	52	45	4.12	0.898
3) A board that has an appropriate mix of skills, experience and independence.	0	0	4	54	60	4.47	0.566
4) A board that is diligent in its duties.	1	1	7	43	66	4.46	0.724
5) A board that has a mechanism for regularly evaluating its performance.	5	0	4	42	67	4.41	0.908
6) A board that constantly presents a balanced and understandable assessment of the company's position and prospects.	3	2	1	45	67	4.45	0.823
7) A board that establishes a formal and transparent arrangement for risk management.	1	4	8	48	57	4.32	0.815
8) An effective audit committee.	1	1	6	39	71	4.51	0.713
9) Executive directors' remuneration linked with corporate and individual performance.	2	7	21	40	48	4.06	0.990
10) An active shareholder group.	6	3	18	54	37	3.96	1.016
11) An independent external audit function.	1	3	5	38	71	4.48	0.771
12) The presence of an effective internal audit.	1	1	7	42	67	4.47	0.724
13) Presence of a reporting format that discloses economic, social and environmental performance of the organization.	1	4	5	48	60	4.37	0.793
14) A board that encourages diversity in employment.	4	4	18	46	46	4.07	0.993
15) Board size that is optimal.	3	4	19	53	39	4.03	0.929
16) An ethical board.	2	6	13	45	52	4.18	0.939
17) The presence of a management succession plan.	0	3	14	39	62	4.36	0.790
18) Presence of a whistle blowing policy.	4	3	16	42	53	4.16	0.987

19) Presence of mechanism for the management of conflict of interest.	4	4	9	59	42	4.11	0.932

We analysed the responses of the individual groups to determine the extent of agreement or disagreement in respect of the 19 statements as per auditors and non-auditors groups. These are shown in table 2.
Table 2: Extent of agreement (Percentages)

	Non-Auditors (72)	Auditors (46)
	%	%
1) A clear division between the board of directors and executive management responsible for the day to day running of the company	76 (17)	87 (8)
2)The presence of independent directors whose function is to monitor and advise the executive directors	82 (12)	83 (15)
3)A board that has an appropriate mix of skills, experience and independence	96 (2)	98 (1)
4)A board that is diligent in its duties	92 (7)	93 (2)
5)A board that has a mechanism for regularly evaluating its performance	94 (5)	89 (6)
6) A board that constantly presents a balanced and understandable assessment of the company's position and prospects	97 (1)	91 (3)
7) A board that establishes a formal and transparent arrangement for risk management.	90 (9)	87 (8)
8)An effective audit committee	96 (2)	89 (6)
9)Executive director's remuneration linked with corporate and individual performance	75 (19)	74 (17)
10)An active share- holder group	81 (13)	72 (19)
11) An independent external audit function	93 (6)	91 (3)
12)The presence of an effective internal audit	96 (2)	87 (8)
13)Presence of a reporting format that discloses economic, social and environmental performance of the organization	92 (7)	91 (3)
14)A board that encourages diversity in employment	81(13)	74 (17)
15)Board size that is optimal	79 (16)	76 (16)
16) An ethical board	81 (15)	85 (12)
17) The presence of management succession plan	88 (10)	83 (13)
18)Presence of a whistle blowing policy	76 (17)	87 (8)
19)Presence of mechanism for the management of conflict of interest	88 (10)	83 (13)

For all the 19 statements, the table shows that the stakeholder groups were unanimous in their responses. All the auditors and non-auditors believed that the 19 identified corporate governance practices will make for organizational sustainability. The lowest percentage of agreement on any of the statements was 72% recorded by auditors on statement no10 regarding the presence of an active shareholder group. The minimum percentage agreement for all the statements for non-auditors is statement no 9 on the issue of executive directors' remuneration linked with corporate and individual performance was 75%.98% of the auditors agreed with statement no 3 to the effect that a board should have an appropriate mix of skills, experience and independence. This represents the highest level of agreement among all the statements.For non- auditors, the highest level of agreement was 97% from statement no 6 to the effect that a board that constantly presents a balanced and understandable assessment of the company's position and prospects.

Our findings on the overwhelming support of stakeholders for good corporate governance principles that positively impact on organizational sustainability are in line with the findings from our empirical review above which confirms the same desirability of stakeholders' across company-size, industry type and geographic divides. It thus gives support to the attempt by the FRCN to update the code of corporate governance in Nigeria.

A detailed analysis of the responses of the two stakeholder groups reveals eight corporate governance principles adjudged by the two stakeholder groups as having considerable influence on organizational sustainability although their individual group rankings may not always be the same. These principles, in no particular order, include: statement no 3 to the effect that a board should have an appropriate mix of skills, experience and independence; statement no 6 to the effect that a board that constantly presents a balanced and understandable assessment of the company's position and prospects; statement no 8 on the presence of an effective audit committee; statement no 4 on a board that is diligent on its duties; statement no 12 on the effect of an effective internal audit; statement no 11 on an independent external audit function; statement no 13 on the presence of a reporting format that discloses economic, social and economic performance of theorganization and statement no 5 in respect of a board that has a mechanism for regularly evaluating its performance.

The statement to the effect that a board should have an appropriate mix of skills, experience and independence was ranked 1st by the auditor group(98%) and second by the non-auditor group (96%) indicating that the stakeholders value technical competence, experience and independence as very important in driving sustainable organisations.A board that constantly presents a balanced and understandable assessment of the company's position and prospects was ranked first by non-auditors(97%) and 3rd by auditors (91%). This is not surprising as various sustainability writers emphasise the importance of not compromising future organizational prospects for the present. An effective audit committee was ranked 2nd by non-auditors (96%) and 6th by auditors. This finding agrees with the study of Jafaru and Iyoha (2012) cited earlier to the effect that ineffective audit committee is one of the banes of good corporate governance in Nigeria.A board that is diligent in its duties was ranked 2nd (93%)by the auditors while the non-auditors ranked it 7th (92%). The presence of an effective internal audit was ranked 2nd(96%) by non-auditors while auditors ranked it 8th(87%). An independent external audit function was ranked 3rd (91%) by auditors while non-auditors ranked it 6th (93%).

The presence of a reporting format that discloses economic, social and environmental performance of an organization was ranked 3rd (91%) by auditors and 7th (92%) by non-auditors. The call for integrated reporting in Nigeria is growing and our study offers yet another empirical evidence of this desire by Nigerian stakeholders. This is also in line with the suspended FRCN unified corporate governance code of 2016 that had called for an expanded reporting format incorporating information in respect of an organisation's economic social and environmental activities.A board that has a mechanism for regularly evaluating its performance was ranked 5th (94%) by the non-auditors and 6th (89%) by the auditors.A closer look at the relative importance attached to the above factors by the stakeholders tends largely to lend credence to the assertion by Smith (2013), discussed earlier, that good corporate governance for sustainability should be driven by trusteeship, transparency, empowerment, accountability, control and ethical citizenship. However, the ranking of an ethical board 15th(81%) by non- auditors and 12th (85%) by auditors do not align with the author's assertion in respect of the relative importance of ethical citizenship as one of the drivers of good corporate governance for sustainability of organisations. In a similar vein, the suspended FRCN 2016 code of corporate governance seems a step ahead of our stakeholders' perception of relative importance of ethics in organizational sustenance when it mandates disclosure of ethical issues among others by corporate boards in Nigeria. One explanation is that ethical culture is still evolving in Nigeria given the history of poor corporate governance culture documented by writers likeInyang (2015).

One of the requirements of the suspended FRCN code of 2016 is the introduction of whistle blowing policy by corporate bodies in Nigeria. The auditors showed a better appreciation of the role such a mechanism could play in corporate governance for organizational sustainability by ranking it 8th (87%). Non-auditors ranked it 17th (76%) almost at the bottom of the scale. It is expected that auditors have a better appreciation of the positive difference a whistle blowing culture can make in their work as in the Enron case reported earlier in this study. The Federal Government of Nigeria has also introduced a whistle blowing policy.The issue of executive directors' remuneration being linked with corporate and individual performance was ranked 19th (75%) by non-auditors) and 17th (74%) by auditors. The apparent low ranking of this statement may be explained by the fact that such a policy may lead to a situation where non- performing boards may be tempted to indulge in earnings management as happened in the cases of Enron in USA and Cadbury (Nig) Plc.Another factor that scored low is the presence of an active shareholder group. While the auditors scored it 19th (72%), non-auditors scored it 13th (81%). It is possible that respondents believe that an active shareholder group will work at cross purpose with the wider interest of stakeholders which aligns better with the philosophy of good corporate governance for organizational sustainability.

Board diversity received a ranking of 13th (81%) from non-auditors and a ranking of 17th (74%) by auditors. Board diversity especially as it relates gender is a cultural issue as male dominance is still prevalent in Nigeria. This attitude may have informed the ranking as the male respondents were more in number than the female respondents. Both groups ranked the presence of an optimal board size in the 16th position with 79% of non-auditors agreeing and 76% of auditors also agreeing. The issue of whether there is an optimal board size has always been a contentious one with many researchers reporting mixed results. Our finding, on this score, contributes to the debate. On the whole, the auditors were more conservative in their responses to the statements than the non-auditors. Auditors are trained to demonstrateprofessional skepticism in their approach to their work and it is possible that this has also affected their responses to the statements.

To find out whether the responses of stakeholders were influenced by gender and work experience, we carried out T-testanalysis for gender and work experience. The results are shown in Tables 3.

Table 3: T-test Analysis based on Gender and Work Experience

	Gender		Work Experience	
	t-test value	Sig.	t-test value	Sig.
1)A clear division between the board of directors and executive management responsible for the day to day running of the company	1.590	0.115 (ns)	0.168	0.867 (ns)
2)The presence of independent directors whose function is to monitor and advise the executive directors	2.340	0.021 (sig)	-0.773	0.441 (ns)
3)A board that has an appropriate mix of skills, experience and independence	2.446	0.016 (sig)	-0.845	0.400 (ns)

4)A board that is diligent in its duties	1.322	0.189 (ns)	0.342	0.733 (ns)
5)A board that has a mechanism for regularly evaluating its performance	1.372	0.173 (ns)	0.370	0.712 (ns)
6)A board that constantly presents a balanced and understandable assessment of the company's position and prospects	2.437	0.016 (sig)	-0.273	0.786 (ns)
7) A board that establishes a formal and transparent arrangement for risk management.	2.548	0.012 (sig)	-0.516	0.607 (ns)
8) An effective audit committee	1.198	0.223 (ns)	-0.949	0.344 (ns)
9) Executive director's remuneration linked with corporate and individual performance	1.328	0.187 (ns)	-0.455	0.650 (ns)
10) An active share- holder group	1.875	0.063 (ns)	-0.269	0.788 (ns)
11) An independent external audit function	1.174	0.243 (ns)	-0.277	0.782 (ns)
12) The presence of an effective internal audit	2.005	0.047 (sig)	-1.319	0.192 (ns)
13)Presence of a reporting format that discloses economic, social and environmental performance of the organization	1.987	0.049 (sig)	-0.642	0.522 (ns)
14)A board that encourages diversity in employment	1.626	0.107 (ns)	-1.245	0.216 (ns)
15) Board size that is optimal	1.560	0.268 (ns)	-0.048	0.962 (ns)
16) An ethical board	1.212	0.228 (ns)	0.336	0.737 (ns)
17)The presence of management succession plan	0.991	0.324 (ns)	-0.255	0.799 (ns)
18) Presence of a whistle blowing policy	2.911	0.004 (sig)	0.845	0.400 (ns)
19) Presence of mechanism for the management of conflict of interest	0.697	0.487 (ns)	-1.257	0.211 (ns)

*ns =not significant at 5% probability, *sig- significant at 5% probability

The t-test result shows that the mean scores of female were higher than the mean scores of male in all the statements, however significant differences do not exist in all the responses to the different statements.There is no significant difference in the responses of the sampled accountants based on their years of work experiences, the negative t-values show that the mean scores of the accountants cum auditors with more than 5 years of work experiences are higher than the mean scores of those with 5 years and below work experience.

Question 20 was an open-ended question which required the respondents to give any other information they deemed fit in respect of corporate governance practices that will make for organizational sustainability. One respondent observed that "corporate governance in Nigeria today is weak and sustainability poor".

Another suggested that the presence of management succession plan with clearly specified tenure for members of management team to hold a particular office will go a long way to help achieve sustainability in organisations. Yet another respondent averred that oversight function of the board is very important in ensuring organizational sustainability. Another respondent observed that if accountants, auditors and other employees subscribe to high ethical standards in the work place, then the prospects of organizational sustainability will be high. Finally a respondent cautioned that no matter the attempt to legislate a new array of good corporate governance practices for organizational sustainability such effort will come to naught if no rigorous enforcement mechanism is put in place.

Conclusions

The aim of our study was to find out the perception of accountants on the corporate governance practices that will make for organizational sustainability in Nigeria. 19 corporate governance practices were identified from the suspended FRCN corporate governance code of 2016 and our review of literature. A likert-type questionnaire was used to elicit information from the stakeholder groups on their perception about the ability of such practices to generate organizational sustainability. Descriptive statistics and mean were used to analyse the data while a T-test was ran to ascertain whether there are any significant differences in the perception of the stakeholder groups in regard to gender and work experience. The stakeholders believed that all the 19 practices outlined were capable of influencing positively organizational sustainability. In particular, a board that has an appropriate mix of skills, experience and independence, a board that constantly presents a balanced and understandable assessment of the company's position and future prospects, an effective audit committee, a board that is diligent in its duties and a board that has a reporting format that discloses the economic, social and environmental performance of an organization among others.

This study has few limitations. One is the sample size of 118 respondents which is rather small and can be improved upon. Two stakeholder groups were used in the study. Other stakeholder groups including regulators should also be approached to elicit their responses.In spite of the above limitations, our study has identified some corporate governance practices that make for organizational sustainability in the Nigerian context. Our study has policy implication for the FRCN that has the responsibility for updating the Nigerian corporate governance code. The study also contributes to the scanty literature in this area from Nigeria as it domesticates modern global corporate governance practices in the Nigerian context.It also provides a base for future Nigerian researchers on corporate governance practices for organizational sustainability and has practical implication for curricula development in tertiary institutions in Nigeria.

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STRUCTURE OF CORPORATE GOVERNANCE ON DIVIDEND RETURNS: A STUDY OF LISTED INSURANCE COMPANIES IN NIGERIA

Ozordi Emmanuel[1]
Obarakpo Teddy[2]

Oluwagbemi, Simeon Taiwo[3]
Joshua Abimbola[4]
&
Falola Irene[5]
Department of Accounting,
Covenant University, Ota, Ogun State, Nigeria
[1]ozordi.emmanuel@yahoo.com
[2]teddyobarakpo@yahoo.com
[3]Oluwagbemitaiwo@ymail.com
[4]babatunde.abimbola@yahoo.com
[5]falolairene1995@yahoo.com

Abstract

Dividend return ratio serves as an indicator to investor and various stakeholders. It is a focal point for making decisions and gives a clear picture of how well an organisation is performing. Despite its importance, corporate governance has become an issue of concern to business organisations, regulatory bodies and government. This study examined the relationship between the corporate governance structure and dividend return ratio of listed insurance companies in Nigeria. Random sampling method was adopted in achieving the objectives of this study. The study considered the annual reports of the selected firms from 2011 to 2015 for data collection and analysis. The paper was structured to determine the impact of the firms' board size, autonomous non-executive board members and CEO duality on dividend pay-out decisions in the insurance industries under study using the OLS regression method. Findings from the study shows that composition of the board, independent non-executives haveno significant influence on dividendpay-out of the selected firms but CEO duality had a positive significant influence. The study recommends that corporate governance structure should consist of independent non-executive directors and separation of the position of chairman and CEO that would ensure proper monitoring of funds and enhance shareholders return via dividend playout.

Keywords: Dividend Return Ratio, Corporate Governance, Agency Theory, CEO Duality

Introduction

The debate on the influence of corporate governance has on dividend policy of companies is one with no end in finance literatures and has left different arguments and positions as to the determinants of dividend policy for corporations. The board of directors been the apex governance body of a firm is one effective corporate governance mechanism charged with the responsibility of to perform an oversight function over the operations of a company. In addition to their other functions, they are also responsible for the approval of dividend recommended by the management of the firm.

The recent failure evident across the globe and the fast rising of business scandals, lack of effectiveness of the board and the failure of organisations toward addressing the needs of differentinvestors prompted the drive for a practicable good corporate governance within business organisations, corporations and public offices, a system that would guide and channel corporation's policies towards growingowner'sworth and attending to specific needs of different investors.The point whereby users of this information lose confidence in any corporation economic information then you can be assured an unrest amongst the public and absences of confidence will cripple the financial performance of the corporation (Al-Faki, 2006).

Equitable Life Assurance Society as cited in (Momoh & Ukpong 2013) opined that executive members were responsible for the collapse that took place in year 2000, it was evident that funds were used improperly. In Nigeria, a similar issue was experienced due to board crisis and a poor assets and liabilities management which made the liability to outweigh the asset thereby making recapitalisation impossible. The rapid outburst of companydeceit relating to unnecessary overstating of financial statement has led to a more directional focus on corporate governance.

All these arguments point out the importance of the board of directors, its role and power to significantly influence the decisions and operations of the firm. One of those very significant decisions is that of dividend playout. Dividend policy is an important area of the financial report of any organisation, (Alii, Khan and Ramirez 1993) opined that dividend is a pivot responsible for making all other business strategies revolves. It is important to the success of any business strategies and it is providing direction and focus on how funds are controlled and managed. It relates to firm's dividend payout policy that managers follow in deciding the pattern and size of cash distribution to shareholders over time (uwigbe, 2013). What amount would be plough back and what is left for investment (Ross, Westerfield and Jaffe 2002). According to Uwuigbe, Jafaru, and Ajayi, (2012), the most important finance decision faced by mangers is the decision to distribute profit. He claims that the shares of a firm would have no value if dividend is not paid. Black (1976) claim that the concept of dividend can be likened to a puzzle that does not fit together. Park (2009) claim that payment of dividend can be traced with firms that has good corporate governance, and such firms focus on protecting the interest of its shareholders.

In order to validate this arguments, a number of empirical studies have been carried out to examine the influence of corporate governance on dividend pay-out policy. Example of such studies include Litai et al., 2011; Gill & Obradovich, 2012;Nnadi et al., 2013; Maldajian & El Khoury, 2014; Brunzell et al., 2014;Uwuigbe (2013); Uwuigbe, Olusanmi and Iyoha (2015). Despite investigations by prior studies, there still exist a mixed result as to influence of corporate governance on dividend pay-out policy. With few Nigerian based studies Uwuigbe (2013); Uwuigbe, Olusanmi,and Iyoha (2015) focusing on the banks and other listed firms leaving the insurance firms in the dark. The implementation of corporate governance is so important to the Nigeria insurance industry reason being that the sector is responsible for maintaining market stability, investment,and economic growth. However, there has been dearth of literatures of corporate governance structure and dividend return policy on listed insurance companies in Nigeria.

Based on the background, this paper addresseskey structural policies within the industry governance on dividend return decisionon insurance companies in Nigeria. To this end, the paper intends to discuss the subsequent research questions: what is the impact of board size on dividend payout ratio? What effect does an independent non-executive board members have on dividend payout ratio? What are the significant consequence of CEO Duality on dividend payout ratio? To answer the above listed questions, the following null hypothesis were verified in the study.

H_0:boardsize has no significantinfluence on dividend return ratio.

H_0: Independent non-executive members have no significantinfluence on the dividend return ratio.
H_0:CEO duality has no association with dividend payout ratio.

Therefore, the arrangement of the paper will take the following steps, review related literature of previous studies and historical background of corporate governance in Nigeria. The third part describes the empirical data collection method used for analysis. The fourth part represents the empirical result and analysis. Finally, we present a discussion, conclusions,andrecommendations for future research.

Literature Review

Corporate governance has existed in reality of a long period(Lai and Bello 2012) asserted that the precedence of corporate governance could be traced to the early era where ethnic worshippers oversaw the happenings ofnumerousethnic groups and enforced compliance ofthoseethnicrules. Crawford (2007) opined that corporate governance has had series of debates in United States and across the globe. The emergency of these issues arose the interest of shareholders and government to corporate governance.The (Cadbury committee 1992) “corporate governance as the way in which an entity is controlled and directed”. According to Lemo (2010) avowed that corporate governance is a set of rules through which companies are controlled and monitored by the executives board members in other to safeguard the objective ofdifferent investors and to attain an organisational goal congruence. According to kajola (2008) in Abdulazeez, Ndibe,and Mercy (2016) avowed that corporate governance aim is to manage the company and yield larger profits from investments and make available the rewards of the owners and investor.Any organisation who seek to carry out its operation in fairness and truth is practically exercising a good governance.

Agency Theory

Agency theory took its stand in the work of Alchian and Demsetz (1972) but was later improved upon in the work ofother researchers. It focus on thedichotomy ofownership and control. Nwanji (2007) opined that agency theory can be viewed as a relationship which occurs when one or more persons, called the principle hires one or more person called an agent to carry out certain obligations on his behalf. The theory is interested in the discord that exist amongst the principal (who own the company) and agent (directors or manager). In the work of Clarke (2004) opined that agency problem occur when agents who are by obligation are to protect and oversee the organisation in the interest of the owner hide information and mange it for their own interest. Robert (2004) suggested that certain agency cost should be accepted in order to attend to the discord that exist amongst executives and shareholders interest.

Structure of Corporate Governance and Dividend Return policy

Agency theory focus on the discord amongst the principal andmanagers (agents). The theory suggest that shareholders prefer dividends when their funds are been disinvested by the managers (agents) as a result of insider trading. In the works of (Shao, Kwo,and Guedhami, 2008; Shliefer and Vishney, 1986) avowed saying companies who remain controlled by strategic shareholders are risky for the minority shareholders. In the work of (kowalewski, stetsyuk,Guedgami, 2007) avowed that an organisation with larger institutional shareholders would enhance better dividend return policies because the managers would ensure the needs of the larger owners are met. (La porta lopez, Shleifer, Vishny 2000) opined that in order to enhance mangers dividend returns a check and balances strategy should be employed.

(Bukart and fausto 2001) claim that companies with smaller amount of ownership interest are likely not safe and this would result to more and severe agency problems. He suggests that the owners be separated from the management. To further buttress his claim la porta et al (2000) opined that owners who has influence and constitute the management would create opportunity of draining off resources of the firm to increase their individual wealth. In Nigeria the investment and securities act of 1999 is charged with the autonomyto ensure and enhance good governance, the capital market tribunal is responsible for law suit cases and redress for corporate abuses. (Izedonmi 2010; Azobu 2010) in their work claim that the implementation and adoption of the international financial reporting approach to the countries public offices and administrative functions would ensure corporate disclosures and good governance and increase transparency and ease comparability of firms by investors. Farinha (2003) claim that corporate boards play significant roles of monitoring and discipline of corporate management especially when the board structure has a larger ratio of independent non- executive directors imbedded with relevant skills and expertise.

Moreover, Abor and Fiador (2013) in their work to scrutinise any relationship that may arise between a corporate structure and its dividend payout ratio in sub-Saharan dated (1997-2006). The findings showed the huge influence an independent director had over the payment of dividend significantly in Kenya and Ghana companies. Results gotten from that study shows that companies whose board composition consist of independent executives would be more obliged to distribute higher dividend returns. In the works of (Afzal and Sehrish 2011; Adjaoud and Ben-Amar 2010) claim that a proportion of outside directors would influence dividend payout. In a work carried out by Ajanthan (2012) he discovery no feasible connection exists between the payment of dividend and the composition of the board amongst hotels and restaurant firms in Sri Lanka.

Moreover,(Mansourinia, Emamgholipour,Rekaboarkolaei and Hozoori, 2013) claim an insignificant influence of board independence on company's dividend ratio.This was also observed in the work of(Abdelsalam, El-Masry and Elsegini 2008). Furthermore, in the study conducted by Abor and Fiador (2013) on the company's dividend ratio of Sub-Saharan Africa countries, they confirmed a significant negative influence on board composition of Nigerian firm's dividend pay-out. (Belden, Fister, and Knapp 2005) claim the larger the boards size the more dividend that would be distributed to shareholders, he said the larger the board the better chances of people monitoring the decisions of the chief executive officer. In the work of (Arshad, Akram,Scholar, and Usman 2013) using samples of Pakistan companies, their findings were the dividend payout policies were influenced by the CEO duality in those firms under study. In a similar work of Obradovich and Gill (2013) using 296 samples of an American service listed companies show that firms' decision to pay dividend is, as a result, the chairman is different from the chief executive officer. This study, therefore, centres on the listed insurance companies in Nigerian and attempt to seal the gap in literature by examining firms corporate structure and its effect on dividendpay-out polices on these banks.

Methodology

The study considers 25 insurance companieslisted on the Nigeria stock marketshowing records of paying dividends. The study selected a sample of 9 insurance companies quoted on this market. According to Kerjice and Morgan (1970) in (Uwuigbe, Olusanmi and Iyoha 2015), they avowed that 5% of a population is the minimum sample sizeneeded to make generalisation on the population. In lieu of Kerjice and Morgan (1970), nine insurance company were selected. The sample size was randomly selected and chosen on reliable and relevant information. The annualreportwasanalysed on the sample period 2011-2015. Data were derived from the insurance companies' financial report and analysed using panel data regression technique.

Model Specification

The study has certain hypotheses stated above, hence a model was generated to study the effectof the structure of corporate governance on dividend return ratio controlling for the firm size. The equation is computed as follow:

$y=\beta_o+ \beta x_{it} + \mu_{it}$.. (1)

Equation 1 can be defined as:

DRR = f (CG) + cμ…………………...………………...……….……………….. (2)

$DRR_{it}=\beta_0+\beta_1 BS_{1t}+ \beta_2 NED_{it} + \beta_3 CEOD_{1t.} + \mu_{1t}$ ………………………...………………….(3)
Hence
DRR_{it}= is computed by dividing the dividend per share by earnings per share.
BS_{1t} = represents the size of the board present yearly.
NED_{it} = Represents the sum of independent non-executive directors yearly.
$CEOD_{1t}$ = thiswould be ranked as 1 if the chairman is the CEO and 0 if not.
μ = Error term.

Table 1: Variable Measurement

Variable	*Item*	*Measurement*
Dependent	*Dividend return ratio (DRR)*	*Computed by dividing the dividend per share by earnings per share*
Independent	*Board size (BS)*	*Number of the persons on the board*
	Non-Executive directors (NED)	*The sum of independent non-executive directors yearly*
	CEO duality (CEOD)	*this would be ranked as 1 if the chairman is the CEO and 0 if not*

The result shown on the descriptive statistics (table 1) illustrates a mean dividend return ratio of .02711 and a standard deviation of 1.7378 for the insurance firms. This suggest that the insurance firms on an average pay out 2% of their retained profit. The standard deviation also shows a large variation between firms that pay out dividend, a minimum and maximum stat of 00 and .05 support this assertion. This variation could be attributed to the fact that most of the sampled insurance firms either made losses for the examined period or did not pay dividend as opposed to the very few that paid inconsistent dividend. On the other hand, the independent variables which are the BSIZE, NED, and CEODUAL show an average mean value of 8.87, 5.33 and 0.02 respectively for the sampled insurance firms.The result shows average board size for the sampled firms of approximately 9 persons are on the board with a maximum and minimum stat of 12 and 6.The mean stat for NED showed an average of 5 non-executive directors on the board, comparing this stat to the average board size it means that non-executive directors constitute a majority on the board.

Table 2: Descriptive Statistics

Descriptive Statistics

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
DRR	*45*	*.00*	*.05000*	*.027111*	*1.73783*

Bsize	*45*	*6.00*	*12.00*	*8.8667*	*1.65968*
NED	*45*	*2.00*	*8.00*	*5.3333*	*1.65145*
CEOdual	*45*	*.00*	*.01*	*.022*	*.14907*
Valid N (listwise)	*45*				

Source: SPSS Result (2018).

Table 3: Model Summary

Model	R	R Square	Adjusted R Squa	Std. Error of Estimate
1	.674[a]	.455	.415	8.21308

a. Predictors: (Constant), CEOdual, Bsize, NED

Similarly, findings from the regression analysis model summary as shown in table 2 shows that R^2 which is known as the coefficient of determination (.455). The R^- Squared which is responsible to measure the overall fitness of the model shows that the model can explain about 45.5% variability of the selected firm dividend return ratio. This implies that corporate governance mechanism might have been able to predict a significant variability in dividend pay-outs, the remaining 54.5 % relate to factors not considered by this study.

Test of Hypothesis

The hypotheses were tested using p-valueof the t statistic as shown in (table 3). The hypotheses are as follows:

H_{01}:The board size has no significant influence on dividend return ratio.

Table (3) below, shows that the board size of the insurance firmhas a negativeinfluence on the dividend return ratio for the sample firms, but this relationship insignificant. The table (3) below presents support for this assertion (the p-value> 0.05). This suggests the acceptance of the null hypothesis. This result could imply that an increase in board size of any firm would insignificantly decrease the dividend returns ratio.Also,small board with diversity of background and experience would likely pay higher dividend than larger boards because of their ability to be efficient and effective carrying out their oversight functions.The result finding wereaccordancewith works of Abor and Fiador (2013). However, it contradicts the (Bolbol, 2012; Uwuigbe,2015)

H_{02}: Independent non-executive members have no significant impact on the dividend return ratio.

The outcome from table (3) proves that independent non-executive directors has an insignificant positiveinfluence on this insurance firm's dividend return policies. This is evident in thep-value of.887(p-value > 0.05) level of significance. This suggest that the null hypothesis is accepted. It shows that a greater percentage of NED present on the board would make the board to declare higherdividends. The result findings were similar to the work of (Belden, 2005; Jiraporn, 2008) but it refutes the findings of Abor and Fiador (2013)

H_{03}: CEO duality has no significant effect on the insurance companies' dividend returns ratio.

The finding in table (3) show that CEO duality has a significant positive influence on dividend return ratio. This is proved with thep-value of 0.00 (p-value <0.05) level of significance. This suggest that the null hypothesis is rejected. This result suggests that companies with the chairman separate from the CEO would have a higher probability of paying a higher dividend. The outcome was in line with the work of Uwuigbe (2015) but inconsistent with the work of Tsui (2001) and Abor and Fiador (2013).

Table 4: Coefficients[a]

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	*Std. Error*	*Beta*		
1	*(Constant)*	*5.481*	*7.092*		*.773*	*.444*
	Bsize	*-.543*	*1.258*	*-.084*	*-.431*	*.669*
	NED	*.181*	*1.267*	*.028*	*.143*	*.887*
	CEOdual	*48.314*	*8.338*	*.671*	*5.794*	*.000*

a. Dependent Variable: DRR

Conclusions

The purpose of the work was to examine the influence the structure of corporate governance has on dividend returns on the listed insurance companies in Nigeria. The study reveals that the smaller board size would increase the chances of a higher returns, and a greater percentage of NED present on the board would make the board to declare higher dividends. It alsoshows that companies with the chairman separate from the CEO would have a higher probability of paying a higher dividend. The study recommends thatstructure of firms must consist of experience and functional directors that would ensure proper monitoring of funds provide rapid and relevant information on the dividend policy that would enhance shareholders returns. Insurance companies and all other industries should disclose their financial or business interest. The studyrecommends that managers (agents) should be given a stake in the company because this would make them implement objectives, project that would suit the interest of the owners since having a stake entitles them to receiving dividend.

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Conference theme 12:

ACCOUNTING AND FINANCE FOR NOT-FOR-PROFIT ORGANISATIONS

ACCOUNTING SYSTEM IN NON PROFIT ORGANISATIONS IN NIGERIA

ADESINA, Olutayo Modupe,
DEPARTMENT OF ACCOUNTANCY,
THE POLYTECHNIC, IBADAN, NIGERIA.
teeymode@yahoo.com

Abstract

This study examined critically, the problems of maintaining adequate accounting records for non-profit organizations with reference to the selected Non Profits Organization's (NPOs) in Oyo State as a case study. Primary data were collected through structured questionnaires which were administered to the staff of the captured NPOs who are in charge of bookkeeping and accounting. Mean score and simple percentage descriptive statistical tools were used in analyzing the data gathered. It was discovered from the result of findings that failure to make accrual accounting adjustment, using of untrained volunteers to perform record keeping and accounting, to incomprehensible regulatory/laws and obstacle of balancing the goals of humanitarian organizations strongly hindered adequate accounting records for non-profit organization. Therefore, the study recommends that there is need for effective and experienced bookkeepers to understand the nuances of full accrual accounting underGenerally Accepted Accounting Principles and there is also need to institute the numerous training programs for accountants to minimize the accounting errors.

*Keywords:*Non-profit organization, accounting, financial reports, GAAP, accounting errors.

Introduction

Every organization both business and non-business requires account and finance for its various activities. The business organizations are set up primarily for profit making like banks, companies and other related ventures while the religious, clubs, library, museum, charitable organizations are not meant for profit making but for rendering services and achieving organization's social mission.

Regarding accounting control procedures for every business organization, Sathyamoorthi (2001) observed that it is important to have systems of control over all business activities that are well implemented to help ensure: protection of resources against waste and fraud, accuracy and reliability in accounting data and success in the evaluation of the performance of the business. Relying on professional accountant, the organization can get the competencies that they need (Curley, 2005)

Accounting record keeping plays a key role in management of knowledge necessary for good business performance either profit or nonprofit organization. Modern organizations are concerned with the capture, use and storage of knowledge. Record keeping provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with business standards. Record keeping is the foundation on which compliance program should be built upon. Measures should be put in place to capture the documentation and events that takes place throughout transaction commencing from delivery and payment (Reed, 2010). Record keeping conveys substantial information about the financial strength and current performance of an enterprise. Mangers find organizational statements useful in making decisions. As managers develop operating plans, they think how those plans will affect the performance of the organization (Onaolapo, 2014).

Non-profit organization (NPO) requires fund to run its affairs and to carry out its daily financial obligations. The funds are not necessarily adequate to meet up to its numerous demands, though there are various sources of generating income. It is then necessary to determine the financial income being used by the NPOs whether there are proper record keeping, the financial decisions and reporting made and the accounting system or procedure adopted. There arises the need for the organization to keep track of its financial operations, this helps form an adage for it to control its income against its expenditure. Thus, a house built on a solid foundation remains a strong house but that whose foundation is shaky can crumble at any time. In the same way, a good financial background of a NPO can be said to be the foundation on which the organization is built.

Accounting for a non-profit can be inherently difficult, especially if this process is handled within the context of standard commercial accounting procedures. Not only can this become a difficult situation but, if the right steps are not taken, these operations can become both ineffective and unreliable. Non-profit organizations not only operate within a vastly different financial framework, they also carry with them a unique lexicon of financial phenomena: grants, restricted and unrestricted funds, donations, etc. In addition, non-profit organizations also have social and legal implications that extend far beyond the balance sheet. These factors can make accounting a drain both on time and resources if they are not being handled appropriately.

Many non-profit organizations are now being faced with the problems of maintaining adequate accounting and financial records and these always result into the inadequacy of funds to carry outs their obligation activities effectively. Many of the NPOs are incapacitated in terms of fund, yet there are several sources of finance to them and they seem not to meet up with their financial demand based on the challenges encounter in accurately maintaining and preparing their accounting due to Failure to make accrual adjustment accounting, using of untrained and inexperienced volunteers to perform records keeping and accounting, Frequent incomprehensible regulatory and laws, Obstacle of balancing the goals of humanitarian, delay in the preparation of bookkeeping and accounting.

In line with the above stated problems, the study is aimed at investigating the accounting system in non-profit organization in Nigeria and specifically aim tocritically examinethe problems facing NPOs in maintaining adequate records keeping and accounting system,measure the extent to which poor records keeping and accounting system affect performance of NPOsand proffer solutions through recommendations to the factors hinder effective accounting system in non-profit organization.

conceptual review

non-profit organization

A nonprofit organization (abbreviated NPO, also not-for-profit) is an organization that provides assistance to individuals, groups or causes, rather than generating profits for itself. There are a wide range of NPOs: Charities, churches, hospitals, schools, as well as associations with purposes of science, literature, arts, sports, wildlife protection, etc. In most countries, governments and government agencies are considered a separate type of organization and not counted as NPOs.A nonprofit organization is an organization that is dedicated to advancing a particular social cause or point of view. A nonprofit is different from a corporation in that it uses its surplus money to advance their views or causes; whereas a corporation takes surplus money and distributes it to the shareholders. While a nonprofit can make money through the sale of goods, the biggest difference between a nonprofit and corporation is that a nonprofit usually is exempt from paying income tax, whereas a corporation must pay(www.whatis.techtarget.com, www.businessdictionary.com)

Accounting RecordSystems

Romney (2003) defined record keeping systems as set of components that collects, records, classifies, analyses, and processes and summarizes business transactions in the books of accounts. A system should be simple to use, easy to understand, reliable, accurate consistent and designed to provide information on a timely basis. According to Parker (2002) record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also adds that record keeping also includes policies, systems, procedures, operations and personnel required to administer records. Mc Lean (1999) points out that good record management helps in controlling the creation and growth of records to reduce operating costs, assimilation of new records management technologies and in ensuring regulatory compliance. Poor record keeping, inefficient use of accounting information to support financial decision- making and low quality and reliability of financial data are part of the main problems in financial management concerns of NPOs (Karunananda and Jayamaha ,2011).

Accounting records are the products of an accounting system. Accounting system is an orderly, efficient, scheme for providing accurate financial information and controls. Accounting systems show the books, records, vouchers, files and related supporting data resulting from application of accounting process that has observed regulatory requirements and internal administration policies (Olatunji, 2013). Accounting system must comply with the Generally Accepted Accounting Principles (GAAP). According to GAAP, any event that has a determinable monetary impact on the organization must be recognized as an accounting transaction.

Reasons for keeping accounting records

There are different reasons for maintaining records and these vary from business to business. ASA & RIM (2011) argue that the primary motive for keeping records is at least to provide ample evidence of and information about business activities.

Many have called for the need of keeping records in enhancing business performance. For instance, Hughes (2003) asserts that keeping business records is an important driver for the success of a business and argues that a comprehensive record or book keeping system enables business owners to develop accurate and timely financial reports that detail the progress and prospects of the business. Thus, the performance of a business is contingent on the existence of book keeping system. According to (Macey, 2001; Frolick & Ariyachandra, 2006) they have concluded that proper record keeping have used increased market share, profitability, improved facilities and meeting required standards as proxies for business performance. Arguing along the same line, Fitzgerald et al. (2006) views performance indicators to include but not limited to profitability, business competitiveness, sales growth, customer base, liquidity and capital structure, relative market share, quality of services and staff competence as well as resource utilization and productivity.

These four attributes have been analyzed for comparing accounting information system (AIS) andorganizational strategies and performance (Gerdin & Greve, 2004). Only recently have studies begun to examine whether organizations systematically vary the AIS design to support their chosen strategy, recognizing that AS have the potential to facilitate strategy management and enhance organizational performance (Gerdin & Greve, 2004).Appropriate review between designing of AIS and performance of commercial units by analyzing strategies explains that high performance of commercial units depends on a wide range of accounting information systems (Boulianne, 2007). So many studies begun to examine whether organizations systematically vary the AIS design to support their chosen strategy, recognizing that AIS have the potential to facilitate strategy management and enhance organizational performance (Gerdin & Greve, 2004).

Existing literature offers scant evidence of the relationship between these AIS and financial performance; though it is important to highlight the study made by Elena Urquia Grande, Raquel Perez Estebanez and Clara Munoz Colomina (2010) which discovered a positive association between AIS design and organizational strategy and performance. The successful implementation of AIS could save shareholder's money and time. The information value generated by AIS to shareholders and stakeholders in making investment decisions (Sori, 2009).

gap in the literature

The literature is aimed at reviewing the gap in research on the assessment of problems of accounting system of non-profit organization in Nigeria. According to diverse literature review, it was observed that their views on this research area vary. Some scholars studied it on the bases of technology application to accounting system and improved financial reports of NPOs, basically on advertisement in which it was found that culture has impact on promotional strategies. Some scholars also based their studies the means to enhance financial record keeping of NPOs. However, it is deduced from various studies that research has not covered the areas of problems of accounting systems in Non-profit organizations in Nigeria.

Theoretical Review

In "Government and Non – profit Accounting Theory and Practice by Freeman Craig and Lynn (1988) the authors stipulatedthat the financial reporting of non-profit organization each included religious, clubs, charitable organization etc. emphasized that such reporting should provide the following information:

- The economic resources, obligations and net resources of an organization and the effects of transactions, events and circumstances that change resources and interest in those resources.
- The performance of an organization during a periodic measurement of the changes in amount and nature of the net resources of a non-business organization and information must be useful in assessing its performances.
- How an organization obtains and spends cash or either liquid resources, its borrowing and repayment of debt and others factors that may affect an organization's liquidity should include explanations and interpretation to help user understand financial information provided.

Methodology

Random sampling technique was used through questionnaires to survey accountants and other financial administrators of the selected non-profit organizations for this study. The sampling method was deemed the appropriate means of getting respondents knowledgeable and well abreast with the subject matter (Sarantakos, 2006).

The data used in this study were sourced through primary method of data collection. In all, 120 questionnaires that were administered to the various organizations 72 were returned and analyzed. The data were collected through four Licket Scale Grades, Strongly Agree (SA) =4, Agree (A)=3, Disagree (D) =2, Strongly Disagree (SD)=1 based on the perception of respondents on the statements generated under the topic 'the problems of maintaining adequate accounting and financial records'. This data collection method was employed due to the fact that it is easy to draw conclusion, reports, results, and graphs from the respondents when working with quantitative data.Cronbach's Alpha pre-test method used shows the result of 0.84. This indicates that questions generated are reliable. Sekaran (2003) states that the closer the alpha value to 1 means the data is more reliable. That is, any values greater than 0.5 is considered to be good. The respondents' bio data were analyzed through *descriptive statistics* and the formulated researcher questions were analyzed through *Average Mean Score (AMS)* with the use of SPSS. For the mean score, the cut off mark to be decided on based on the four Licket Scale Grades, SA, A, D, SD is structured below: SA=4, A=3, D=2 and SD=1.

-Cut off mean $= \frac{4+3+2+1}{4} = 2.5$

- Accept the statement with the mean score greater than 2.5 and reject the statement with the mean score less than 2.5 .

Data analysis and discussion of results

Table 1:The problems facing NPOs in maintaining adequate records keeping and accounting system

S/N	Questions	$4xf_4$	$3xf_3$	$2xf_2$	$1xf_1$	Mean	Rule	Decision
1	Failure to make accrual adjustment accounting hinders proper record keeping and accounting of Non-profit organization	152	81	10	2	3.40	3.40>2.5	Accept
2	Using of untrained and inexperienced volunteers by NPOs to perform records keeping and accounting leads to poor record keeping and accounting	160	87	6	0	3.51	3.51>2.5	Accept
3	Frequent incomprehensible regulatory and laws hamper record keeping and accounting of NPOs	120	75	30	2	3.15	3.15>2.5	Accept
4	Obstacle of balancing the goals of humanitarian which is associated with NPOs hinders record keeping and accounting	108	63	28	10	2.90	2.90>2.5	Accept
5	Delay in the preparation of bookkeeping and accounting leads to poor records keeping and accounting in NPOs	116	66	28	7	3.01	3.01>2.5	Accept

Source: Field Survey; 2018

Table 1 reveals the perception of respondents on the challenges and problems facing NPOs in maintaining adequate records keeping and accounting. The result obtained here (in table 1) shows that NPOs find it difficult to maintain adequate records keeping and accounting due to failure/inability to make accrual adjustment accounting, using of untrained and inexperienced volunteersto perform records keeping and accounting, frequent incomprehensible regulatory and laws, obstacle of balancing the goals of humanitarian and delay in the preparation of bookkeeping and accounting.

Table 2:The effect of Poor records keeping and accounting system onfinancial activities of NPOs

S/N	*Questions*	$4xf_4$	$3xf_3$	$2xf_2$	$1xf_1$	*Mean*	*Rule*	*Decision*
1	Poor record keeping and accounting hampers smooth running of NPOs	164	90	2	0	3.56	3.56>2.5	Accept
2	Poor record keeping and accounting in NPOs discourages future reference making	136	81	16	3	3.28	3.28>2.5	Accept

3	NPOs find it difficult to quickly adjust to changes due to poor record keeping and accounting	116	75	24	6	3.07	3.07>2.5	Accept
4	Poor record keeping and accounting in NPOs creates room for fraudulent practices NPOs hinders record keeping and accounting	204	63	0	0	3.71	3.71>2.5	Accept
5	Lack of proper record keeping and accounting exposes NPOs to excessive clutter and a disorganized environment	132	81	18	3	3.25	3.25>2.5	Accept
6	NPOs tend to spend more than what comes in due to lack of proper bookkeeping and accounting	156	78	10	2	3.42	3.42>2.5	Accept

Source: Field Survey; 2018

Table 2 shows the extent to which poor records keeping and accounting affect performance of NPOs. It is shown from the table that NPOs performance is retarded by poor record keeping and accounting because it hampers smooth running of the organizations, discourages future reference making, makes it difficult for the organizations to quickly adjust to changes, creates room for fraudulent practices in the organizations, exposes NPOs to excessive clutter and a disorganized environment, tends them to spend more than what comes in based on the fact that the mean score obtained for each statement is greater than 2.5.

Testing of hypothesis

H_0**:** Poor accounting system does not hinder financial activities of Non-profit organizations (NPOs).

Items (statements) 3, 4 and 5 were used to test if Poor accounting system does not hinder financial activities of NPOs.

ANOVA Table 3

		Sum of Squares	*df*	*Mean square*	*F*	*Sig*
Financial Activities * Poor Accounting System	Between groups	57.662	2	28.831	6.341	.034
	Within groups	1645.308	9	182.812		
	Total	1702.970	11			

Source: Data Analysis using SPSS Version 20

Reject null hypothesis if f–cal is greater than f-tab and reject alternative hypothesis if f-cal less than f-tab at 0.05 level of significance.

The computed or calculated value of F using SPSS version 20 is 6.341 while the tabulated value of F is 4.26. Since the F-cal> F-tab (6.341 > 4.26), the formulated null hypothesis which states Poor accounting system does not hinder financial activities of NPOs should be rejected and conclude that poor accounting system hinders financial activities of NPOs

Conclusions

This study was basically carried out to critically investigate the problems of maintaining adequate accounting record for non-profit organization. Basically, accounting for a non-profit can be inherently difficult, especially if this process is handled within the context of standard commercial accounting procedures. Not only can this become a difficult situation but, if the right steps are not taken, these operations can become both ineffective and unreliable. However, the findings reveals that most of the non-profit organizations are strongly facing with problems of failure to make accrual adjustment accounting, using of untrained and inexperienced, Frequent incomprehensible regulatory and laws, Obstacle of balancing the goals of humanitarian, delay in the preparation of bookkeeping and accounting. It is therefore concluded that poor record keeping and accounting hampers smooth running of NPOs, discourages future reference making in the organizations, makes them find it difficult to quickly adjust to changes, creates room for fraudulent practices, exposes NPOs to excessive clutter and a disorganized environment and tends them to spend more than what comes in due to lack of proper bookkeeping and accounting.

Based on the result of findings and critical analysis of problems of maintaining adequate accounting record for non-profit organization, the research therefore makes the following recommendations:
(i) Non-profit organization should employ effective and experienced bookkeepers to understand the nuances of full accrual accounting under GAAP,

(ii) There is need to engage two accountants (external and internal accountants) to minimize the risk of misunderstanding and incomprehensible regulatory associated with NPOs and

(iii) There is need to institute the numerous training programs for accountants to minimize the accounting errors.

(iv) There should be one basic framework of accounting at a general level, with scope for a variety of information depending on the type of organization. Similar itemsshould follow similar accounting principles for all enterprises.

(v) Non-profit organizations should use the accrual basis of accounting. Commitments should be shown as appropriations, not liabilities and expenses

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Conference theme 13:

ACCOUNTING FOR INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL EFFICIENCY AND CORPORATE PERFORMANCE OF QUOTED MANUFACTURING FIRMS IN NIGERIA

EZELIBE, CHIZOBA PAULINUS
Department of Accountancy,
Nnamdi Azikiwe University, Awka, Anambra State.
pezelibe@gmail.com, pezelibe@yahoomail.com

Abstract

Intellectual capital is increasingly becoming an important resource for corporate organization in enhancing competitive advantage, improving corporate image and strategies in the global market. This study examines the effect of intellectual capital efficiency on corporate performance of quoted manufacturing companies in Nigeria. The population of the study consists of all 28 companies quoted on the Nigeria stock exchange under the consumer goods sector as at 2016. A total of seventeen (17) companies with updated financial information for the relevant years were selected and analyzed. Data for the study were extracted from annual reports and accounts of selected companies for the period 2012-2016.The study applied Value Added Intellectual Coefficient (VAIC™) model. Three research hypotheses were formulated for the study. In testing the research hypothesis, the study adopted both descriptive statistics and multiple regression techniques for quoted sampled firms analyzed with the aid of Statistical Package for Social Sciences (SPSS) version 22. The findings revealed that there is a positive significant relationship between Intellectual capital (IC) and corporate Performance. Based on the findings, it was concluded that the intellectual capital indices (Human capital efficiency, structural capital efficiency and capital employed efficiency) have significant relationship on corporate performance (Return on Asset, Return on Equity and Earnings per share) of manufacturing firms in Nigeria. Consequent upon this study, it was recommended that adequate attention should be given to firm's human capital since human capital efficiency is considered as the most important asset to any organization.

Keyword: Human capital efficiency, capital employed efficiency, structural capital efficiency, return on asset, return on equity and earnings per share.

Introduction

Globalization, economic development and its consequences havecaused a shift in the evaluation of enterprises' performance. Prior to recent times, most enterprises' performance evaluationswere conducted with financial and tangible parameters ofan institution. Today, a new model for assets has been proposed; generally organizational assetsare divided into groups of tangible and intangible assets(Hojatollah & Alireza, 2013).Traditional financial accounting is not able to calculate the true value of the organization, it only measure tangible assets and financial balance sheet. Intellectual capital provides a new model to measure the true value of the organization (Fathi, Farahmand & Khorasani, 2013).

Intellectual capital (IC) is an important intangible asset in today's business, particularly in current knowledge intensive economy which also relies heavily on information technology. Intellectual Capital has been frequently recognized as invaluable intangible asset which is managed and utilized to stimulate innovativeness, creativity, competitive edge, value creation and boost corporate performance (Abdullah & Sofian, 2012). Intellectual Capital refers to a set of intangible assets that can be stirred to improve organization's success. Indeed,with appropriate combination of Intellectual Capital components (such as Human Capital Efficiency, Structural Capital Efficiency and Capital Employed Efficiency)and values such as knowledge, expertise, financial resources, operationalstrategy and good rapport with stakeholders, it could potentially boost greater corporate performance.

In a knowledge-based economy, one must take into consideration not only the traditional ways to measure the company value, but it is necessary to recognize intellectual capital as well. Traditional measures of a company's performance, which are based on conventional accounting principles, may be unsuitable in the knowledge–based economy which is driven by intellectual capital (Gan & Saleh, 2008). Although intellectual capital and knowledge assets are difficult to discern and quantify, their results will nonetheless be reflected in the company's greater productivity, efficiency, and overall profitability (Irina & Elvira, 2013). The limitations of financial statements in explaining company value underline the fact that the source of economic value is no longer the production of material goods, but the creation of intellectual capital (Chen, Cheng &Yuchang, 2005).

The IASB through IAS 38 on Intangible Assets and the subsequent IFRS 3 on Business combinations and IAS 36 on Impairment of Assets applied by IFRS adopting countries and the treatment of goodwill, research and development and other identifiable intangible assets all give credence to the need for incorporating Intellectual Capital in financial reporting(Vafaei, Taylor & Ahmed, 2011). Berzkalne and Zelgalve (2014) argue that though intellectual capital and knowledge assets are difficult to discern and quantify, their results will none the less be reflected in the company's greater productivity, efficiency and overall profitability.

Objectives of the study

The broad objective of this study is to appraise the effect of intellectual capital Efficiency on Corporate Performance of Quoted Manufacturing firms in Nigeria. The specific objectives of this study are to:

1. Determine the effect of Intellectual Capital Efficiency on Return on Asset (ROA) of Quoted Manufacturing firms in Nigeria.

2. Evaluate the effect of Intellectual Capital Efficiency on Return on Equity (ROE) of Quoted Manufacturing Firms in Nigeria.

3. Ascertain the effect of Intellectual Capital Efficiency on Earnings per Share(EPS) of Quoted Manufacturing firms in Nigeria

Literature Review

The Concept of Intellectual Capital

There are various definitions for intellectual capital. Researchers have tried to define and exploredifferent facets of intellectual capital. But the general indication is that IC is a non-monetary assetwithout Physical existence but possesses value that can generate future earnings.Intellectual capital is intangible and cannot be accurately measured. For example, Frykman and Tolleryd (2010) define intellectual capital as all non-financial assets of a company that are not reflected in the balance sheet. Yet Tawy and Tollington

(2012) have observed that there is no universal definition for intellectual capital and the cause and effect relationship between intellectual capital and value creation is, at best, indirect.Rastogi (2003) opines that IC is the collaborative effort of a firm's human capital, social capital and knowledge management.

To summarize: Intellectual capital lacks physical form, it cannot exist on its own, but derives value from network effect, it is a claim on future assets.According to IAS 38, IC (IA) has been defined to include expenditures on advertising and marketing, research and developmental activities, human resource expenditures, copy rights, franchises, future interest, licenses, operating rights, patent, record masters, secret processes, trademarks and trade names, organizational structure and values that come from brand names

Intellectual Capital (IC) and Return on Asset (ROA)

Return on assets (ROA) is a financial ratio that shows the percentage of profit a company earns in relation to its overall resources. It is commonly defined as net income divided by total assets. Net income is derived from the income statement of the company and is the profit after taxes. ROA compares the profit for the period with the total assets employed by the entity in generating the profit during the period (Idekwulim, 2014).It is referred to as the earning powerthat provides an index for determining howprofitable the firm has been in the use of its assets.The rationale for using Return on Assets (ROA) is because according to Gan and Saleh, (2008) in Intellectual capital and corporate performance oftechnology intensive companies: Malaysia evidence, Return on assets indicates the use efficiency of the assets. Accounting-based measures have beenextensively used in past researches as a measure ofeconomic performance. Studies such as Muhammad and Ismail (2009), in their study of the relationshipbetween intellectual capital and businessperformance in the Malaysian financial sectormeasured firm performance with ROA. Another research conducted by Apiti, Ugwoke and Chiekezie (2017) on intellectual Capital Management and Organization Performance of selected food & beverages companies in Nigeria measured Organization performance with return on Asset (ROA) and the research shows a strong positive relationship between VAIC and ROA with a competitive correlation of 0.6300 and are significant for both of them.

Many papers are published on intellectual capital or VAIC™ and company performance. The results by Chen, Cheng, and Yuchang (2005) provide empirical evidence that investors place higher value on companies with better intellectual capital efficiency, and that company with better intellectual efficiency gains greater profitability and revenue growth in both the current and the following years. Shiu (2006) found that VAIC™ has a positive correlation with profitability (return on assets) and market valuation (market-to-book ratio), while a negative correlation with productivity was found. Study by Sydler, Haefliger and Pruksa (2013) concluded that an increase in intellectual capital is associated with a higher return on assets over time.

Intellectual Capital (IC) and Return on Equity (ROE)

Return on Equity is a fundamental measure of business performance. It is used to measure the overall performance of a business by comparing capital invested with profits. Return on equity is a vital tool in assessing the effectiveness with which funds have been used or managed by managers (Idekwulim, 2014). A study conducted by Wang (2008) found that Tobin's Q, KCE (Knowledge Capital Earnings), and VAIC™ have a positive relationship with company value. Maditinos (2011) found a significant relationship between human capital efficiency and the return on equity. Rahman (2012) used a sample of 100 UK firms listed on the London Stock Exchange and confirmed that greater intellectual capital efficiency leads to a better financial performance. The empirical analysis by Pucci, Simoni, and Zanni (2013) shows that there is a positive direct relationship between company's intellectual capital value and Return on Equity.

Intellectual Capital (IC) and Earnings Per Share (EPS)

Earnings are profits after tax which is attributed to ordinary shares. Earnings per share explains that earnings which is attributable to one unit of naira invested in the business by shareholder (Anuonye, 2015). Earnings are therefore argued to have been stimulated when components of intellectual capital are judiciously utilized. Earnings per share relates to earnings generated by business and available to ordinary shareholders during a period to the number of ordinary shares in issue. It measures the amount of equity earnings (profit after tax and preference dividends) attributed to a unit of ordinary shares in issue. The trend in earnings per share over time is used to assess the investment potential of a business shares (Idekwulim, 2014).

Theoretical Framework

This research work is built on the foundation of resource based theory.

Resource based theory emphasizes organizational resources as the main sources of gaining competitive advantage and performance. Organizational resources are its assets and the strength which enables it to plan and implement operation strategies that improve organizational efficiency. These resources are seen to be the most important sources for establishing and sustaining a competitive advantage provided they meet the criteria of possessing value, in that the resources must exploit opportunities or neutralize threats from the competitors. This then emphasizes that the organizations owned resources especially the internal resources which include the intangible assets of the organization are the building blocks that help an organization to achieve its mission, vision and objectives if they are intending to be a leading company in attendant. These resources include patent right, brand names, trade mark, corporate image, networking system of the organization, employee's expertise/skills which are classified as intellectual capital drives. The theory emphasizes that, if these resources are put into use effectively by organizations, competitive advantage and performance will be achieved, hence, linking intellectual capital management with organizational performance.

Research Gap

Alcaniz, Gomez-Bezares, and Roslender (2011) state that it is unlikely that accounting, as it has traditionally been understood, is capable of meeting new challenges of intellectual capital. At the very least, it seems desirable to continue to promote combinations of numbers in order to take into account the intellectual capital. Similar conclusions are made by Gowthorpe (2009) – intellectual capital accounting does not fit successfully into the traditional model of financial accounting and reporting. The results of study by Cronje and Moolman (2013) also indicate that accounting should be modified to ensure a standardized and comparable approach on intellectual capital.

Undeniable is the fact that intellectual capital is an asset of the company and an increase in intellectual capital should increase the value of the company as well. Yet empirical results of intellectual capital and VAIC™ are inconsistent. Some studies find positive correlation between intellectual capital and company value, while others do not find any relationship. In addition, there is a bulk of studies, which find a connection between VAIC™ components and market value. Certainly, the subject of intellectual capital and its impact on value is topical and more research is necessary.

Nevertheless, despite widespread belief held by academicians and practitioners that intellectual capital has a significant influence on corporate performance, empirical evidence from management research supporting the proposition has presented inconsistent findings. The inconsistent nature of the results motivated some scholars to investigate other possible explanations for divergence in findings. There are various reasons that have been advanced including methodological flaws, confusion and inconsistencies in conceptualization of the concept of intellectual capital, use of uni-dimensional nature of intellectual (Bontis, 1999; Kariuki, 2014; Kariuki, K'Obonyo & Ogutu, 2014).

The majority of the studies that have investigated the existence of a relationship between intellectual capital and performance have assumed the existence of a direct relationship (Kariuki & Kiambetti, 2017). This approach reflects a simplified assumption about how intellectual capital influences corporate performance and a general weakness in human resource management research. This implies that there is little or no fluctuation in level of influence of intellectual capital on corporate performance and that the internal or external environment cannot amplify or reduce the influence of intellectual capital.

Research Questions

The following questions will help to address the afore-stated objectives:

1. To what extent does Intellectual Capital Efficiency affect Return on Asset (ROA) of Quoted Manufacturing firms in Nigeria?

2. How does Intellectual Capital Efficiency affect Return on Equity (ROE) of Quoted Manufacturing Firms in Nigeria?

3. To what extent does Intellectual Capital Efficiency affect Earnings per Share (EPS) of Quoted Manufacturing firms in Nigeria?

Research Hypotheses

To proffer useful answers to the research questions and realize the study objectives, the following hypotheses stated in their null forms will be tested:

H_O: Intellectual Capital Efficiency does not significantly affect Return on Asset (ROA) of Quoted Manufacturing Firms in Nigeria.

H_O: Intellectual Capital Efficiency does not significantly affect Return on Equity (ROE) of Quoted Manufacturing Firms in Nigeria.

H_O: Intellectual Capital Efficiency does not significantly affect Earnings Per Share (EPS) of Quoted Manufacturing Firms in Nigeria

Methodology

The research design employed in gathering therequisite data for the study is *Ex Post-Facto* research.Ex Post-Facto research involves events that havealready taken place, which no attempt is made tocontrol, or manipulate relevant independent variables. Thevariables in this research work are events, which hadalready taken place in the annual financial report ofthe selected companies. The major source of dataused in this research is the secondary source. Thesecondary data was collected from the annualfinancial reports of the selected companies.

The population of the study consists of all 28 companies quoted on the Nigeria stock exchange under the consumer goods sector as at 2016. A total of seventeen (17) companies with updated financial information for the relevant years were selected and analyzed. Data for the study were extracted from annual reports and accounts of selected companies for the period 2012-2016.The study applied Value Added Intellectual Coefficient (VAIC™) model.The study adopted both descriptive statistics and multiple regression techniques for quoted sampled firms analyzed with the aid of Statistical Package for Social Sciences (SPSS) version 22.

Measurement of variables in the study

To calculate the Intellectual Capital (Independentvariables), the researcher adopted the method ofValue Added Intellectual Capital Coefficient(VAIC™) which shows the efficiency of theintellectual capital and for the measurement of Corporate Performance, the researcher used Return on Asset (ROA), Return on Equity (ROE), and Earnings Per Share (EPS)**.**

Value Added Intellectual Capital Coefficient (VAIC™)

Pulic, (1998, 2000) considers Value Added Intellectual Capital Coefficient (VAIC™) methodology as a universal indicator which shows the ability of a company in value creation and represents a measure for assessing the efficiency of Intellectual Capital. VAIC™ is developed to assess and evaluate the efficiency in adding value to a company's total resources while each major resource component focuses on value addition in an organization. The main constituent of each of them is the value added (VA). Value added results from how current business and related resources are employed. It represents the gross global value added created bythe firm.

The VA for the purpose of the study is **=** D+A+C+P

Where: D is depreciation

A is amortization.

C describes the costs of the employees e.g.,salaries .etc

P is the operating profit of the company.

Components of Intellectual Capital

Capital Employed Efficiency(CEE) which shows the efficiency of thecapital employed.

$$CEE = \frac{\text{Value Added (VA)}}{\text{Capital Employed (CE)}}$$

Where;

Capital Employed (CE) = Total Assets – Currentliabilities.

Human Capital Efficiency (HCE) is an indicator ofthe value added efficiency of human capital and iscalculated thus;

HCE = Value added/Human capital.

Structural Capital Efficiency (SCE) is an indicatorof the value added efficiency of structural capital andis calculated thus;

SCE =Structural capital/Value added.

By adding the human capital efficiency and thestructural capital efficiency we can get theIntellectual capital efficiency

*Value Added Intellectual Capital Coefficient(VAIC™)*is defined by Shiu (2006) as composite sum of three indicators of physical capital employedefficiency (CEE), human capital efficiency (HCE)and structural capital efficiency (SCE).*VAIC™= CEE+HCE+SCE*

Corporate Performance

According to Richard, Devinney, Yip and Johnson (2009), organizational performance encompasses three specific areas of firm outcome: First, productmarket performance (sales, market share etc.); Second, shareholder return (total shareholder return, economic value added etc.) and Third, financial performance(profit margin, return on equity, return on assets, return on sales) which is the focusfor this study. Financial performance refers to theincome (new resources) generating ability of a firmover a given period of time.

1. Return on asset: this is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of business in using its assets to generate net income. It is a profitability ratio that is calculated as:

   $$ROA = \frac{\text{Annual Net Income}}{\text{Average Total Assets}}$$

   Net income is the after tax income. It can be found on the income statement. Average total assets are calculated by dividing the sum of total assets at the beginning and at the financial year by 2. Total assets at the beginning and at the year can be obtained from year ending statement of financial position of two consecutive financial years.

2. Return on capital employed or Return on Equity: A financial ratio that measures a company's profitability and the efficiency with which its capital is employed. Return on capital employed (ROCE) is calculated as:

   $$ROCE = \frac{\text{Earnings Before interest and Tax (EBIT)}}{\text{Capital Employed}}$$

   "Capital employed" as shown in the denominator is the sum of shareholder's equity and debt liabilities; it can be simplified as (total asset- current liabilities).

3. Earnings per share (EPS):
   Earnings per share are the portion of a company's profit allocated to each outstanding shares of common stock. EPS serve as an indicator of a company's profitability.

   $$EPS = \frac{\text{Net Income – Dividends on Preferred stock}}{\text{Average outstanding shares}}$$

   Earnings per share figures used in the study are as calculated by selected companies and indicated in their annual report and accounts.

Model Specification

The Value Added Intellectual Coefficient Model (VAIC™) developed by Pulic (1998) was adopted for this study. The model measures the value added by Intellectual Capital of the various companies studied.

Variables

The dependent variables of this study are ROA, ROE and EPS. The independent variable of this study is the value of Intellectual Capital measured by Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE).

The functional notation form is stated below:

Performance (PERF) = f(Intellectual capital -IC) …………. (i)

The proxy variables are introduced in the equation below:

PERF (ROA,ROE,EPS) = f(HCE,SCE,CEE) …………………………..... (ii)

The deterministic/mathematical models including the stochastic random variable are specified as follows:

$ROA = \beta_0 + \beta_1(CEE) + \beta_2(HCE) + \beta_3(SCE) + \varepsilon_i$……………………………………(iii)

$ROE = \beta_4 + \beta_5(CEE) + \beta_6(HCE) + \beta_7(SCE) + \varepsilon_i$……………………………………(iv)

$EPS = \beta_8 + \beta_9(CEE) + \beta_{10}(HCE) + \beta_{11}(SCE) + \varepsilon_i$……………………………………(v)

Data analysis and discussion of results

Table 1: Multiple Regression Analysis showing relationship between dependent and independent variables

Variable	ROA	ROE	EPS
Constant	0.102 (2.279)**	0.109 (2.346)**	2.471 (2.793)**
HCE	-1.569 (1.093)	-0.010 (0.968)	1.066 (1.907)**
SCE	0.336 (3.153)**	2.021 (1.081)	0.108 (3.243)**
CEE	5.321 (1.908)**	-0.305 (2.125)**	0.032 (2.172)**
R^2	0.422	0.544	0.697
Adjusted R^2	0.312	0.411	0.669
F-Ratio	5.636**	4.337**	7.052**

NB: *1. Values in brackets are t-values while those outside brackets are coefficients of the variables*
*2. Also, 5% levels of significance is represented by***

Source: Researcher Compilation

The table above shows a summary of the analysis done for the study. For the first hypothesis, data analysed show that a unit naira change in Human Capital Efficiency(HCE), Structural Capital Efficiency(SCE) and Capital Employed Efficiency (CEE) will yield a decrease of 1.569, an increase of 0.336 and an increase of 5.321 respectively in ROA for the companies under study. Thus:
$ROA = 0.102-1.569(HCE) + 0.336(SCE) + 5.321(CEE) + \varepsilon_i$

The results of multiple regression analysis shows the relationship between the ROA and Intellectual Capital measured by Human Capital Efficiency(HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE) is positive with all the independent variables except HCE.R^2 of 0.422 indicates that about 42% of the variations in the ROA could be attributed to IC measuring variables. The F-Statistics of 5.636 is significant at 0.05 level of significance. It therefore implies that Intellectual capital has a positive and significant effect on return on assets.

For the Second hypothesis, findings reveal that a unit naira change in Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE) will yield a decrease of 0.010, an increase of 2.021 and a decrease of 0.305 respectively in ROE for the companies under study. Thus:ROE = 0.109-0.010(HCE) + 2.021(SCE) -0.305(CEE) + ε_i

The results of multiple regression analysis shows the relationship between the ROE and Intellectual Capital measured by Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE) has two a negative coefficient for two of the independent variables except SCE.R^2 of 0.544 indicates that about 54% of the variations in the ROE could be attributed to IC measuring variables. The F-Statistics of 4.337 is significant at 0.05 level of significance. It therefore implies that Intellectual capital has a positive and significant effect on return on equity.

For the third hypothesis, findings reveal that a unit naira change in Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE) will yield an increase of 2.471, an increase of1.066 and a decrease of 0.032 respectively in EPS for the companies under study. Thus:

EPS = 2.417+1.066(HCE) + 0.108(SCE) +0.032(CCE) + ε_i

The results of multiple regression analysis shows the relationship between the EPS and Intellectual Capital measured by Human Capital Efficiency(HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE) has positive coefficient for all of the independent variables.R^2 of 0.697 indicates that about 70% of the variations in the EPS could be attributed to IC measuring variables. The F-Statistics of 7.052 is significant at 0.05 level of significance. It therefore implies that Intellectual capital has a positive and significant effect on earnings per share.

Conclusions

This study seeks to determine the relationship between intellectual capital and corporate performance. The Value Added Intellectual Capital model developed by Pulic was adopted for this study to measure and evaluate the effect of the components of intellectual capital on performance. The data obtained were analysed using multiple regression analysis. The findings revealed that the intellectual capital indices (Human capital efficiency, structural capital efficiency and capital employed efficiency) have significant relationship on corporate performance (Return on Asset, Return on Equity and Earnings per share) of manufacturing firms in Nigeria. Intellectual capital is increasingly recognized as important strategic intangible asset for competitive advantage as evidenced in the findings of this study. The result clearly reveals the importance of intellectual capital in enhancing the profitability of the company. This study provides important insights to researchers and managers to give due consideration to intellectual capital for improved corporate performance and market valuation of the firm. In conclusion, it has been seen that the Intellectual capital of Nigerian manufacturing companies play a pivotal role in enhancing their performance. Consequent upon this findings, it was recommended that adequate attention should be given to firm's human capital since human capital efficiency is considered as the most important asset to any organization. The sector has shown a great potential for growth if intellectual capital is appropriately utilized for competitive advantage. At macro level, Government can boost its initiatives to increase the understanding of IC and its importance among the investors at large. At micro level, companies in their financial statement should provide voluntary intellectual capital disclosure to the investors, so that knowledge of investors is increased.

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Conference theme 14:

STOCK MARKET DEVELOPMENTAL ISSUES

CORRUPTION AND STOCK MARKET PERFORMANCE IN NIGERIA

Cordelia Onyinyechi Omodero
Department of Accounting
College of Management Sciences
Micheal Okpara University of Agriculture, Umudike, Abia State, Nigeria.
E-mail: cordeliaomodero@yahoo.com.
Kabiru I. Dandago
Department of Accounting, Faculty of Social & Management Sciences
Bayero University, Kano-Nigeria
kidandago@gmail.com

Abstract

The study examines the effect of corruption (using corruption perception index and Nigeria corruption ranking as proxies) on the stock market performance (proxied with share price index) in Nigeria. The study employed time series data spanning twenty years (1996-2016). Data availability, especially on corruption indices was the major reason underlying the choice of period. The data were obtained from CBN Statistical Bulletin and Transparency International website. With the aid of SPSS version 20, the study used Multi-regression analysis and student t-test for the test of hypotheses. The study finds a significant positive correlation between corruption and stock market performance in Nigeria. The result reveals robust positive and significant relationships between Nigeria Corruption Ranking, Corruption perception index and Share price index.Therefore, adoption of a strong form of stock market efficiency by the Securities and Exchange Commission (SEC) and Nigerian Stock Exchange (NSE) for actualization by all listed firms in Nigeria is hereby recommended. Listed firms are to be made to make all available information accessible to investors (domestic and foreign) so that they could have more confidence in investing their money to subscribe for shares and other securities of the listed firms. This would afford the firms adequate resources to work towards expansion or diversification of their business horizons in the best interest of the Nigerian economy and beyond.

*Keywords:*Stock market performance, corruption, Share Price Index, Corruption Perception Index, Nigeria Corruption Ranking

Introduction.

Corruption is a cankerworm that gradually and silently depletes the fabrics of a nation’s economy as well as reducing development in all sectors (EFCC, 2005). Transparency International (2005) stated that corruption is one of the fundamental challenges of the present world, which destabilizes good governance, ultimately misrepresents good policies, causes misuse of public resources, destroys the private sector development and also hurts the poor masses.According to Mustapha (2008), corruption has eaten so deep into the fabrics of the Nigerian government, the public and private sectors, governmental and non-governmental organizations and has basicallyturned out to be a life style and akey means of amassing private property in Nigeria. ICPC (2006) stated that corruption is the major cause of underdevelopment in Nigeria.

Transparency International reports from 1996 to date have shown Nigeria as one of the highest ranking countries on corruption perceptionindex.

Ribadu (2003) posits that the level of corruption in Nigeria has made the Transparency International to consistently rate Nigeria as one of the top three most corrupt countries in the world. The existence of corruption in almost every sector of the Nigerian economy has adversely affected both foreign and local investments in Nigeria. As part of the government's effort to combat this menace, the Nigerian government tried to establish anti-graft agencies such as Economic and Financial Crime Commission (EFCC) and the Independent Corrupt Practices and other related offences Commission (ICPC).

The major aim is to encourage private investors and make the Nigerian business environment conducive for investors (African Economic Outlook, 2011). As part of the successes made so far in the corruption fight, the Federal Ministry of Information released the recovered billions from corrupt persons in May 29, 2015 (N78,325,354,631.82; $185,119,584.61; £3,508,355.46) and Euro 11,250 in May 25, 2016 (Adesanya, 2016). The truth of the matter is that stock market in Nigeria is not exempted in this struggle. Stock market is a market that deals with the exchange of securities issued by publicly quoted companies and the government owned corporations (Ashaolu & Ogunmuyiwa, 2010). It affords businesses, government and individual investors with an opportunity to raise capital through selling of shares and other securities to the investors (Black and Gilson, 1998).

The market is a vital institution in an economy which criticallydefines and highlights the performance of an economy (Ashaolu & Ogunmuyiwa, 2010). Therefore, as an essential pillar of a country's economy, government bodies, corporations, stockholders (both the existing and potential ones) and all stakeholders judiciously study and monitor the activities of the stock market (Nazir, Nawaz, & Gilani, 2010).However, the investment decision of these stakeholders depends on their observation and perception of the stock market performance.

Corruption led to the loss of Stock Market integrity in Nigeria as was witnessed in the late 1990s and early 2000 when so many banks collapsed under their watch (Babalola, 2010). During this period, the number of banks classified as distressed increased from 8 to 52 (CBN, 1997). Prior to the introduction of N25 billion recapitalization policy for banks in Nigeria in 2004 by the then CBN governor, the CBN announced the revocation of the banking licenses of 26 banks due to their financial distress (Babalola, 2010). Investors' confidence in financial reporting of companies were lost due to the issue of window dressing that kept increasing share prices of companies that had financial and corporate governance challenges. Though, the introduction of corporate governance structure was supposed to serve as a deterrent to all manner of cosmetic accounting in companies, yet frequent board room squabbles, insider abuses, fraud and forgeries, weak/ineffective internal control system would not give room for the objective to be achieved (Babalola, 2010).

It is pertinent to note that the effect of graft on stock market performance in Nigeria is even more grievous than the influence of the external factors such as inflation, exchange rate and interest rate. This is because graft is inherent and exists at all levels of the stock market system. The major objective of this paper is to investigate the effect of corruption on the stock market performance in Nigeria and to suggest remedial measures to our policy makers. The specific objective of the study is to examine the impact of corruption (using corruption perception index and country ranking as proxies) on the stock market performance (to be represented by All ShareIndex in Nigeria).

The following null hypotheses have been formulated to test the effect of corruption on stock market performance:

$H0_1$: Corruption Perception Index of Nigeria does not have any significant impact on the Share Price Index in Nigeria.

$H0_2$: Nigerian Corruption Ranking does not significantly influence Share Price Index in Nigeria.

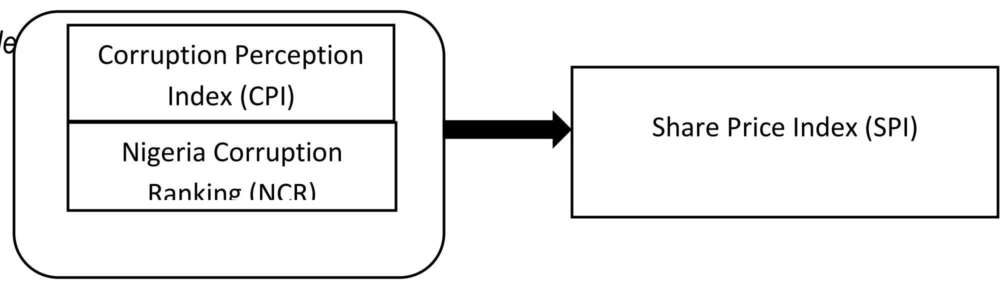
Literature review.

Conceptual framework and definitions.
The focus of this study is to examine the effect of corruption on the stock market performance in Nigeria. Therefore, the dependent variable used as proxy for stock market performance is the Share Price Index, while the independent variables are the Corruption Perception Index and the Nigeria Corruption Ranking among other countries in the world.

Figure 1: Conceptual framework on the effect of corruption on the stock market performance.

Independent variables

Depende



Source: Desk Research, (2018)

Corruption
Corruption is the misuse of delegated authority for personal benefits (Transparency International, 2011). It also a deliberate way of misrepresenting facts, realities and management of situation in which someone finds himself in an effort to deceive and gain both material and non-material things (Akinlabi, Hamed, & Awoniyi, 2011). According to Hasan and Nuri (2013), corruption is the misuse of public office for private gains. It is globally held that corruption is endemic and pervasive in nature, thereby constituting a major hindrance to economic and investment growth, also impacts negatively to public service delivery as well as increasing social inequality (Bolgorian, 2011). Natalia (2016) posits that corruption includes bribery, extortion, and misuse of insider information and thrives where policy enforcement is lacking. Looking at different definitions of corruption and in the context of this study, corruption could be defined as any form of manipulation of corporate information and accounting data in which investors rely upon to believe in share prices and make investment decisions.

Corruption perception index
Corruption is a variable that is complex to measure statistically. Therefore, Transparency International in collaboration with some organizations provided corruption indices that could help assess the level of corruption around the world. These organizations include European Bank for Reconstruction and

Development (EBRD), World Bank Business Environment and Enterprise Performance Survey, Freedom House's Nations in Transit etc. (Natalia, 2016). Transparency International (TI) Corruption perception index (CPI) is a collective pointer that positions nations in relation to the level of corruption that isobserved to occur among public officials and politicians. It is a compound index portraying all corruption-related data from a variety of reputable institutions based on surveys of domestic and international business executives, financial journalists, and risk analysts who are experts and business elites. Data captured for CPI usage does not include views of the general public (Transparency International, 2011). CPI scale measurement is between 0 – 100. The score scale of 0 means that the level of corruption in that country is very high while 100 is used to depict a country that is very clean. TI is an International Non-governmental Organization established in 1993 with the aim of bringing together business, civil society, and government structures to fight graft. The CPI first publication by TI was in 1995 and it covered quite a number of countries (Natalia, 2016).

Nigeria corruption ranking

This is the ranking position of Nigeria in terms of corruption when compared to other countries in the world. Transparency International corruption perception index ranking of Nigeria corruption from 1996 to 2016 has been stated below:

YEAR	NIGERIA CORRUPTION RANKING	NUMBER OF COUNTRIES CAPTURED BY TI
1996	54	54
1997	52	52
1998	81	85
1999	98	99
2000	90	90
2001	90	91
2002	101	102
2003	132	133
2004	144	145
2005	152	158
2006	142	163
2007	147	179
2008	121	180
2009	130	180
2010	134	183
2011	143	182
2012	139	174
2013	144	175
2014	136	174
2015	136	167
2016	136	176

source: transparency international.

From the schedule above it is worthy to note that Nigeria ranked 1st as the most corrupt country in 1996, 1997 and 2000. From 2014 to 2016 the position has remained at 136 despite all efforts of the government to minimize graft in the system.

Stock market

Stock market refers to an equity market and is one of the important areas of a market economy as it gives firms access to capital while both the existing and potential investor could also be part of a company's ownership through acquisition of shares (Osoro, 2013). Stock Market development plays a crucial role for the global economy and finance (Hasan & Nuri, 2013). The Nigerian Stock Exchange (NSE) is a primary market that allows firms and other organizations to source for capital through issue of shares or loan stocks. It is also referred to as a secondary market where existing securities (shares and loan stocks) are being traded (Akinsulire, 2006). NSE was established in 1960 as the Lagos Stock Exchange. The name was changed from the Lagos Stock Exchange to the Nigerian Stock Exchange (NSE) in 1977. About 176 firms were listed on the NSE as at March 7, 2017 and in terms of market capitalization, NSE stands as the third largest Stock Exchange in Africa with the total market capitalization of about N8.5 trillion (NSE, 2017).

Share price index

Share price is used as a yardstick to measure a firm's performance and its deviations as pointer of the economic health or otherwise of a firm hence the need to be conversant with the factors that could adversely affect share prices (Osoro, 2013). Share price index is a way of measuring the performance of a market and is used by investors and capital providers to compare their return with that of the market (Barasa, 2014).

Stock market performance

Stock market performance is the appraisal of an efficient market. A basic feature of an efficient capital market is constant liquidity, an easy mechanism for entry and exit by investors. This requires sufficient volume and size of transactions in the market (Yartey and Adjasi, 2007).

Nageri, Umar and Abdul (2013) examined the impact of corruption and economic development in Nigeria. Time series data spanning from 1996 to 2012 were obtained from the World Bank and Transparency International. The study used GDP as the dependent variable while the independent variables were the Corruption Perception Index (CPI), Corruption Rank and the Relative corruption rank. Ordinary least squares (OLS) technique was used for the analysis. The result revealed that corruption had a significant negative effect on economic growth and development in Nigeria. The study suggested that corrupt government officials and politicians should be brought to book if found guilty at any point in time.

Hasan and Nuri (2013) investigated the role of corruption and banking sector development on Stock Market development using a panel data of 42 emerging economies for the period 1996 to 2011. The result revealed among others that corruption had a more devastating effects on these countries' stock market development than the positive effects of the banking sector development. In a similar study, O'Toole and Tarp (2014) tested the effect of corruption on the efficiency of capital investment using firm-level data from World Bank Enterprise Surveys which covered 90 developing and transition economies. The study's primary objective was to evaluate the extent to which bribery was reducing marginal returns on capital investments. The findings revealed that bribery decreased investment efficiency such that the negative impact was most robust on small and medium sized enterprises.

Sunkanmi and Isola (2014) studied the relationship between corruption and economic growth in Nigeria. The study made use of Ordinary Least Squares (OLS) technique and time series data spanning from 1980 to 2010 which were gathered from CBN Statistical Bulletin, Anti-graft agencies reports and other secondary sources. The dependent variables were the Foreign Direct Investment, Gross Domestic Product, government expenditure in Nigeria and globalization openness of the economy while the level of perceived corruption was the independent variable used. The study found evidence that corruption had a positive significant relationship with the Foreign Direct Investment (FDI), Gross Capital Formation (GCF) and government expenditure but found no significant relationship between corruption and GDP as well as openness of the economy and globalization. The result indicated that the level of corruption in the country had become an important element for economic growth. The study did not find this suitable and suggested that the anti-graft agencies in Nigeria should be more empowered to fight graft while more awareness should be created among young people on the importance of moral values.

Nwankwo (2014) employed granger causality and regression techniques to investigate the impact of corruption on the growth of Nigerian economy. The study made use of GDP as proxy for economic growth while corruption index was used as the independent variable. The result indicated a negative influence of corruption on the economic growth. The study recommended the formulation of policies that could minimize corruption and poverty hindering the growth of the Nigerian economy.

Barasa (2014) investigated the effect of selected macro-economic determinants on stock market performance in Kenya. The selected macro-economic variables were inflation rate, money supply, real GDP per capita while NSE-20 share index was used as proxy for stock market performance. The study employed descriptive research design and made use of secondary data which covered the period from 2000 to 2013. The data on NSE 20-share were obtained from Nairobi Securities Exchange, the data on consumer price index were collected from Central Bank of Kenya. The real GDP per capita data were gotten from the Kenya National Bureau of Statistics while the money supply data were gathered from International Monetary Fund website. The data analysis was done with the aid of SPSS version 20. The result of the study revealed that CPI had an insignificant negative impact on share price index, money supply and real GDP did not have impact on share price index at all. The study suggested that the policy makers should influence macro-economic variables in the right direction. Stressing that there should be enough money supply to move the stock market forward.

Kpanie, Esumanba and Sare (2014) examined the relationship between stock market performance and macroeconomic variables in Ghana. The study made use of Error Correction Model and the Augmented Dickey-Fuller Co-integration for analysis. The macroeconomic variables used for the test were money supply, Treasury bill, inflation rate, exchange rate and oil prices while the dependent variable was the Ghana All Share Index. The secondary data employed spanned from 1995 to 2011 and were obtained from the Ghana Stock Exchange and Bank of Ghana. The result of the study showed that oil prices and money supply were statistically significant at 1% level in explaining the influence of macroeconomic variables on the Ghana Stock Exchange. The rest of the variables showed an evidence of a long run relationship. The study suggested a more careful implementation of macroeconomic policies that will boost the performance of the stock market in Ghana.

Worlu and Omodero (2017) investigated the impact of macroeconomic variables on stock market performance in Africa using Nigeria, Ghana, Kenya and South Africa as case studies. The research design adopted was a cross sectional survey. Time series data covering the period of 2000 to 2015 were utilized and collected from the Central Banks and National Bureau of Statistics of the countries used for the study. The dependent variable used as proxy for stock market performance was the share price index while the control variables explaining the degree of impact of macroeconomic variables on stock market performance were the GDP, Inflation rate and Real Effective Exchange Rate Index. Statistical Package for Social

Sciences version 20 was employed for the multi-regression analysis. The study found a very weak relationship between the explanatory variables and the share price index on almost all the countries studied. The result revealed that inflation rate had a negative impact on stock market performance in Nigeria and South Africa. It was also revealed that Exchange Rate had negative effect on stock market performance in Nigeria and Kenya. Stock market in Nigeria was adversely affected by all the macroeconomic variables used for the study. The study suggested that policy makers in African Countries should endeavor to make policies that could control these variables to avoid the negative influence on stock markets.

Critique of Literature

The studies on the impact of macroeconomic variables on stock market performance both in Nigeria and other countries showed divergent results. Barasa (2014) study in Kenya had both negative and insignificant influence on share prices. Kpanie, Esumanba and Sare (2014) study in Ghana revealed significant relationship between share prices and macroeconomic variables. The study of Worlu and Omodero (2017) on four African countries showed evidence that macro-economic variables had negative impact on the share price index of the four African countries used as case studies. Looking at the corruption impact on the economy, Nwankwo (2014) supported the study of Nageri, Umar and Abdul (2013) but disagreed with the study of Sunkanmi and Isola (2014) which stated that corruption is relevant for economic growth even though it is a bad omen and evil at all levels. The effect of corruption on stock market efficiency evidenced by few studies was significantly negative (Hasan & Nuri, 2013; O'Toole & Tarp, 2014).

Research Gap

The studies so far reviewed concentrated on the impact of corruption on economic growth using foreign direct investment inflows and different economic indicators while those on the stock market performance made use of macroeconomic variables such as inflation, exchange rate, money supply and GDP. Studies that evaluated the effect of corruption on stock market performance are yet very scarce. Stock market is very vital institution in a nation's economy and it is therefore pertinent to monitor all issues and factors that influence it both positively and negatively of which corruption is one of the issues. This is the gap this current study intend to fill. The study has been planned to investigate the effect of corruption on the stock market performance in Nigeria.

Theoretical review

The study has been anchored on the theories below.

A policy-oriented theory of corruption

Teveik, Albert and Charles (1986) propounded this theory in their effort to elaborate the responsibilities of the government in anti-graft fight. The theory stated that the existence of corruption in both developed or developing countries will always results to dwindling economy. Therefore, the government's endeavor to develop policies and strategies to combat corruption and to seriously investigate its effect on all facets of the economy remains a huge benefit.

Market efficiency theory

Barasa (2014) described efficient market as one that is rational and provides correct pricing. Fama (2000) carried out a detailed empirical work and review on efficient market theory and came up with the definition that market efficiency is one in which prices always reflect all available information. Fama (2000) identified three sets of information which include: past prices, publicly available information and all other information which includes private information. The information available to investors could make them change their mind and investment decision on a particular security and the value. According to Akinsulire (2006), this is what is referred to as efficient market hypothesis. Efficient market hypothesis is divided into three forms: the weak form, semi-strong form, and the strong form. The weak form of efficiency reflects all historical market data such as past prices and trading volumes without any prediction of future prices (Fama, 2000). Semi strong form of efficiency reveals current share prices in addition to the past prices, all publicly available information which includes basic data regarding the firm's product line, quality of management, published accounting information, divided and even stock split announcements (Akinsulire, 2006). The strong form of efficiency reflects share price and all past prices, publicly available information and private information (Fama, 2000).

Methodology

Descriptive research design has been adopted for this study. Descriptive research design gives accurate information of situations as they naturally occur (Groove, 2004). This research design has been employed because,it allows numerical collection of datafor research variables which can be statistically analyzed to produce empirical evidences of a chosen research field. The statistical tool for the analysis is the multi-regression technique and student t-test for test of hypotheses. The dependent variable selected for the study is the Nigerian All Share Price Index (SPI) and the independent variables are the Corruption Perception Index (CPI) and the Nigerian Corruption Ranking (NCR) among other countries in the world. The SPI data were collected from the CBN Statistical Bulletin (2016) while the CPI and NCR were obtained from the Transparency International website. All hypotheses were tested at 5% level of significance for acceptance (if higher) or rejection (if lower).

Model specification

The model for the study is specified as:

SPI = f (CPI, NCR)

Where

SPI = Share Price Index.

CPI = Corruption Perception Index.

NCR = Nigeria Corruption Ranking.

The stochastic form is stated as:

$Y = b0+bX1+b2X2+\mu$

Where μ = random error term.

Data analysis and discussion of results

TABLE 4.1: Model Summary Statistics

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.846[a]	.715	.684	.175953866	1.076

a. Predictors: (Constant), NCR, CPI

b. Dependent Variable: SPI

Source: Research Findings 2018.

In the table 4.1 above R is 0.846 (84.6%) and R^2 is 0.715 (71.5%). This implies that there is a significant relationship between the dependent variable (Share price Index) and the independent variables (Corruption Perception Index and Nigerian Corruption Ranking).The correlation (R) is very high, likewise the R^2 which is the coefficient of determination showing the extent to which the independent variables explain the changes in the dependent variable.

TABLE 4.2: Analysis of Variance

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.401	2	.701	22.626	.000[b]
	Residual	.557	18	.031		
	Total	1.958	20			
a. Dependent Variable: SPI						
b. Predictors: (Constant), NCR, CPI						

Source: Research Findings 2018

Table 4.2 shows that the regression model is a good fit and it is statistically significant (.000<0.5).

TABLE 4.3: Model Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.012	.633		.019	.985
	CPI	.692	.328	.354	2.110	.049
	NCR	1.295	.383	.568	3.383	.003
a. Dependent Variable: SPI						

Source: Research Findings 2018

Table 4.3 shows that the model equation can be presented as follows:

$$SPI = 0.012 + 0.692CPI + 1.295NCR + \mu$$

Test of hypotheses.

The study earlier hypothesized that corruption does not have significant impact on the stock market performance in Nigeria. From the table 4.3 above, CPI has a positive significant impact on SPI (i.e. 0.049 < 0.05) and the NCR equally has a positive and robust significant impact on SPI (i.e. .003 < 0.05). Therefore the hypotheses earlier formulated are rejected.

Discussion on the findings

The findings of this current study does not agree with the empirical studies of (Hasan & Nuri, 2013; Nageri, Umar & Abdul, 2013; Nwankwo, 2014; O'Toole & Tarp, 2014) but seem to be consistent with the study of Sunkanmi and Isola (2014) who found positive significant relationship between corruption and macro-economic variables such as FDI, GCP and government expenditure. It is pertinent to point out that corruption is inherent in the Nigerian system and because it has becomea way of life, almost every sector of the economy is growing with it. The stock market is where companies trade their shares to raise capital.

The existence of corruption in the Nigerian stock market spells danger and may mean betrayal of trust in the Nigerian business environment. No wonder companies still collapse even when their share prices are on the rising side. Macroeconomic variables seem to have adverse effect on the stock market performance and yet the effect of corruption is positive and significant. This could be an area for further research.

Conclusions

The issue of corruption in Nigeria should bother everyone. It is a fight that must be taken seriously. It has been so integrated into the Nigerian system that all efforts to eliminate it seem to prove abortive. This study suggests that Companies should ensure there is a proper corporate governance structure in their organizations which is made up of people that believe in transparency and public accountability. The integrity of external auditors should be investigated before they are allowed to carry out any professional assignment in an organization. The anti-graft agencies should be strengthened and encouraged to do their work effectively. The government should flush out all corrupt public office holders and adopt a policy oriented theory of corruption by Teveik, Albert & Charles (1986). The Stock Market in Nigeria requires a lot of measures to ensure that all private information about companies reflect in their share prices to save investors economic loss. The authorities should lay more emphasis on the practice of strong form of market efficiency which ensures that no stone is left unturned in gathering all information capable of determining share prices of companies wishing to raise capital.

APPENDIX 1:RESEARCH DATA

YEAR	SPI	CPI	NCR
1996	5,955.14	0.7	54
1997	7,638.59	1.8	52
1998	5,961.87	1.9	81
1999	5,264.19	1.6	98
2000	6,701.17	1.2	90
2001	10,185.08	1.0	90
2002	11,631.87	1.6	101
2003	15,559.89	1.4	132
2004	24,738.65	1.6	144
2005	22,876.72	1.9	152
2006	25,343.55	2.2	142
2007	48,773.31	2.2	147
2008	50,424.71	2.7	121
2009	23,091.55	2.5	130
2010	24,775.52	2.4	134
2011	23,393.65	2.4	143
2012	23,432.62	2.7	139
2013	36,207.08	2.5	144
2014	39,409.83	2.7	136
2015	30,867.20	2.6	136
2016	26,624.08	2.8	136

Source: CBN Statistical Bulletin and Transparency International.

APPENDIX 11: LOG OF RESEARCH DATA

YEAR	SPI	CPI	NCR
	LOG	LOG	LOG
1996	3.774892	1.845098	1.732394
1997	3.883013	2.255272	1.716003
1998	3.775383	2.278754	1.908485
1999	3.721332	2.204120	1.991226
2000	3.826151	2.079181	1.954243
2001	4.007964	2.000000	1.954243
2002	4.065650	2.204120	2.004321
2003	4.192007	2.146128	2.120574
2004	4.393376	2.204120	2.158362
2005	4.359394	2.278754	2.181844
2006	4.403867	2.342423	2.152288
2007	4.688182	2.342423	2.167317
2008	4.702643	2.431364	2.082785
2009	4.363453	2.397940	2.113943
2010	4.394023	2.380211	2.127105
2011	4.369098	2.380211	2.155336
2012	4.369821	2.431364	2.143015
2013	4.558794	2.397940	2.158362
2014	4.595605	2.431364	2.133539
2015	4.489497	2.414973	2.133539
2016	4.425275	2.447158	2.133539

Source: CBN Statistical Bulletin and Transparency International.

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DAY-OF-THE-WEEK EFFECT AND STOCK MARKET LIQUIDITY: DOES BLUE MONDAY EFFECT HOLD IN NIGERIAN STOCK MARKET LIQUIDITY?

Adeboye, AKINWUNMI[1] and Yusuf Olatunji, OYEDEKO[1*]

Department of Banking and Finance, Achievers University, Owo, Ondo State, Nigeria

**Corresponding author:* oyedekoyusuf@gmail.com

Abstract

The study explores the day-of-the-week effect in Nigerian stock market liquidity usingAmihud approach as measure f liquidity. The study used quasi-experimental design and accidental sampling technique, a non-probability sampling method. Secondary source of data are used, data were collected from Central Securities Clearing System limited. The study employs daily observation from January 2005 to December 2017 which constitutes 3200 observation. The ordinary least square regression was employed as tool of analysis. The study found no evidence of blue Monday effect in the Nigerian stock market liquidity but there is evidence of day-of–the-week effect in the Nigerian stock market liquidity. The study concluded that the stock market is highly liquid on Mondays. Thus the study recommends that investors and other market participants are encourage trading on Mondays due to the fact that Mondays may induce less information asymmetry, market efficiency and stimulate price discovery in the market.

*Keywords:*Amihud, Blue Mondayeffect, Day-of-week effect, ordinary least square regression, Stock market liquidity

Introduction

Efficient Market Hypothesis says the price of the security or stock traded fully reflects all available information because the prices of securities react instantaneously to any new information. It is therefore impossible for anyone to make abnormal or extraordinary returns in the market since all information is available to all participants in the market. Jensen (1978) argued that the Efficient Market Hypothesis is an extension of the zero profit competitive equilibrium condition from the certainty world of classical price theory to the dynamic behaviour of prices in a speculative market under conditions of uncertainty. He concluded that a market is efficient with respect to information set, if it is impossible to make economic profit by trading on the basis of information set. Determining the efficiency of the Nigerian stock market necessarily entails an examination of the movement of stock prices to know if stock prices move independent of each other. In spite of this, stock market liquidity can also determine the efficiency of the market because it signifies how big the trade-offs between the velocity of the sale and price stocks can be sold for.

Market liquidity implies rapidly trading high volumes of shares without the current price and low cost transaction being affected (Pastor&Stambaugh, 2003).This corroborates with the finding of Amihud and Mendelson (1986) whom are of the opinion that investors prefer liquid stocks that allow large trades with least transaction costs and provide empirical evidence that expected returns decrease in the level of liquidity. In view of this, the importance of market liquidity cannot be overestimated. It is a fundamentalcomponent of the modern financial system, which has received ample amount of attention byresearchers. However, it has been noticed and documented that the level of liquidity in themarket is not constant over time; rather it follows some seasonal pattern and this has posed question as when is the besttime to trade in the market? To answer this question is the central objective of this study which is to examine whether there is presence of day-of –the week effect in Nigerian stock market liquidity.In line with this objective, the study formulates the hypothesis as there is no significant evidence of day-of-the-week effect in the Nigerian stock market liquidity. To test the hypothesis, the remaining part of the paper is organised as follow: Section two present the literature review, section three contains the methodology, section four deals with discussion of result and findings, section five draws the conclusion as well as recommendation.

Literature Review

Marrett and Worthington (2008) examine the day-of-the-week effect in Australian daily stock returns at the market and industry levels. A regression-based approach is employed and results indicate that while the Australian market overall provides no evidence of daily seasonality, there is evidence of a small cap day-of-the-week effect with systematically higher returns on Thursdays and Fridays. The analysis of the sub-market returns is also partly supportive of day-of-the-week effects in the banking, diversified financial, energy, healthcare, insurance, materials and retail industries. However, these rarely coincide with the lower Monday or lower Tuesday returns typified in earlier work. Also,Hameed, Kang, and Viswanathan, (2010)conducted a study on effect of stock market decline on liquidity. The result of the study show that bid-ask spreads are larger (i.e. market is less liquid) during Fridays andaround holidays, which is also consistent with the findings of Chordia,Roll and Subrahmanyam (2005) whoobserve the same results. The study concluded that the liquidity of stock marketis at its highest at the beginning of the weeki.e Tuesdays relative to other days.

Osazee and Idolor (2014) conducted a study on the existence of day of the week effect in Nigerian stock market returns. The data analysis was performed using the Multiple Ordinary Least Square Regression (OLS) analysis technique. The findings reveal that Monday, Thursday, and Friday are associated with negative market returns, while Tuesday and Wednesday are associated with positive market returns. Recommendations proffered were investors should perform special transactions on stocks on Tuesdays and Wednesdays which happen to be the best days for trading in the Nigerian Stock Exchange with the attendant possibility of earning abnormal returns on their investment. In a study conducted by Idolor, Ogieva, and Osamwonyi,(2013) on the test for the existence of calendar effect in Nigerian stock market returns. The data analysis was performed using the multiple ordinary least square regression (OLS) techniques in testing for the day of the week and month of the year effect. The study found that Monday Thursday and Friday are associated with negative market returns while Tuesday and Wednesday are associated with positive market returns. The study concluded that there is presence of calendar effect in Nigerian stock market return.

In a similar study, Njunguru (2014) examines the existence of the weekend effect in stock returns at the NSE. The study adopted regression analysis where market return is the dependent variable and day of the week is the independent variable. Findings show the existence of the weekend effect in the NSE and that there is a relationship between day of the week and stock market returns. Rutto (2014) conducted a research to establish the existence of the Monday effect on stock returns at the NSE. Regression analysis was used to test the Monday effect on the stock prices at the NSE. Findings show that daily stock returns fall after Friday with negative returns recorded on Mondays.Nyumbu (2014) examines the effect of the day of the week effect on stock returns at the NSE. Test of normality and Kruskal Wallis test was conducted. The finding of the study is that the day of the week effect is present at the Nairobi Securities Exchange. The study recommends formulation and implementation of trading strategies by investors that are in line with the changing patterns of returns in the market which can result in earning abnormal returns.

Muhammed and Zahid (2015) carried out a study on calendar anomalies in Karachi Stock exchange by using KSE 100 index during the period of 2008 to 2012. The results provided an evidence for the existence of calendar anomalies at KSE 100 index. The results show that there is significant difference among the returns of days of the week, and Friday has the highest mean average return which makes it confirm that weekend effect exists at KSE. The study concluded that monthly anomaly in stock returns is also present because there is highest positive return in the month of March. Muhammed and Jewel (2015) conducted a study to investigate the significant day of the week effect in the emerging stock market of Bangladesh. The findings show that the day effect is present in both volatility and return equations while the highest and lowest returns are observed on Thursday and Monday respectively, the highest and the lowest volatility are observed on Monday and Wednesday respectively. In a study conducted by Ahmad and Abdullahi (2015) on examining the presence of the day-of-the-week effect anomaly in the Kuwait Stock Exchange (KSE) using Ordinary Least Square Method (OLS). The findings show that KSE exhibits positive returns on the first and the last day of the week with significant negative returns on the Second day of the Trading week.

Nowak and Olbryś (2015) explored the day-of-the-week patterns in liquidity on the Warsaw Stock Exchange (WSE) using daily turnover as a liquidity measure. The research sample covers 2502 daily observations in the period January 2005 – December 2014. The study employed OLS method with the HAC covariance matrix estimation and the GARCH-type models are employed. The results of the study indicate that liquidity on the WSE tends to be significantly lower on Mondays and higher on Wednesdays in comparison with the other days of the week. However, the study concluded that inverted U-shape in daily turnover occurs only among the companies with the largest market capitalization.Nassar, (2016) examines the presence of the day of the week effect anomaly in five of Arab stock exchanges which are (Qatar, Amman, Palestine, Egypt, and Bahrain stock exchanges). The study employs one-way analysis of variance (ANOVA) analysis and Post Hoc Tests, the study indicates that there is no existence of the day of the week effect in each of (Qatar, Amman, Egypt, and Bahrain stock exchange) while it is present in Palestine stock exchange where the lowest return is in Sunday (the first trading day of the week) and the highest return is in Tuesday.

From the literature above it was deduced that most of the studies concentrated on day-of-the week effect on stock market return and volatility while studies on day-of-the-week effect on stock market liquidity is very scanty to the best of the researchers' knowledge. This justifies the importance of carrying out this study in order to contribute to the scanty literature. The study adopted behavioural finance theory which is an elaboration of the classical finance, with more realistic assumptions and enhanced significant improvements in understating of the market phenomena. This theory bridge the gap between theory, evidence, and practice.

Methodology

The study used quasi-experimental design to examine the existence of day of the week effect in Nigerian stock market liquidity. The study employs accidental sampling technique, a non-probability sampling method. Secondary source of data are used, data were collected from Central Securities Clearing System limited and also available online www.capitalasset.com.ng. The study employs daily observation from January 2005 to December 2017 which constitutes 3200 observation. The period of the study coincides with lots of uncertainty in the market such as stock market crash that happened between 2008/2009 which affected not only the market but the Nigerian economy at large.The study follow the approach of Amihud (2002) used to proxy liquidity and this was chosen due to itsadvantage of simplicity that uses the absolute value of the daily return-to-volume ratio to capture price impact. It is also easy to calculate, especially in markets suffering from data limitations, which makes it a suitable proxy for this study. We follow prior literature and take the natural logarithm of a constant (one) plus the Amihud measure as measure of stock market liquidity and this was consistent with the approach adopted in most of the literature.

$$Liq^i_d = \log\left[1 + \frac{|Ret^i_d|}{P^i_d VO^i_d}\right]$$

Where Liq^i_dmeasures stock liquidity and is calculated for stock i on day d. $|Ret^i_d|$is the absolute value of return which was calculated using all share index from the market, P^i_d is the price, and VO^i_d the trading volume. The price and the volume was substitute with daily market capitalization and to reduce the impact of outliers that may cast doubt on the accuracy of the reported results, we discard number of days in a month.To test for the Day-of-the-Week effect on stock market liquidity the, we follow the approach ofAhmad, etal. (2015) to use classical linear model and the model is specified below:

$$Liq_t = \theta_1 D_{Mt} + \theta_2 D_{Tt} + \theta_3 D_{Wt} + \theta_4 D_{THt} + \theta_5 D_{Ft} + \varepsilon_t \text{..} 3.2$$

Where: Liqis the stock market liquidity at day t, D_{Mt}-D_{Ft} represents the dummy or auxiliary variables from Monday to Friday, θ_1- θ_5 represent the co-efficients of the dummy variable which measure the sign and size of the day of the week effect for the daily returns.$\theta_0$is the constant and is eliminated from the model to avoid collinearity trap.The model in equation is estimated by the ordinary-least-square (OLS) technique because the assumption of classical linear model is not violated.

Measurement of Variables

S/N	Proxy	Type	Measurement	Source
1	Market Liquidity	Dependent variable	The natural logarithm of a constant (one) plus the Amihud measure.	Amihud,(2002)
2	Monday	Independent variable	Takes values between 1 and 0; it is 1 on Monday, but zero every other day	Oyedeko (2017),
3	Tuesday	Independent variable	Takes values between 1 and 0; it is 1 on Tuesday, but zero every other day.	Oyedeko (2017)
4	Wednesday	Independent variable	Takes values between 1 and 0; it is 1 on Wednesday but zero every other day	Oyedeko (2017)
5	Thursday	Independent variable	Takes values between 1 and 0; it is 1 on Thursday, but zero every other day.	Oyedeko (2017)
6	Friday	Independent variable	Takes values between 1 and 0; it is 1 on Friday, but zero every other day.	Oyedeko(2017)

Source: Researchers' Compilation (2018)

Data analysis and discussion of result

The study conduct pre-estimation that is residual diagnostic tests such as normality test, ARCH LM test, Autocorrelation test, and unit root test to justify the use of linear model for this study and the result of this test are presented below.

Table 4.1 Pre-estimation Test Result

Descriptive Statistics

Skewness	Kurtosis	Jargue_Bera	Prob of Jarque-Bera
56.22259	3171.265	1.34E+09	0.000000
Unit Root Test Using Augmented Dickey-fuller			
ADF-Statistics	1%	5%	10%
-56.32363	-3.432214	-2.862249	-2.567191
ARCH LM test			
F-statistic	Prob.(F-statistic)	Obs*R-squared	Prob(Obs*R-squared)
0.000314	0.9859	0.000314	0.9859
Autocorrelation Test			
AC	PAC	Q-Stat	Prob
0.002	0.002	0.0107	0.918
0.001	0.001	0.0124	0.994
0.001	0.001	0.0190	0.999
0.001	0.001	0.0259	1.000
0.001	0.001	0.0306	1.000
-0.000	-0.000	0.0312	1.000
-0.000	-0.000	0.0313	1.000
0.000	0.000	0.0315	1.000
-0.000	-0.000	0.0317	1.000
0.000	0.000	0.0324	1.000

Sources: Output from E-view (2018)

From the table 4.1, the distributions of the stock market liquidity under study is analysed using the normality test to assess the features of their skewness and the kurtosis and establish whether they possess the characteristics of either normal or non-normal distribution. The result shows that the stock market liquidity is not normally distributed as it reveals positive skewness and kurtosis value is extremely larger than 3 which implies tin tail in their distribution pattern, suggesting that there are presence of outliers or large values in the expected future date. The absence of normal distribution was also confirmed from the probability of jarque-bera statistics which is less than 5%. The test for the ARCH effect serves as a foundation for estimating non-linear models. Thus the result of ARCH test does not violate the homoscedasticity assumptions which suggest that innovations in the daily stock market liquidity are homoscedastic. Autocorrelation test is one of the statistical tools used for measuring the dependence of successive terms in a given time series. The correlogram Q-Statistic was used to test the presence of serial dependence in the daily stock liquidity series and the result shows that the p-values from the Q-Statistic test are insignificant for all the 10 lags. This implies that there is no persistence in stock market liquidity and no presence of serial correlation. The existence of unit of unit root in time series modelling is counter-intuitive and undesirable since previous shocks are expected to have a decaying impact on current realization as time progress (Brook & Burke 2003). The study conducted unit root test on the data using Augmented Dickey-fuller unit root and the result shows that the absolute value of ADF-statistic is greater the absolute value of test critical values at 1%, 5% and 10%. This implies the daily stock market liquidity have no unit root.

The results of the preliminary analyses above do not violate the homoscedasticity assumptions which suggest that innovations in the daily stock market liquidity are homoscedastic, and these tests allow the stock market liquidity to be model on linear model which assume that the variance of the errors is constant. Thus, the result of ordinary least square regression is presented below:

Table 4.2: Estimated Value of the Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
M	0.000630	0.000189	3.330214	0.0009
T	0.000208	0.000185	1.126165	0.2602
W	0.000216	0.000182	1.188014	0.2349
TH	0.000205	0.000184	1.116645	0.2642
F	0.000204	0.000186	1.095860	0.2732

Sources: Output from E-view (2018)

The coefficients attached to the dummy variables measure the average deviation of the daily liquidity in the Nigerian stick market. From the result presented in the above the coefficients from Monday to Friday was positive but it is only Monday that is significant even at 5% level of significance. Also, the result reveals that Monday has the highest liquidity, followed by Wednesday compare to other day of the week. Friday has the lowest liquidity and it is insignificant even at 5% level of significance. However, the study conducts the diagnostic test for the regression result under serial correlation, heteroscedasticity and normal distribution assumption. The result of the diagnostic test is presented below.

Table 4.3: Result of the Residual Diagnostic Test

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	Prob. F(2,3185)	Obs*R-squared	Prob. Chi-Square(2)
0.008697	0.9913	0.017425	0.9913
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	Prob. F(5,3186)	Obs*R-squared	Prob. Chi-Square(5)
0.849104	0.5148	4.247855	0.5143
Normality Test			
Jargue_Bera		Prob of Jarque-Bera	
1.34E+09		0.000000	

Sources: Output from E-view (2018)

The result presented in table 4.3 has shown that residuals from the model have indicated the non-existence of serial correlation when tested using Breusch-Godfrey Serial Correlation LM Test and it was also confirmed from the result that there is no heteroscedaticity meaning that the residuals from the model is constant. This was tested through Breusch-Pagan-Godfrey Test. However, the assumption of normal distribution was tested using the Normality test of Jacque-bera, but the residuals are not normally distributed which violated the underlying assumption of the Ordinary Least Square regression. Nevertheless, the normality distribution hypothesis is deemed to be a weak assumption and has been ignored by many researchers such asSanusi, (2015),Osarumwense(2015) among others. Thus, the day-of-the-week effect in Nigerian stock market liquidity can be analysed through Ordinary Least Square regression model.

Discussion of findings

The results above indicate that, the estimated coefficients for Monday is positive and statistically significant (at 5% level of significance) in Nigerian stock market, while the coefficients for other days of the week are found to positive but insignificant at 5%level of significance. In addition, the results reject the null hypothesis that there is no significant evidence of day of the week effect in the Nigerian stock market liquidity, since the coefficient estimates on the first day is different from that of the other days of the week. This implies that there is presence of day-of-the-week effect in the Nigerian stock market liquidity. This does not conform to the finding of Nowak etal. (2015). In light of our empiricalresults, it can be deduced that the Nigerian stock market is highly liquid and most active on Monday compare to other days of the week. The explanation for highest liquidity on Monday was in line with "calendar time hypothesis" by French (1980) which state that, prices should rise somewhat more on Mondays than on other days because the time between the close of trading on Friday and the close of trading on Monday is three days, rather than the normal one day between other trading days and Monday. This three days interval may be seen as an avenue to gather information by investors, and this may enhance liquidity in the stock market.

Conclusions

The study explores day-of-the -week effects in Nigerian Stock Market liquidity using daily observation from 2005 to 2017 which constitute 3200 observation. The study employsAmihud approach to compute stock market liquidity and daily seasonality were incorporated into the regression model as dummy variables. The study found no evidence of blue Monday effectin the stock market liquidity but there is evidence of day-of – the week effect in the Nigerian stock market liquidity.The study concluded that the stock market is highly liquid on Mondays. Thus the study recommends that investors and other market participants are encourage trading on Mondays due to the fact that Mondays may induce less information asymmetry, market efficiency and stimulate price discovery in the market.The implication of this is that the market rewards investors for taking significant bids on Mondays which may lead to price volatility in the market.One of the limitations of this study is the accessibility to this high frequency data due improper data management system in the Nigerian stock market. Thus, further study can be conducted on intraday effect in Nigerian stock market Liquidity.

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EQUITY OWNERSHIP STRUCTURE AND EQUITY RETURNS OF NIGERIAN QUOTED COMPANIES

Francis Kehinde EMENI [1], Sunday Nosakhare UGBOGBO [2]

[1] Research & Technical Department, Institute of Chartered Accountants of Nigeria, Lagos
[2] Department of Accounting, Benson Idahosa University, Benin City, Nigeria
francisemeni@ican.org.ng

Abstract

In the light of massive diversification and privatization efforts occasioned by economic recession in emerging economies like Nigeria, issues related to equity ownership structure and equity returns are attracting focused interest among academics. This study, therefore, examines the relationship between equity ownership structure (chairman ownership, family ownership, institutional ownership) and stock returns of Nigerian quoted companies. Based on a purposive sampling framework, 60 companies in the Nigerian Stock Exchange (NSE) were selected as sample for the study. The procedure was adopted because of paucity of data that cover the area of interest. Data for chairman, family and institutional ownership and the control variables (dividend per share, earnings per share) were sourced from annual reports of respective companies, while the stock price data for computing annual stock returns for the companies were obtained from the NSE official daily price listings. The data were analyzed using multiple regression with the aid of the Microsoft Excel and E-Views 8.0 computer packages. Findings indicate that firm's equity ownership structure can effectively predict the return outcome of stocks in the Nigerian market place. It is, therefore, recommended that overall, shareholding by the chairman, family ownership and institutions should be encouraged amongst quoted companies in Nigeria, if the much desired Economic Recovery and Growth Nigeria craves for is to be achieved.

*Keywords:*Ownership structure, Nigeria stock exchange, stock returns, equity shares

Introduction

In the light of massive diversification and privatization efforts occasioned by economic recession in emerging economies like Nigeria, issues related to equity ownership structure and equity returns are attracting focused interest amongst academics. In this study, equity ownership structure simply means the distribution of equity with regard to identity of the equity owners. These structures are important to corporate governance and equity returns because they determine the economic efficiency of the company. Equity ownership structure may be chairman participation, family structure, institutional structure, government ownership, conglomerate ownership, foreign ownership amongst others. However, in finance literature, we observed that there is less focus on chairman participation, family structure and institutional structure in inside ownership of companies when compared to the Chief Executive Officer (CEO).

Chairman ownership, of equity shares, is simply the percentage of shares that is owned by the head of the board of directors of a company; while family ownership structure is simply the percentage of shares owned by a single family in a company. Institutional ownership structure is simply the percentage of shares that is owned and controlled by large organizations such as profit and non-profit companies. A company with chairman share ownership of 5% and above is often described as high chairman ownership concentration. It is often argued that companies with such a large proportion of chairman's ownership concentration are better managed and will deliver superior shareholders returns to the investing public. A company with a high family share ownership of 5% and above is often describe as having high family concentrated ownership structure.

It is often argued, in extant literature, that companies with large proportion of family ownership structure are poorly managed and will deliver poor shareholders returns to the investing public. A company with a reasonable amount of institutional share ownership of above 5% is often described as having high institutional shares ownership structure. It is often argued that a company with such a large proportion of institutional share's ownership concentration is better managed and will deliver superior shareholders returns to the investing public (Shleifer and Vishny, 1986).

For some inexplicable reasons, very little has been written on equity ownership structure and stock returns of Nigerian quoted companies, in spite of the rapid growth of Nigerian firms after independence. Previous studies (McConnell & Servaes, 1990; Chaganti & Damanpour, 1991; Han & Suk, 1998) have centered more on exploring the nature and extent of the relationship among the mature and more developed emerging markets with little or no emphasis on firms domiciled in an African country like Nigeria. Also, none of these studies has jointly examined them explicitly with Nigeria as the focal point. A majority of the studies that have sought to evaluate the link between institutional ownership and firm return generated results that at best could be regarded as mixed. For instance, some studies reveal that there is no significant relationship (Agrawal & Knoeber, 1996; Craswell, Taylor, & Saywell, 1997; Loderer& Martin, 1997; Navissi & Naiker, 2006). In contrast however, some other studies reveal a significant relationship between institutional ownership and firm return (Chaganti & Damanpour, 1991; Han & Suk, 1998; Clay, 2001; Hartzell and Starks, 2003).

This study, therefore, attempts to upgrade the current corpus of knowledge regarding equity ownership structure and stock returns in an emerging market, with the Nigerian capital market as a special focal point of interest. The remaining part of the paper is organized as follows: Section 2 reviews literature on equity ownership structure and stock returns, while also presenting the theory underpinning the study. Section 3 is on the research methodology. Section 4 presents the result of data analysis and discussions, while section 5 presents the contribution to knowledge, conclusion and recommendations.

Literature Review

This section presents literature on the dependent variable (equity return) and independent variables (chairman's ownership, family ownership and institutional ownership) and the theory underpinning this study.

Chairman's Ownership and Stock Returns

Khanna & Palepu (1999) and Singh & Gaur (2009) observed that a company with substantial chairman's shareholdings always has a stable stock price and the stock value of such companies has always been high. Also, Ngoc (2007) in their study on the chairman`s shares ownership and firm returns, observe that there is a positive relationship between non-banking financial institutions chairman share ownership and firm`s return on stock value. The study posits that board chairman ownership creates very good returns on assets and equity compared to non-managerial controlling shareholding companies.

Morck, Shleifer and Vishny, (1998) while comparing chairman`s shareholding at different levels, discovered a positive relationship from 0% to 5% of chairman`s ownership and stock returns, but a negative relationship between 5% to 25% levels of chairman`s shares ownership. Also Short and Keasy (1999) carried out a similar analysis for firms in Great Britain from 1998 - 1992 and used two measuring methods: accounting measure (return on shareholder's equity) and market performance measures (like Tobins Q). They found a positive relationship between chairman`s ownership and firm returns from 0% to 16% in market measure range, and a negative result from 16% to 42 % range in firms operating in the Great Britain. This shows that chairman`s share ownership impacts positively on stock returns to a limit beyond which it begins to generate a negative result. These findings suggest that while chairman or managerial board ownership of shares can improve returns in some firms; such share ownership should be carefully acquired to a reasonable limit against which a negative result might emerge. This generates the assumption that:

H_{01}: *Chairman ownership structure does not exert a significant impact on stock returns of Nigerian quoted companies.*

Family ownership structure and stock returns

Stewart (2003) suggests that family members are altruistic toward each other as a result of moral obligations so that altruism could mitigate some agency costs. Unfortunately, though, altruism can also lead to other agency costs, for example, free riding by family members, as in the "Samaritan's dilemma" (Bruce & Waldman, 1990), and entrenchment of ineffective managers (Morck& Yeung, 2003).

To further support this argument**,** Schulze, Lubatkin, and Dino (2003) claim that family relationships make it more difficult to resolve certain kinds of conflicts; since nepotism does exist and families find it difficult to replace ineffective family members. This clearly shows that family involvement has the potential to lower firm performance and disturb long term stock returns. This in other word implies that stock returns are likely to be negatively associated with companies where there are large single inside family ownership of shares (Ewing, 1965; Handler & Kram, 1988).

While it is often expected that family ownership would impair firm performance and long term stock returns, some studies have argued otherwise. Anderson et al. (2003) suggest that founding families, representing a form of undiversified ownership, may mitigate the risk-shifting problem between shareholders and bondholders. Consequently, family firms may face a lower cost of debt financing. Furthermore, the relationship within a family are largely characterized by altruism, loyalty, and trust. Pollack (1985) and Coleman (1990) have emphasized that in a family business, these qualities may promote flexibility in operations, ease decision making and reduce shirking, all of which may have favourable effect upon the productivity of the firm.

In a study by Anderson, Mansi & Reeb (2003) it was observed that family firm enjoy a lower cost of debt financing compared to non-family firms and they deny the disadvantages of family ownership by stressing that public family firms are significantly better performers than non-family firms. In supporting this view, McConaughy, Walker, Henderson, and Mishra (1998), and McConaughy, Matthews, and Fialko (2001), observe that family controlled firms were more efficient and valuable than non-family firms. In another study Anderson and Reeb (2004), discovered that family owners may have superior monitoring abilities relative to diffused shareholders, especially when family ownership is combined with family control over management and the board. They also argue that current generation of owners have the tendency and obligation to preserve wealth for the next generation. Family firms tend to have longer time horizons compared to non-family firms. Moreover, the controlling family is likely to commit more human capital to the firm and to care more about its long-run value (Bertrand & Schoar, 2006). Family members therefore represent a special class of large shareholders that may have a unique incentive structure, a strong voice in the firm and powerful motivation to make longer term strategic decisions (Becht & Roel, 1999; Dhnadirek & Tang, 2003, Wang, 2006).

The above empirical findings suggest that family ownership has the potential of contributing either positively or negatively to the firm's performance and long term stock returns. This therefore justifies the need for us to test the relationship between family ownership and stock returns in Nigeria. This generates the proposition that:

H_{02}: *There is no significant relationship between Single family ownership structures and stock returns of Nigerian quoted companies.*

Institutional Ownership Structure

From a theoretical point of view, Shleifer and Vishny (1986) argue that large shareholders such as institutions have an incentive to monitor managers for their own interests which invariably spill over to other individual shareholders. They regard the existence of institutional shareholders as a monitoring mechanism on the behavior of the board and managers and argue that their presence tend to be good for firm`s value and its overall performance. The work of Agrawal & Mandelker (1990), Bathala, Moon and Rao (1994) also supported the claim that institutional investors play an important role in monitoring the activities of management and in reducing agency problems.

A growing literature argues that if institutional investors purchase security, and the supply curves are upward sloping, then aggregate institutional demand will have direct effects on stock returns. Also, due to economies of scale, institutional investors are likely to be better informed than other traders and with this information advantage, any trading behaviour of these institutions will affect prices as it would signal decision making (Easley & O'Hara 1987; Kyle, 1985; Porter, 1992). Using long-term stock returns as a measure of firm performance for 301 NYSE/AMEX firms during 1988-1992, Han and Suk (1998) observed that stock returns, represented by the geometric average return for the five-year period for the firms, are positively related to institutional ownership at 10% significance level. They attributed this observed significant relationship to effective management monitoring by institutional investors.

Cadbury (1992) observed that the presence of institutional shareholders should have a positive influence in generating higher stock returns for firms. The work of Cornett, Marcus, Saunders, and Tehranian (2007) in a research titled "the impact of institutional ownership on corporate operating performance" added credence to this finding. They went further to assert that institutional shareholding is one of the mechanisms of corporate governance maintenance and a major operational yield determinant of large companies. But some of these assertions have come with mixed results that indicate both positive and negative relationships. Based on this notion, Barnhart, Marr and Rosenstein (1994), and, Barnhart and Rosenstein (1998) found evidence of a reverse curvilinear relationship between the percentage of independent directors; as classified by Institutional Shareholder Services, and, some performance measures. They reported that firms where boards have clear majority of concentrated independent institutional directors had lower stock market performance.

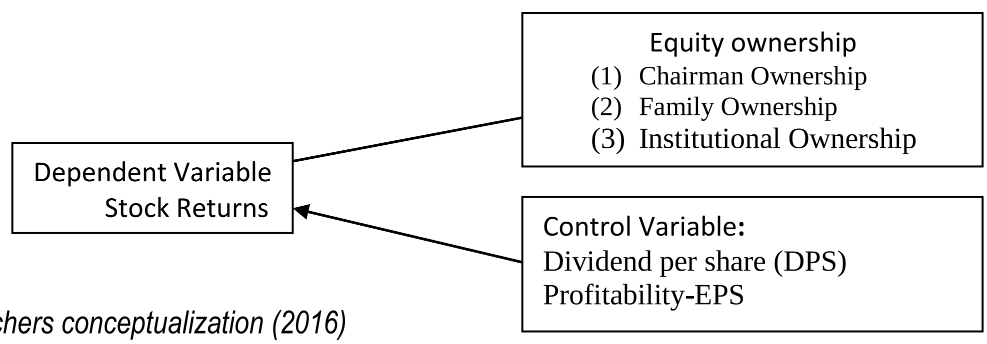
A study by Ozkan (2007) found that institutional ownership has a significant and negative impact on the level of CEO compensation for a sample of UK companies for the year 2003. Her findings are consistent with the recent anecdotal evidence that institutions with large shareholders have become more active in their monitoring role of companies which invariably affects the ways companies manages investors' funds. Other studies have also sought to evaluate the link between institutional ownership and firm performance and some of these results appear negative thereby suggesting that there is no relationship between institutional ownership and stock returns. For instance, Agrawal and Knoeber (1996) found no significant association between institutional ownership and firm performance based on a list of 383 firms. They conclude that the stock returns of these firms were tied to other variables other than the number of institutional holders. Also, Ozkan (2007) in her work discovered a negative and significant relationship between institutional ownership and firm performance. Based on these mixed results in extant literature, it is assumed in this study that:

H_{03}: *There is no significant relationship between institutional ownership structure and stock returns of Nigerian quoted companies.*

Theoretical Review

The stewardship theory underpins this study. Directors have a fiduciary duty to the shareholders to act in the best interest of the company at all times and not just in their own sectional interest (CAMA, 2004; section 282). Inherent in this fiduciary duty of directors is the idea that they can be trusted and will act as good stewards over the resources of the organization. Stakeholders especially the shareholders are expected, by law, to appoint from among themselves those who are knowledgeable and trustworthy as directors to run their company. These directors which are the major inside owners are regarded by law as the stewards of the shareholders. The duty of a steward is higher than that of an agent. A steward must act as if he/she were the principal rather than a representative such as an agent.

In today's businesses, non-executive directors are preferred to executive directors. A non-executive director is one who is not in the employment of the organization, while an executive director is one in the employment of the organization. The preference for non-executive directors is because they are expected to bring diverse outside perspectives to the organization. The steward director is expected to be selfless, honest and accountable in the discharge of his/her services to shareholders. This is the essence of corporate governance (Okafor & Ibadin, 2009). Added to this, Vargas-Sanchez (2004) stressed that stewardship theory is based on the following premises: (i) managers are stewards, (ii) their approach to governance is sociological and psychological,(iii) stewardship is based on the behaviour of collectivistic (or pertaining to collectivism), pro-organization and trustworthiness,(iv) in stewardship theory managers are motivated by the principal's objectives, (v) managers and principals interest in stewardship are convergent, (vi) managers attitude in stewardship is based on risk propensity, and (vii) principal-manager relationship in stewardship model is based on trust. Following this line of reasoning, the stewardship theory serves as the main theoretical framework for this study. The figure below provides a model which depicts the theoretical framework for the study.



Source: Researchers conceptualization (2016)

Methodology

In this study, the longitudinal method of research design was adopted. The reason for the use of this blue print for data collection is because data were collected at different points in time. The population consists of the 198 companies quoted on the Nigeria Stock Exchange (NSE). However, only 60 companies were sampled by way of purposive sampling technique, based on whether each company in the population has fulfilled its statutory obligation in delivering annual report for the year ended 2016.

Data for chairman, family and institutional ownership and the control variables (dividend per share, earnings per share) were sourced from annual reports, while the stock price data for computing annual stock returns for the companies were from the NSE official daily price listings. The data were analysed using multiple regression with the aid of the Microsoft Excel and E-Views 8.0 computer packages.

In the study, long term stock returns was operationalized as annual returns based on daily price listings, while the explanatory variables were operationalised as follows: (i) *chairman ownership concentration*: was measured by taking the percentage of shares ownership of the chairman to the total company units of shares. In grouping Chairman Ownership into concentration and non-concentration ownership, we used a dummy variable of one (1) for companies with above 5% concentration and 0 for companies with less than 5% concentration; (ii) f*amily ownership*: was obtained by grouping the companies based on a dummy variable. In grouping single family ownership into concentration and non-concentration ownership, we used a dummy variable of "1" for companies with greater than 5% concentration and "0" for companies with less than 5% concentration. It is expected that increase in family ownership would be significantly associated with stock returns; and (iii) i*nstitutional ownership*: was measured by taking the percentage of shares ownership of both local and international institutional investors to the total company units of shares. In grouping institutional' ownership into concentration and non-concentration ownership, we used a dummy variable of ''1'' for companies with above 5% concentration and 0 for companies with less than 5% concentration.

The model framework and specification is estimated thus:

SR = *f (CHAMS, FAMLO, INOWN)* ………………………………………….……….*(1)*

Where:
SR = stock returns
CHAMS = chairman ownership concentration
FAMLO = single family ownership concentration
INOWN = institutional ownership concentration

The multiple regression model with an error term (ε_t) is specified in econometric form as;

$SR_{it}=\beta_0+\beta_1 CHAMS_{it}+\beta_2 FAMLO_{it}+\beta_3 INOWN_{it}+X_{it}'\beta_i+\omega_i+\eta_t+\varepsilon_i$……………………..…… (2)

Where:
β_0 = intercept
ω_i= variances across companies but not over time (cross or random effect)
η_t= variances over time but not across companies at any given time (fixed effect)
ε_{it}= error terms over the cross section and time
i = individual companies
t = time
Apriori expectations are as: $\beta_0>0,\beta_1>0$, $\beta_2>0$, $\beta_3>0$

Data analysis and discussion of results
Average stock returns for the sample period was highest for the oil and gas, and, conglomerates sub-sectors with percentage rates of 33.7 and 24.2 respectively. These are very impressive rates of return on assets for the sub-sectors and they are higher than all the other sectors in the sample. Apparently, these two sectors have highly developed operational management capacities that guarantee optimum management of the firms' assets. These two sectors are also similar in characteristics since they both produce high consumer related goods with high turnover rates since they are needed on a daily basis. Hence, specialization in production ensures better assets management.

Table 1: Descriptive statistics for measures of firm equity ownership structure

SECTOR	SAMPLE		MEAN	STD. DEV.	SKEWNE	J-B
Agriculture	4	SR	11.71	14.54	1.15	5.29
		CHAMS	0.04	0.20	4.59	446.83
		FAMILY	0.25	0.44	1.15	5.78
		INSOWN_D	0.42	0.50	0.34	4.01
		INSOWN_F	0.58	0.50	-0.34	4.01
Banking	5	SR	9.51	7.68	0.66	2.77
		CHAMS	0.22	0.47	2.38	52.62
		FAMILY	0.40	0.50	0.41	5.03
		INSOWN_D	13.21	9.68	-0.24	3.01
		INSOWN_F	12.24	15.35	1.73	21.60
Insurance	4	SR	0.77	0.43	1.60	11.25
		CHAMS	3.78	4.99	1.22	7.26
		FAMILY	0	0	NA	NA
		INSOWN_D	25.86	21.40	0.03	2.70
		INSOWN_F	6.75	12.40	3.36	189.26
Beverages and breweries	6	SR	10.07	11.32	1.24	7.87
		CHAMS	0.03	0.02	0.49	2.46
		FAMILY	0.20	0.41	1.50	11.33
		INSOWN_D	9.71	13.58	0.98	5.24
		INSOWN_F	33.90	31.64	0.07	3.58
Building and construction	4	SR	18.13	27.44	1.49	13.75
		CHAMS	5.14	13.52	2.77	68.00
		FAMILY	0	0	NA	NA
		INSOWN_D	14.39	8.98	1.27	12.70
		INSOWN_F	32.75	19.43	0.20	2.72
Conglomerates	9	SR	24.15	51.03	3.67	434.78
		CHAMS	1.53	3.72	2.71	103.46
		FAMILY	0	0	NA	NA
		INSOWN_D	5.28	11.44	2.92	220.67
		INSOWN_F	45.20	32.35	-0.37	4.44
Food and healthcare	7	SR	14.55	22.24	2.05	39.08
		CHAMS	4.93	8.24	1.69	18.93
		FAMILY	0.83	0.38	-1.79	21.36
		INSOWN_D	24.54	32.42	0.68	5.83
		INSOWN_F	13.11	23.32	1.40	11.94
Industrial products	13	SR	12.24	13.13	2.31	118.00
		CHAMS	1.00	1.98	2.25	74.87
		FAMILY	0.22	0.42	1.34	16.17
		INSOWN_D	23.67	25.75	0.97	8.77
		INSOWN_F	23.38	30.17	0.73	8.78
Oil and gas	8	SR	33.66	83.91	1.34	15.27
		CHAMS	2.04	6.25	3.91	563.23
		FAMILY	0.29	0.46	0.95	8.42
		INSOWN_D	20.90	27.50	1.00	7.62
		INSOWN_F	21.36	25.69	0.46	6.19

Source: Authors' computation extracted from E-views 8.0 output, 2016

A special statistic of interest in this study is the Jarque Berra (J-B) coefficients in the summary statistics. It shows the degree of normality, and hence the heterogeneity of the data series. Highly heterogeneous series are the precursors for panel data estimation techniques. The J-B values for each of the variables in all the sectors are very high (above 2.0) and pass the significance test at the 1 percent level. This indicates that the assumption of normality in the data cannot be accepted as the series for the sectors are non-normally distributed. The implication of this is that the series across sectors are significantly heterogeneous and would actually require a panel data estimation technique.

Method: Panel Least Squares
Date: 05/11/16 Time: 12:55
Sample: 2016
Periods included: 6
Cross-sections included: 60
Total panel (balanced) observations: 360

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-58.83475	27.19632	-2.163335	0.0313
CHAMS	0.126535	0.052739	2.620857	0.0352
FAMILY	0.027578	0.011912	-2.163790	0.0400
INSOWN	0.017366	0.066729	-0.260241	0.0249
DPS	3.409657	0.798115	4.272136	0.0000
EPS	2.872486	0.443659	6.474543	0.0000
	Effects S Recification			
Cross-section fixed (dummy variables)				
R-squared	0.360837	Mean dependent var		0.912544
Adjusted R-squared	0.209569	S.D. dependent var		14.38504
S.E. of regression	12.78919	Akaike info criterion		8.107064
Sum squared resid	49069.05	Schwarz criterion		8.865559
Log likelihood	-1435.914	Hannan-Quinn criter.		8.408283
F-statistic	2.385407	Durbin-Watson stat		2.437982
Prob(F-statistic)	0.000000			

Note All regressions include a constant. The variables are significant at the 5% level.*

The result of the model estimation between the dependent variable (stock returns) and the explanatory variables (chairman ownership, family ownership, institutional ownership) are shown in table 2 above. On the basis of the result of the OLS test, the R-squared value of 0.360837 shows that about 36% of the systematic cross-sectional variation in the dependent variable (and when subjected to adjustment the result was 21%) is explained by the independent variables, chairman ownership, family ownership and institutional ownership. The F-statistic of 2.385407 and the associated probability value of 0.00000 implies the model is significant with a DW of approximately 2 critical bench mark are indicative of the absence of linear relationship between the dependent and explanatory variables.

The result of the estimation also revealed that chairman ownership, family ownership, institutional ownership, earnings and dividend per share do have significant impact on firm financial performance on the basis of the probability values of 0.0352, 0.0500, 0.0249, 0.0000 and 0.0000 respectively, which are substantially below the critical value of 5% significance, the relationship is also positive, therefore we do not accept the null hypothesis of no statistical significant association between these five variables and stock returns.

Hypotheses Testing

The hypotheses of the study are tested based on the above (table 2) empirical estimations performed and reported in this study.

Hypotheses

H_{01}: Chairman ownership does not exert a significant impact on stock returns of publicly quoted companies.
H_{02}: Family ownership does not exert a significant impact on stock returns of publicly quoted companies.

H_{03}: Institutional ownership does not exert a significant impact on stock returns of publicly quoted companies.

The above three hypotheses were rejected in this study because our results revealed that chairman ownership, family ownership and institutional ownership has a significant impact on stock returns of quoted companies in Nigeria. Indeed, this gives credence to any assumption that these explanatory variables are significant factor in predicting the stock returns outcome of stocks in the Nigerian Stock Exchange. The clear direction from this outcome is that ownership structure tends to explain stock returns and that the nature of ownership matters a lot in this regard. Our result revealed that ownership structure basically affects market return. Although the channels of effects, which is outside the scope of this study, is not clear, the results do indicate that there appears to be a clear relationship established between the pattern of ownership of equities and the return of the company's equity stock returns in the market in the Nigerian bourse.

The result of this study is in tandem with that of Khanna and Palepu (1999) and Singh and Gaur (2009) who found out that a company with substantial chairman's shareholdings always has a stable stock price and the stock value of such companies have always been high.
Also, results from studies by Ngoc (2007), Morck, et al (1998) and Short, et al (1999) are in consonance with the result from this study. However, they found a negative association between chairman ownership and stock returns as against the positive relationship reported in this study.

The result of this study is also in agreement with submission by and Pollack (1985), Coleman (1990) and Anderson et al. (2003) that family business promotes flexibility in operations, ease decision making and reduce shirking, all of which may have favourable effect upon the productivity of the firm and invariably the stock returns. However, results from studies by Handler et al (1988), Bruce et al (1990), Stewart (2003), and Schulze et al (2003) are not in tandem with submissions of Pollack (1985), Coleman (1990) and Anderson et al. (2003) when they observed that family involvement have the potential to lower firm performance and disturb long term stock returns.

The result of this study that institutional ownership impacts stock returns positively and significantly is also in tandem with findings by Shleifer et al (1986), Agrawal et al (1990), Bathala, et al (1994) and Ozkan (2007) that large shareholders such as institutions have an incentive to monitor managers for their own interests which invariably spill over to other individual shareholders. They regarded the existence of institutional shareholders as a monitoring mechanism on the behavior of the board and managers and argued that their presence tend to be good for firm`s value and its overall stock returns. However, Barnhart, Marr and Rosenstein (1994), and, Barnhart and Rosenstein (1998) finds evidence of a reverse curvilinear relationship between Institutional Shareholdings and some performance measures. They reported that firms where boards have clear majority of concentrated institutional ownership had lower stock market performance. These mixed results may be attributable to methodological issues bothering on the population of study and sample size.

Conclusions

The study revealed that equity ownership structure (chairman ownership, family ownership, institutional ownership) has a significant impact on stock market return of publicly quoted companies in Nigeria. This finding have important implications for policy and portfolio diversification as the extent to which the various forms of equity ownership structure exert some form of idiosyncratic shock or influence on domestic stock returns gives insights into the degree of linkage between ownership structures and stock market returns in a relatively developing capital market like Nigeria.

Thus, on the basis of the research findings, we recommend that since chairman ownership, family ownership and institutional ownership of equity capital positively and significantly affect stock returns in Nigeria, policymakers in Nigeria should take preventive actions against factors such as internal ownership tussles for control and put in place rules of engagement within quoted companies in order to forestall issues like chairman overbearing attitude, or undue family slide to nepotism within the organization. Overall, shareholding by the chairman, family ownership and institutions should be encouraged amongst quoted companies in Nigeria, if the much desired economic growth is to be achieved.

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MODELLING CORRELATION BETWEEN SHAREHOLDERS DIVIDENDS AND CORPORATE PERFORMANCE IN NIGERIA

UDEH, FRANCIS NNOLI[1]

ABIAHU MARY-FIDELIS CHIDOZIEM[2]

MARVEL EJEFU OGBEKHILU[3]

[1-3]Department of Accountancy, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria
Corresponding Author: f.abiahu@unizik.edu.ng

ABSTRACT

This study examined the Modeling Correlation between Shareholders Dividend and Corporate Performance in Nigeria. The study employed the ex post-facto research design. To obtain answers on the research questions and to test the hypotheses formulated, data were obtained from annual reports of companies listed on the floor of the Nigeria Stock Exchange (NSE) that disclosed a comparative statement for the period of 2010 to 2016. The data collected were analyzed using descriptive statistics. Specifically, Simple Regression Analysis and paired sample t-test statistics were used to analyze the data. The results showed that there is no significant correlation between shareholders dividend payout and the explanatory variables in the model. This results taken as a whole indicates that banks pay dividend in Nigeria with the intention of reducing the agency conflict and maintaining firms' reputation. The study recommended that since the payment of dividend indicates the firm having a good earnings capacity, management should maintain a steady increase in earnings, cash flow and dividend payment and establish a dividend policy that can be acceptable by various stakeholders

Keywords: Dividend payout, Bird-in-the-hand theory, and corporate performance

Introduction

Dividend decisions have presented different issues to academicians and practitioners (Olowe, 2011). Dividend or "earned profits" of shareholders corporate investment is the portion of corporate financial performance expressed as profits which is usually distributed to the corporate shareholders and often declared during the annual general meeting (AGM). Ross, Westerfield and Jaffe (2002) opined that dividend decision or the decision on the proportion of corporate profit allocated to shareholders in the form of dividend payments, is one of the four major decision areas in finance among financing, investment and working capital management decisions. Dividend policy remains the most indispensible element in financial policies not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the government. They desire adequate returns on their investments to ensure continued loyalty to the business and, at the same time, the company requires to plough back adequate profit to increase the capital base that would translate into increased production, sales and profitability, all of which encapsulated in organizational growth. The philosophy of dividend is that the investors would not want any dividend less than the expected except they have the conviction that the investment to which the retained earnings are committed would yield returns over and above what they could be opportune to elsewhere. Dividend policy is an important aspect of corporate finance and dividends are major cash outlays for many corporations. Dividend could also be referred to as that part of the enterprise earning that is given to shareholders as interest on their investment. Also, it represents the return to investors who put their money at risk in the company. Company pays dividend to reward existing shareholders and encourage others that are prospective shareholders to buy new issues of the common stock at high price (Ashamu, Abiola & Bbadmus, 2012). The survival of any company is dependent on the continuous investment in facilities and the employment of internal financing, through the use of retained earnings forms an integral part of the sources of finance to foot the investment needs of corporations (Bajaj & Vijh 1990; Osaze & Anao, 1990). Miller and Modigliani (1961) used logical analysis to explain firms' dividend policy. They asserted that in a perfect market, the value of a firm would be independent of its dividend policy and that a change in dividend policy would indicate a change in the management's view of future earnings (Farsio, Geary & Moser, 2004). Dividend or profit allocation decision is one of the four decision areas in finance.

Dividend policy has continued to attract more public and researchers interests especially as contemporary issue of study in the twenty-first century. Numerous studies as opined in Arnott and Asness 2003;Farsio et al 2004, undertaken on dividend policy have continued to present divergent views and hence has remained an unresolved issue in corporate finance. Similarly several theories have been proposed to explain the relevance of dividend policy and whether it affects firm value, but there has not been a universal agreement (Stulz, 2000; DeAngelo, DeAngelo, & Stulz, 2006). Researchers Amidu (2007), Howatt (2009), continue to come up with different findings about the relationship between dividend payout and firm performance. According to Amidu (2007), it was revealed that dividend policy affects firm performance when measured by its profitability. The study affirmed a strong positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy. Meanwhile, that company's dividend policy has implications for many parties such as managers, investors, lenders and other stakeholders. Through dividends, investors can value a company and for them it is a regular income whether declare today or at some future date. Much empirical research has been done to determine the relationship between investment opportunities, corporate financing and dividend payout Farsio et al, 2004. According to Abor and Bokpin (2010) these findings have failed to establish any clear link concerning this issue, most of these studies tend to focus on developed markets. However, little is known about how a firm's investment opportunities and corporate finance influence dividend payout policy in the emerging markets. Firms in emerging markets tend to exhibit different dividend behavior from those of developed markets. This may be as a result of the differences in levels of efficiency and institutional arrangements between developed markets and emerging markets. It is, therefore, useful to improve our understanding of the issue from an emerging market perspective (Abor & Bokpin, 2010).As an emerging market, it lacks alternative information sources other than published accounting reports such as earnings, market to book value, return on equity, and host of others. Companies in developing countries have low payout, if they pay at all (Oyinlola, Oyinlola & Adeniran, 2014). In Nigeria, finding reveals that though firms have dividend policies that dependent on earnings, the trend is not very consistent and proportionate (Adefila, Oladapo & Adeoti, 2013). There was hardly any or much study on the relationship between dividends paid out to the shareholders and performance of the organization. With this, it was important to investigate the dividend policy puzzle in emerging markets and to observe if there are any differences between both the developed markets and the emerging markets in the dividend policy context. It is against this backdrop that this study seeks to redress the modeling correlation between shareholders dividends and corporate performance in Nigeria, with the main objective of establishing a correlation model existing between shareholders dividends and the corporate performance, measured using explanatory variables (Earnings Per Share (EPS), Market to Book Value and Return on Equity) among selected listed companies in the Nigerian stock exchange. The specific objectives of this study are include (a) to determine the relationship between Earnings Per Share (EPS) and dividend payout; (b) to determine the relationship between Market to Book Value and dividend payout; and (c) to determine the relationship between Return on Equity and dividend payout.

Literature Review

Conceptual Frame work

A shareholder is seen as a "member" or "holder" of a share in an organization. This represents a person whose name is registered in the company's register of members, that is, a person with legal title to the shares in a corporation. Shareholders are the owners of a limited liability company. They invest in shares which represent part ownership of a company. They have the potential to profit if the company does well, but that comes with the potential to lose if the company does poorly. Dividend policy connotes to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time. Many researchers have tried to uncover issues regarding the dividend dynamics and determinants of dividend policy but we still don't have an acceptable explanation for the observed dividend behaviour of firms (Black, 1976). Technically, the dividend policy of the firm relates to various decisions on payment of dividend, which remain a major aspect of the strategic decision of the firm. Essentially, it involves the determination of how earnings generated would be shared between payments to stockholders and reinvestments in projects that would yield positive net present value for the firm. In dividend policy decision, management needs to decide the amount, ratio and pattern of distributions to shareholders over time. As documented in the literature, the debate on dividend policy has basically focused on the irrelevance and relevance of dividend policy to the value of the firm (Modigliani & Miller, 1958, 1961; Gordon, 1959, 1962; Pandy, 2005). Corporations view the dividend decision as quite important because it determines what funds flow to investors and what funds are retained by the firm for reinvestment. Dividend policy can also provide information to the stockholder concerning the firm's performance.

Dividends are referred to as rewards for providing finances to a firm, as without any dividend payout, shares would not have any value (Abdel-Halim & Adel 2013). Earnings distributed to shareholders are also called dividend (Pandey 2005). Uwuigbe, Jafaru and Ajayi (2012) noted that, the term dividend policy can be described as the policy a company uses to decide how much it will pay to shareholders in dividends. The dividend policy a firm adopts has implications for different stakeholders such as managers, lenders, and investors. Agrawal and Jayaraman (2004) stated that, Dividend payments and leverage policy are substitute mechanism for controlling the agency cost of free cash flow hence, improves performance.

Dividend policy remains one of the most important financial policies not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the Government. For a company, it is a pivotal policy around which other financial policies rotate (Alii, Khan & Ramirez, 1993).Corporate performance is at the heart of the managerial function of an organization (Samuel 1989). Analysis of corporate performance is mainly concerned with the development of a modeling methodology to help in the diagnosis of past performance and thus provide a framework for evaluating the effect of changes in operating parameters as a guide for future planning. Ghosh and Subrata (2006) noted that, the performance of an Organization is measured by the choice of the management form of wealth to be held. If the performance of an organization is good there will be little or no disagreement between the management and the shareholders.

Correlation between Dividend and Firm Performance

According to Uwuigbe, Jafaru and Ajayi (2012), Dividend is the benefit of which shareholders receive in return for their risk and investment, determined by different factors in an organization. Basically, these factors include financing limitations, investment chances and choices, firm size, pressure from shareholders and regulatory regimes. Dividends represent that part of a company's profits that is distributed amongst its shareholders (Mohanraj & Deepa, 2012). Since most of the firms pay cash dividends it then means that they have to decide on what percentage of their earnings they will distribute to their shareholders and this means coming up with a dividend policy to apply.

Dividend Payout and Corporate Profitability

Corporate profitability is a constant priority for stock-exchange players, especially those who make long-term investment bets. Appraising a firm's profitability trends requires analytical skills, attention to detail and financial acumen. When reviewing corporate profitability, investors sift through various accounting reports, including statements of profit or loss, budgets and financial rations. Reporting consistently positive results is a confidence-building exercise for companies. Profitability is the primary goal of all business ventures, for without profitability, the business will not survive in the long run (Uchendu, 2005). Firm performance can be measured by the earnings generated by the company in terms of profitability. There is substantial literature on the relationship between dividend policy and profitability. Dividends are important to shareholders and potential investors in showing the earnings that a company is generating.

Empirical Review

Ajanthan (2013) examined the relationship between dividend payout and firm profitability: A study of listed hotels and restaurant companies in Sri Lanka with the sample of 16 hotels and restaurant companies listed in the Colombo Stock Exchange (CSE) using correlation; multiple regressions and descriptive statistics, found that dividend payout has a significant impact on the profitability of listed firms in Sri Lanka. The result showed that an increase in the financial wellbeing of a firm tends to positively affect the dividend payout level of firms.

Dada, Malomo and Ojediran (2015) critically evaluated the determinants of the dividend policy of Nigerian banking sector using panel data of selected Banks that are listed on the Nigerian Stock Exchange (NSE) during 2008 to 2013. Data were analyzed with least square regression analysis. The results showed that dividend payment is positively related with leverage, performance, corporate governance and last year dividend while it is negatively related with firm's liquidity.

Duke, Ikenna, and Nkamare (2015) examined Impact of Dividend Policy on Share Price Valuation in Nigerian Banks This was done by utilizing data on two banks operating in the Nigerian economy (Guarantee Trust Bank Plc and United Bank for Africa Plc). Using ADF unit root test and regression analysis. The ordinary least square (OLS) model of multiple regression technique was used to establish the relationship between dependent and independent variables. The results revealed that dividend policy indeed had a positive effect on shareholders wealth.

Farazida, Nor and Noryati (2015) examined the impact of dividend policy on the shareholders' wealth of Shariah and non-Shariah compliant companies listed in Bursa Malaysia Main Market. A sample of 274 Shariah compliant companies and 129 non-Shariah compliant companies listed on Bursa Malaysia for the period of 2004 to 2013 was selected, using two-way Fixed-Effect Generalized Least Squares (GLS) regression for Shariah compliance companies and random-effect GLS regression for non-Shariah compliance companies. The results indicate that dividend policy variables (DPS and REPS) and ROE are significant factors affecting shareholders' wealth of both groups of companies.

However, Islam, Aamir, Ahmad and Saeed (2012) explored Factors that motivate the dividend policy among the cement industry in Karachi Stock Exchange and State Bank of Pakistan. It was found that PE ratio, EPS growth and sale growth are positively associated with the dividend payout while profitability and debt to equity were found to have negative association with dividend payout.

The work of Mohsen (2012), showed the relationship between information asymmetry and dividend policy. Profit, size of company and risk were used as control variables. The results showed direct relationship between information asymmetry and dividend policy.

Ogli and Pakde (2015), examined firm performance impact on dividend policy in Tehran Stock Exchange listed firms with a sample of 22 companies, using descriptive statistic, Pearson coefficient and regression for analysis, intervening control variables in relation to Q-Tobin ratio and dividend payout ratio. The study found that, the impact of Tobin'Q ratio is approved on dividend payout ratio in tehran stock exchange. It was discovered that when market value to book value is increased, dividend payout ratio is increased.

Osegbue, Ifurueze and Ifurueze (2014) examined the relationship between dividend payment and corporate performance of Nigerian banks, using panel data of banks listed on the Nigeria Stock Exchange between the year 1990 and 2010. The models considered the impact of free cash flows, current profitability, financial leverage, business risk and tax paid on dividend payout of banks in Nigeria and the explanatory variables. This result indicated that the explanatory variables on the model do not have significant impact on dividend payout on the Nigerian commercial banks. This result indicates that bank pay dividend in Nigeria with the intention of reducing agency conflict and maintaining firm's reputation. Given the varied results from the above analyses, this study hypothesizes that:

H_{01}: There is no relationship between Earnings Per Share (EPS) and dividend payout
H_{02}: There is no relationship between Market to Book Value and dividend payout.
H_{03}: Return on Equity do not influence dividend payout.

Theoretical Framework

Bird-In-The-Hand Theory

The "Bird in Hand" theory of Gordon (1962) argues that outside shareholders prefer a higher dividend policy. They prefer a dividend today to a highly uncertain capital gain from a questionable future investment. Gordon (1959) suggested that there were three possible reasons as to why investors would buy a certain stock. Firstly, to get dividends and earnings, secondly is to get dividends only, and lastly is to get the earnings. The Bird-In-Hand theory also argues that cash dividend received now, reduces the risk associated with the uncertainty surrounding deferred income; in form of capital gain. Hence, investors may prefer to purchase shares of companies with track record of dividend payout than companies that retain heavily for growth and expansion. Bird in hand theory proposes that a relationship exists between firm value and dividend payout. It states that dividends are less risky than capital gains since they are more certain. Investors would therefore prefer dividends to capital gains (Amidu, 2007).Because dividends are supposedly less risky than capital gains, firms should set a high dividend payout ratio and offer a high dividend yield to maximize stock price.

Agency Theory

Over the last decade, agency theory has emerged as the dominant paradigm in the financial literature (Hill & Jones 2001). The 1976 article —Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure by Jensen and Meckling helped establish Agency Theory as the dominant theoretical framework of the Corporate Governance literature, and position shareholders as the main stakeholder (Daily, Dalton and Cannella, 2003). An agency relationship is defined as one in which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent (Jensen & Meckling 1976). The agency cost theory suggests that, dividend policy is determined by agency costs arising from the divergence of ownership and control. Even if a firm does not have free cash flow, dividend payments can still be useful for the shareholders in order to control the overinvestment problem. In the process of attracting new equity, firms subject themselves to the monitoring and disciplining of these markets. This lowers agency cost. Managers may not always adopt a dividend policy that is value-maximizing for shareholders but would choose a dividend policy that maximizes their own private benefits. Making dividend payouts which reduces the free cash flows available to the managers would thus ensure that managers maximize shareholders' wealth rather than using the funds for their private benefits (DeAngelo, DeAngelo & Stulz, 2006).

Methodology

For the study purpose, expost-facto research design was adopted. This design is being adopted because it seeks to establish the factors that are associated with certain occurrence or type of behaviour by analyzing past events of already existing condition. The sample comprises of fifteen banks listed in the Nigerian Stock Exchange as at September, 2017 and it covers a period of 2010 to 2016.The data collection method emanated from only the secondary data. Our empirical strategy is based on identifying fundamental relationship that explains dividend payout return and its relation with earnings per share, market to book value and return on equity. A relational research relates one variable to another. The secondary data - earnings per share, market to book value, and return on equity were obtained from the Nigerian Stock Exchange Fact Books and Annual Reports and Accounts of the firms listed on the Nigerian Stock Exchange. The dependent variables of the dividend policy model is the annual dividends ratio paid by the banks and the independent or explanatory variables are earnings per share, market to book value, and return on equity. Dividend payout of publicly listed banks in the Nigeria Stock Exchange is regressed on explanatory variables that account for dividend payout (DIV), earnings per share (EPS), market to book value (MVB), and return on equity (ROE).

We employed descriptive statistics to determine the wide variation of the model used in the analysis and multiple regression analysis to identify the relationship for the variables used. The Analysis of Variance (ANOVA) was used to determine the significant difference between the dependent and explanatory variables and the correlation coefficients to describe the strength of the relationship between the variables.

Model Specification

For the purpose of this study, the general model to be estimated using the multiple regression analysis for Nigeria banks listed on the Nigerian Stock Exchange in the period of 2010 to 2014. The study employs Dividend payout ratio as the dependent variable while earnings per share, market to book value, and return on equity are the independent variable. The mathematical signs that indicate the hypothesized relationship on dividend pay-out policy as measured by dividend pay-out [DIV]) can be written as:

$$DIV = a_0 + a1\ EPS + a_2\ MVB + a_3\ ROE + \mu$$

Variable Definitions

DIV = Dividend pay-out policy
EPS = Earnings per share
MVB = Market to book value
ROE = Return on equity
$\alpha_0 = constant$
$\alpha_1 = coefficientofchoiceofearnings\ per\ share$

$\alpha_2 = coefficientof\ market\ to\ book\ value$

$\alpha_3 = coefficientofdecisionon\ return\ on\ equity$

$\mu_J = errorterm$

Where the variables are defined as:

DIV = Dividend payout ratio measures the percentage of profits distributed by the company among shareholders out of the net profits. Dividend payout is considered in this research because it takes consideration of both dividend payout and dividend retention rather than dividend per share and dividend yield.

EPS = Earnings per Share is the amount earned on behalf of each outstanding common stock not the distributed amount to shareholders. This is perhaps the most important factor for deciding the health of any company and the influence of the buying tendency in the market. Practically, Earnings per share are the Net Earnings divide by Outstanding Shares.

MVB = Market to Book Value (MVB) is defined as Market price per share divide by book value per share.

ROE = Return on Equity measures the extent net profits influences the ability of Nigerian banks to paid dividend. From this point of view of the investor, it is the most important ratio because it tells in clear language what each naira of investment is yielding. It is obtained by dividing the profit after tax by the shareholders equity.

Data analysis and discussion of results

Fifteen banks were derived as the sample for the study, but due to the non-availability of data of all the banks, the researcher was able to generate data for fourteen banks. Thus, the study used fourteen banks listed on the Nigerian Stock Exchange during the period 2010-2017.

Analysis of Descriptive Statistics

In this section, we recognized the correlation of the variables (earnings per share, dividend per share, market to book value and return to equity) on dividend payout of all sampled banks by conducting a descriptive analysis.

Table 1: Descriptive Statistics of Variables Understudy

	N	Minimum	Maximum	Mean	Std. Deviation
DivPay	68	-.73343	1.77273	.0996675	.30759385
EPS	70	-1357.000	874.000	46.48657	210.985561
DPS	69	-.81044	175.00000	11.9203257	37.82375928
M2BV	70	.02537	1.53021	.1600712	.27637827
ROE	70	-1.13813	.29590	.0514026	.23770068
Valid N (listwise)	68				

Source: SPSS Ver. 20

Table 2: **Coefficients**[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.048	.037		1.286	.203	-.027	.123
	EPS	-6.092E-005	.000	-.042	-.407	.686	.000	.000
	M2BV	-.049	.115	-.043	-.423	.673	-.278	.181
	ROE	.067	.131	.053	.512	.610	-.194	.328
	DPS	.005	.001	.596	5.659	.000	.003	.007

a. Dependent Variable: DivPay

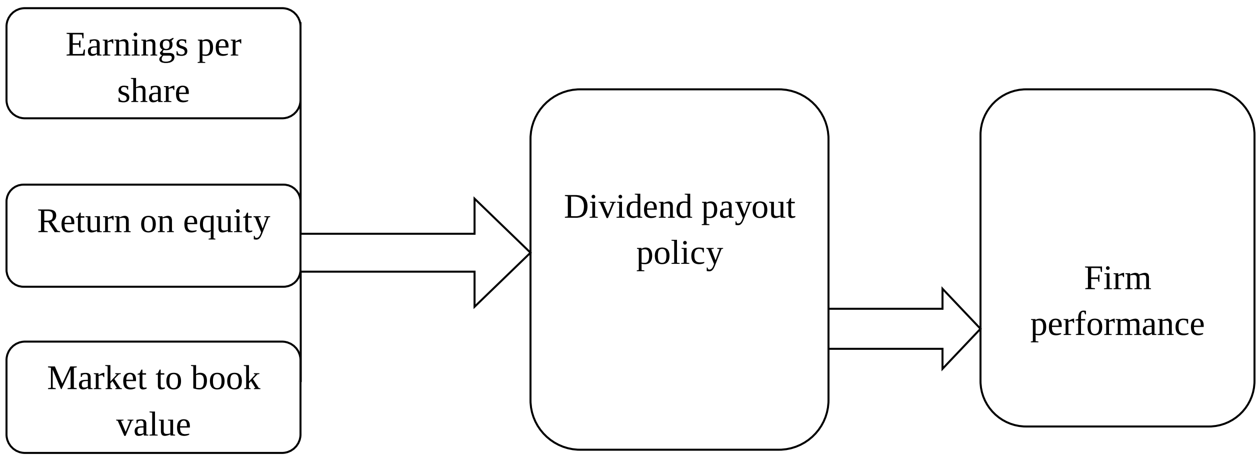
Table 3: **Correlation**

		DivPay	EPS	DPS	M2BV	ROE
DivPay	Pearson Correlation	1	.113	.598**	-.100	.129
	Sig. (2-tailed)		.359	.000	.416	.294
	N	68	68	68	68	68
EPS	Pearson Correlation	.113	1	.251*	-.013	.111
	Sig. (2-tailed)	.359		.037	.916	.360
	N	68	70	69	70	70
DPS	Pearson Correlation	.598**	.251*	1	-.111	.144
	Sig. (2-tailed)	.000	.037		.365	.239
	N	68	69	69	69	69
M2BV	Pearson Correlation	-.100	-.013	-.111	1	.089
	Sig. (2-tailed)	.416	.916	.365		.464
	N	68	70	69	70	70
ROE	Pearson Correlation	.129	.111	.144	.089	1
	Sig. (2-tailed)	.294	.360	.239	.464	
	N	68	70	69	70	70

Description of the conceptual model of the study

Using the above theoretical perspective, the study proposed a conceptual model for dividend policy and firm performance variables with a view to establish a coordinating relationship. Figure 1.1. Based on the agency theory which deals with a conceptual relationship between the principal and the agent. The agent which according to Jensen and Meckling (1976) is referred to as custodians within the organization are expected to discharge their responsibilities towards good governance practices so as to avoid mis-representation that will affect the principal (stakeholders, shareholders and users of financial statement). The studies of Osisioma and Enahoro (2010) revealed that stakeholders, shareholders and other users of accounting information rely heavily on the yearly financial statements of a company as they can use this information to make informed decision about investment. The study is bent on providing the modelling correlation between shareholders dividends and firm performance of listed firm in Nigeria with the help of dividend payout policy and firm performance variables with a view to establish a coordinating relationship

Figure 1.1: Conceptual Model for Dividend Payout Policy and Firm Performance Variables



Source: Authors. Designed for the study

Discussion of Findings

This study has examined in details, the modelling correlation between shareholders dividend and corporate performance in Nigeria. After a careful analysis of data, the study has provided some insightful findings. First, we recognized the variable understudy (earnings per share, market to book value, and return on equity) on dividend payout for all the sampled banks. The implication of the descriptive results, it can be observed that dividend payout as the dependent variable of banks regressed among the explanatory variables showed that there is negative relationship present between the hypotheses tested. The descriptive statistics in Table 4.1 shows a mean value of .0996675 for the payment of dividend in a scale of 5. This indicates a very low relationship with the variables. This finding is consistent with that of Osegbue et al (2014) who found out that the explanatory variables on the model do not have significant impact on dividend payout on the Nigerian commercial banks. Table 4.2 shows the value of the constant and the coefficient of the independent variables. Model equation from the results, the regression equation model is as follows;

$$DIV = a0 + a1\ EPS + a2\ MVB + a3\ ROE + \mu$$

The model is used to form prediction equation from the results of the regression analysis shown in table 4.3. The derived equation is thus:

$$DIV = .048 + -6.092E\text{-}005EPS + -.049M2BV + .067ROE + \mu$$

Table 4.4 which gave a detailed analysis of research hypothesis one which produce a significant value .359b which is greater than 0.05 (ANOVA table) showed an inverse relationship between earnings per share and dividend payout. Hence, we thereby accept the null hypothesis (H0) and reject the alternate hypothesis (H1). Table 4.8 showing a detail testing of research hypothesis two also gave an inverse relationship between market to book value and dividend payout, with a significant value .416b which is greater than 0.05 (ANOVA table). Hence, we thereby accept the null hypothesis (H0) and reject the alternate hypothesis (H1). Table 4.10 shows the analysis of a significant relationship between return on equity and dividend payout from the result table, it was observed that the significant value .294b emerged which is greater than 0.05 (ANOVA table). Hence, we thereby accept the null hypothesis (H0) and reject the alternate hypothesis (H1). A conceptual model for dividend payout policy and firm performance variables was developed with a view to establish a coordinating relationship for this study.

Conclusion

This research work bordered on the modelling correlation between shareholders dividends and corporate performance in Nigeria, using fourteen quoted companies that fall under the banking sector. This sector was chosen because of its relevance to the topic name; age, dividend payout policies over the years, relevance to the Nigerian economy. From the above results and analysis, we have been able to come up with a concrete evidence and conclusion. It was indicated that all the explanatory variables does not have significant relationship with the dependent variable in the model, that only 7% was accounted for by the explanatory variables in the model. The result indicated that when there is an increase in free cash flow in Nigeria banks, it raises the agency conflict between the interest of managerial and outside shareholders leading to a decrease in dividend payout. That increase in current profitability in Nigeria banks, leads to decrease in dividend payout, which means that Nigeria banks does not pay dividend often. The varying relationship between the variables shows that dividend payout ratio is not static. This informs us that there are certain factors that are responsible for the zigzag movements. We discovered that all independent variables in one way or the other have weak relationship variable as discussed in the analysis and models formulated. Dividend has information content and the payment of dividend indicates that the company has a good earnings capacity. In conclusion the financial health of the firm has a positive impact on the dividends paid out, to mean an increase in financial health of the firm leads to an increase on the dividends paid out by firms.

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EXPECTED UTILITY THEORY AND INVESTMENT CHOICES IN THE NIGERIAN CAPITAL MARKET

BARINE MICHAEL NWIDOBIE
DEPARTMENT OF ACCOUNTING & FINANCE
CALEB UNIVERISTY LAGOS
Email: barinenwidobie@gmail.com&bmichaeldobie@yahoo.com

Abstract
This study aims to empirically test the expected utility theory in the Nigerian capital, determine its effect on investment decision choices and ascertain the risk tolerance level of Nigerian investors. Primary data obtained from questionnaires administered on 441 investors in the Nigerian capital market sampled using a two-stage sampling technique were analysed using the Satterthwaite Welch F-test, the one-way ANOVA F-test, the Welch F-test, the chi-square technique and the Grabble and Lytton (1999) risk tolerance assessment model.Evidences from the Nigerian capital market do not support the expected utility theory. Further results show thatthere exists a statistical difference between expected and actual utilities from investments in Nigeria, and investors in the Nigerian capital market are risk neutral.

*Keywords:*Capital Market, Decision choices, expected utility theory, Investment choices, Marginal utility, risk, Uncertainty, von Neumann-Morgestern(VNM) theory

JEL Codes: B23, C25, C44, C79, D81, D84

Introduction
The expected utility theory is known in decision sciences to drive decision under uncertainty. The theory considers the perception of an individual which is the driving force for purchase decision. The price to be placed on a probable investment or item to purchase is also dependent on the expected future outcome (expected utility) of the proposed action. Bernoulli (1738) introduced the idea of utility and expected utility maximization criterion for evaluating gambles. The expected utility criterion in effect, resolved the difficulty associated with using expected value posed by the St. Petersburg paradox. Resolution of this paradox was made feasible by the assumption of a logarithmic utility function of wealth having the diminishing marginal utility property. The expected utility theory is an instance of the theory of choice under subjective and objective uncertainty

Expected utility theory for decision making according to Morgin (1997), require the decision maker to choose between risky or uncertain prospects by comparing their expected utility values i.e. the weighted sums obtained by adding the utility values of outcomes multiplied by their respective probabilities. Morgin(1997) contended that two expected utility theories exist: the subjective expected utility theory in case of uncertainty, and the Von Neumann-Morgensten, VNM (1947) theory in the case of risk.

The utility theory helps in accounting for decision makers' level of risk tolerance. Crundwell (2008) noted that the utility theory describes the utility of an outcome at the point of indifference. This point of indifference is that at which the decision maker is indifferent to available risky options. The value of the outcome is converted by the utility function into a utility. The optimal choice is usually that which maximizes the utility. The principle of expected utility maximization according to Mitchell, Bodie, Brett and Zeldes (2001), states that rational investors should pursue that investment strategy which maximizes their expected utility. Thomson (2003b)showed evidences that the expected utility maximization can be applied to the recommendation of an optimal allocation between available investment channels. The expectation of investors is that benefits received on their investments meet their utility expectations as proposed by VNM at the time of acquisition of investments.

This study aims to empirically test the expected utility theory on investment choices in the Nigerian capital market and ascertain the risk status of investors in Nigeria. This study is novel as it applies the VNM theory to investment decisionsin the Nigerian capital market and undertake a comparative analysis of the utility expectations with actual utilities from rewards received based on the investor-reward policies of listed firms in Nigeria; and ascertain the risk status of Nigerian investorsas required by Lo and Mackinlay (2001) for all investment utility studies, making this study justified.

Research hypotheses

The following hypotheses are tested in this study on the assured relationship between identified variables:

(1) H_o: Capital market investment choices in Nigeria are not dependent on the expected and total utilities from such investments.
(2) H_o: The utilities from capital market investments in Nigeria are not statistically different from investors' utility expectations.
(3) H_o: Investors in the Nigerian capital market are not risk averse.

Literature Review

Related literature on the underlying axiomatic expression of the expected utility theory and utility theory and investment choices will be reviewed in this section.

Axiomatic expression of the expected utility theory

The axiomatic approach considers the existence of utilities as being given and assumes that individual choices are guided by the expected utility maximization. According to Karni (2014), the expected utility theory consists of two main models: the expected utility under risk which is concerned with the evaluation of risky prospects; and expected utility under uncertainty which is concerned with the evaluations of random variables or courses of action. Distinguishing between subjective and objective uncertainties, Karni (2014) noted that the probabilities are a set of primitive concepts representing objective uncertainty. Subjective expected utility is premised on three foundations. First, that decision making is a process involving the evaluation of likely outcomes associated with alternative courses of action and the assessment of their outcomes. Second, that the evaluation of outcomes and the assessment of their outcomes can be measured in utilities. Third, that the necessities of the decision-making process can be inferred from observed patterns of choice.

The expected utility theory under subjective uncertainty is based on the thought that the preference relation is itself a combination of two underlying factors: an expression of the decision maker's beliefs as regards the likelihood of the events, and that showing the decision maker's evaluation of the outcomes and risk attitudes. deFinetti (1937) and Ramsey (1931) formalised the concept of choice-based subjective probability. Both authors agreed that in any case of choice, an individual seeks to maximize his expected utility. von Neumann and Morgenstern, VNM (1947) gave the expected utility theory its axiomatic characterization. Using the axiomatic approach, VNM depicted the decision maker's preference on the available set of objective risks and identified necessary and sufficient conditions for the existence of a utility function on a set of outcomes that captures the decision maker's risk attitudes which represents his choice as expected utility maximizing behavior.

Bombardini and Trebbi (2012) employed a data set to estimate structural econometric model and the curvature of the VNM function globally of the decisions where lotteries present payoffs. Their findings show estimates indicating a constant relative risk aversion parameter of about one and captured the average of the sample population. Bombardini and Trebbi (2012) observed from their study that individuals are practically risk neutral at small stakes and risk averse when large stakes are involved. This result confirms the argument of Rabin's (2000) calibration theorem which requires the existence of the above fundamental risk behaviours for expected utility to provide a unified account of individual's attitude towards risk.Johnstone and Lindley (2013) noted that decision makers are risk averse. They stressed that the decision maker has a positive but diminishing marginal utility for money and thus U(x) is increasing and concave. When the expected money value of zero or less exists, Johnstone and Lindley (2013) argued that a risk averse decision maker will not accept any outcomes.

Findings by Bossert and Suzumura (2014) established that when transitivity (one of the expected utility axiom) is weakened to Suzumura consistency, a class of generalized expected utility is characterized. This relation they noted, allow for violations of reflexivity or completeness in some situations.Gul and Pesenorfer (2014) argued that a prior and an interval utility characterized the expected uncertainty theory. The decision maker, they noted, transforms each uncertain prospect into an interval-valued prospect that assigns interval of prizes to each state and ranks prospects according to their expected interval utilities. Separating the measurement of utility from pure alternatives, Kaneko (2017) observed that when no depth restrictions are given, the axioms determine uniquely a complete preference relation which can be considered the classical utility theory. Recognizing the existence of the aspiration level, Insead (2006) included the overall probabilities of success and failure into an expected utility representation. Conclusions from the study evidenced that an aspiration level reinforces loss aversion and account for simultaneous risk-averse and risk-seeking behaviour.Cohen and Tallon (2000) showed evidences that the utility theory implies that the utility function must simultaneously represent the choice among possible outcomes and model the behaviour towards risk.

Undertaking a comparative analysis of the mean-variance model and the expected utility theory, Borch (1969) concluded that the expected utility theory is more potent in determining the possible decision outcome. Findings by Johnstone and Lindley (2013) supported this argument.Another comparative study of expected utility theory with different qualitative models by Fargier and Sabbadin (2005) showed evidence that the utility theory is more effective in ascertaining decision outcomes. Schervish, Seidenfeld, Kadane and Levi (2003) extended the expected utility theory using the three decision rules of T-maximin, maximality and E-admissibility. Attempt by Machina (2005) to prove with growing body of evidences that individuals do not necessarily conform to many of the key assumptions or predictions of the expected utility model of choice under uncertainty seems to have been countered by the above greater evidences. Lengwiler (2009) advised that people should use or employ the expected value of utility of different possible outcomes for their decision choices.

Utility theory and investment choices

Empirical evidences abound in behavioural finance literature of the effects of expected utility on investor decision preferences and choice. Examining reports on an experiment with a group of 236 Australian superannuation investors to derive an expected utility function and the resulting indifference curve, Livanas (2011) concluded that the expected utility function is consistent with that of Sharpe (1964) and Markowitz (1952), only that the investors did not consider time horizon. Livanas (2011) opined that in carrying out such examination, the group study behaviour is preferable to that of an individual. Findings by Jakko and Tikkanen (2011) from the study of 400 investors showed that most investors had effect-based extra motivation to invest in stocks over and above financial return expectations. Jakko and Tikkanen (2011) posited that the more positive an individual investor's attitude towards the firm was, the strongerwill be his extra investment motivation; adding that a special affective relationship that an investor may have towards a firm, effective self-affinity, can further explain the extra investment motivation.

Shalini, Arora and Dhameja (2013) conducted 30 exploratory semi-structured interviews to ascertain and explain the underlying thoughts and feelings that affect individual investment decision-making behaviour with data analysed by means of open coding of verbal data. Research results from in-depth interviews indicated that individual investors have numerous beliefs and preferences that bias their financial investment decisions. These biases according to Shalini et al (2013) show the design of the investor's mind rather than flaws of the investor's mind. They suggested that an accurate understanding of an individual investor's psychology assists in better comprehension of the way individual investment decisions are made. Otuteye and Siddquee (2015) argued that investment decisions are subject to errors due to cognitive biases of the decision makers. Otuteye and Siddquee (2015) noted that one way of preventing cognitive biases from influencing decisions is to specify the algorithm for the decision in advance and apply it dispassionately.

Research results from the study conducted on risk perceptions of investment products in the German-speaking area of Switzerland by Wang, Keller and Siegrist (2011) showed that knowledge-related scales were highly correlated with risk-related scales. The correlation between perceived risk and historical risk measures, they added, was much lower. Their study samples showed evidences that easier-to-understand products were less risky indicating that investments in such products were driven by familiarity bias. Heuristics according to Otuteye and Siddiquee (2015) are potent practical tools for simplifying decision making in a complex environment where uncertainty, limited information and bounded rationality exists. This they added, succeeds in simplifying the decision making process without compromising quality and ensuring that the decision maker avoids potential cognitive bias problems.

Using survey data from 607 CFA Institute Charter from across the globe to empirically examine investment professionals' beliefs about deception, Hartwig, Voss and Wallace (2015) concluded that investors subscribed to common misconceptions about deceptive behaviour such as beliefs that liars are gaze aversive and fidgety. Investigating the effect of short-term feedback and context on behaviour, Taylor and Taylor (2016) showed evidences that search behaviour is affected by feedback on short-term investment returns and volatility of those returns, conditional upon investor style and context with considerable evidence of both reactionary behviours and avoidance within the domain of losses.

On influence of investor sentiments on financial markets, empirical evidences by Shu and Chang (2015)showed that a modified Lucas (1978) model can interpret existing financial market anomalies such as bubble and crash formation, the relationships among investor sentiment, asset prices and expected returns, and high volatility. Using the Generalized Method of Moments (GMM) to investigate the role of stock characteristics and investor type in market myopia, Rio and Santamaria (2016) obtained evidence showing that market myopia is greater among stocks that are relatively hard to value and hard to arbitrage. Barsky, Juster, Kimbali and Shappiro (1997) constructed measures with hypothetical questions using the Arrow-Pratt concept of risk aversion. They concluded that families differ considerably in their willingness to assume risk and that such risk aversion has considerable predictive power on the risky choices made by them.Vigna and Haberman (2001), Khorasanee and Smith (1997) and Booth and Ong (1994) noted that investors have a quadratic utility function, utility functions that violate the axioms of expected utility and were restrictive, and exponential utility functions respectively.

Testing empirically the home bias puzzle using “familiarity’ and “fluency” factors, Riff and Yagil (2016) observed that research subjects tend to take less risk with foreign, unfamiliar and non-fluent assets, compared with local, familiar and fluent assets. Levitan and Thomson (2009) argued that the existence of member investment choice allows members to tailor an investment strategy to their unique objectives and shifting financial circumstances.

Contrary to the above assertions of the application of the expected utility theory to investment decision choices, Clarkson (1996, 1990) and Ramsey (1993) rejected the application of expected utility theory for actuarial application. Their arguments were countered by Thomson (2003a) stressing that the theory is ideal for all investment decisions. Earlier proposition by Lo and Mackinlay (2001) emphasized that an investment strategy should be devised by investors by considering the objectives of the investor and their attitudes towards risk. The available risk-assessment instruments that can be employed for this purpose according to Levitan and Thomson (2009) can be obtained from consultancies and financial planners.

Theoretical Review

The expected utility axiom postulated byvon Neumann and Morgenstern-VNM-(1947) states that as there exists a real valued utility defined on the possible outcomes such that every preference of the decision maker is characterized by maximizing the expected value of ‘U’ they defined as agents VNM-utility. The expected utility hypothesis states that rationality can be modeled as maximizing an expected value, which given the theory can be described as rationality. The VNM-utility is accepted in decision sciences as a decision utility in that it is used to describe decision preference under risk.

Rational economic agents with an expected utility function L=Ax+BY according to VNM theory, are capable of acting with great concern for event outcomes for aninvestment utility from benefits received. Investors being rational economic agents seek investments with the highest levels of rewards (outcomes). The higher the level of rewards (outcomes), the higher will be the level of satisfaction (utilities) from such investments. Investment theory argues that high level of attendant risks imply high total utilities from such investments. Risk averse investors subscribe to investments which offer low rewards and low levels of satisfaction (utilities) for the attendant low level of risks borne. This study is predicated on this VNM theory.

Methodology

The research design for this study is the cross-sectional survey design as the study subjects, investors in the Nigerian capital market, were brought under study and required data obtained from them through administered questionnaires.

The population for this study is the entire investors in the Nigerian capital market. The sampling procedure employed for this study is the cluster sampling technique in which study subjects within the Lagos environment were sampled. 441 individual investors within Lagos with investments of 50,000 shares and above in listed firms with market capitalization of at least N2 billion using the strata sampling procedure to ensure that “big time” investors who evaluate proposed investments and consider expected utilities from such before investing were sampled. Investors within Lagos were sampled investments in shares are mostly carried within Lagos and investor characteristics within are similar to those of other investors in other states of Nigeria.

The Cochran (1977) formula for determining the sample size for an infinite population (like the investors in Nigeria) is:

$$SS = \frac{Z^2 \times (p) \times (1-p)}{C^2}$$

Where SS= sample size

Z= Z-valueˆ (1.96 for a 95% confidence level)

P=percentage of population picking a choice, expressed as a decimal

C=Confidence interval, expressed as a decimal

Thus with Z=1.96 for 95% confidence level, p=0.5 and confidence interval=0.05, the minimum sample should be 384. Thus the sample size of 441 for this study meets the minimum for the study.

Data for this study were obtained from questionnaires administered on 441 study subjects sampled. The study adopted the Grabble and Lytton (2003,1999) questionnaire developed to gather data for this sort of study. Levitan and Thomson (2009) used this questionnaire to gather data for a similar study and the data obtained were found to be valid and reliable. The questionnaire was modified for this with the currency changed to naira. The questionnaire considers over 100 different risk-assessment items from various academic and trade publications. A final questionnaire with thirteen items was developed by Grabble and Lytton (1999) through a combination of pilot studies and statistical analysis. The responses are given a weight (ranging from 1-4) according to the riskiness of the response. The higher the weight assigned to a question, the more risky is the investment choice. An index score is obtained by adding up weights for each of the 13 questions. A high score according to Levitan and Thomson (2009) suggests a high risk tolerance while a low score, a low risk tolerance level with effects on investment choices.

A summary of each respondent's risk aversion (measured using the relative risk aversion measure) was obtained from their utility function. The relative risk aversion was determined using the model:

$$R(x) = -x[u''(x)/u'(x)]$$

where u(x) is the utility for investment x, as determined by Levitan and Thomson (2009). The overall level of risk aversion is ascertained by computing the average function R(x) for the benefits received. Thus the average risk aversion $\bar{R}$ is:

$$\bar{R} = 1/(x_5 - x_1)\int_{x1}^{x5} R(x)dx$$

Data analysis technique and model justification

To analyse the data obtained for the study to empirically test the expected utility theory on investment choices in the Nigerian capital market, we use the Satterthwaite Welch F-test, the one-way ANOVA F-test, the Welch F-test (which tests for statistical differences between a given data set), and the chi-square technique (which tests for dependence of a variable on another). These are ideal for testing hypotheses 2 and 1 respectively. To ascertain the risk tolerance level of Nigerian investments for investments, we use the Grabble and Lytton (1999) model which was used for earlier studies by Levitan and Thomson (2009), and Thomson (2003a. 2003b) making it ideal for this study.

Data analysis and discussion of results

To test hypothesis 1, we use the chi-square model:

$$\chi 2 = \sum (oi - ei)^2 / ei$$

with 1d.f . at 5% significance level.

whereO_i = observed frequencies

e_i = expected frequencies

X^2_{cal} = (165-221)²/441 + (165-221)²/441 + (276-221)²/441 + (276-221)²/441

The resultant $X^2_{cal}$is 0.5.The X^2_{tab}at 5% significance level with 1 d.f. is ±5.024 (two-tail test). Since $X^2_{cal}$of 0.5 falls in the acceptance region, we accept H_o i.e. capital market investment choices in Nigeria are not dependent on the expected and total utilitiesfrom such investments.

To test hypothesis 2 to determine the existence or not of a statistical difference between expected and actual investment utilities, we use the Satterthwaite-Welch t-test model:

$$V \approx \frac{(S_1^2/N_1 + S_2^2)^2}{S_1^4/N_1^2V_1 + S_2^4/N_2^2V_2}$$

Where S_1^2=variance of sample 1

N_1= size of sample 1

S_2^2= variance of sample 2

N_2 = size of sample 2

With V_1 =N_1-1 (d.f associated with the first variance estimate)

andV_2 =N_2-1 (d.f. associated with the 2nd variance estimate)

at 5% significance level. The resultant Satterthwaite-Welch statistic is3.794733 (table 1) with the table statistic at 2.160. Since Satterthwaite-Welch statistic of3.794733 falls in the rejection region, we reject H_o and accept H_a i.e. the utilities from capital market investments in Nigeria are statistically different from investors' utility expectations.

Table 1: Satterthwaite Welch t-test, the Welch F-test and the ANOVA F-test statistics

Test for Equality of Means Between Series

Sample: 1 441
Included observations: 441

Method	df	Value	Probability
t-test	26	3.794733	0.0008
Satterthwaite-Welch t-test*	25.90191	3.794733	0.0008
Anova F-test	(1, 26)	14.40000	0.0008
Welch F-test*	(1, 25.9019)	14.40000	0.0008

*Test allows for unequal cell variances

Analysis of Variance

Source of Variation	df	Sum of Sq.	Mean Sq.
Between	1	5.142857	5.142857
Within	26	9.285714	0.357143
Total	27	14.42857	0.534392

Category Statistics

Variable	Count	Mean	Std. Dev.	Std. Err. of Mean
EXPUTI	441	2.785714	0.578934	0.154727
ACTUTI	441	1.928571	0.615728	0.164560
All	882	2.357143	0.731021	0.138150

Source:E-Viewoutput,2018

Further test using the ANOVA F-test statistic:

F_c = *Mean difference between sample variance*

Mean square within sample variance

Where F_c=F-statistic with (n-1) d.f. at 5% significance level.The resultant ANOVA F statistic is 14.42857 (table 1). Since the ANOVA F statistic of 14.42857 (table 1) is greater than the F value of 1.00 i.e. falls in the rejection region, we reject H_o and accept H_a i.e. the utilities from capital market investments in Nigeria are statistically different from investors' utility expectations

Further test of hypothesis 2 using the Welch F-test statistic:

Welch model=$[\overline{\chi_1} - \overline{\chi_2}]$

$\sqrt{}(S^2{}_1/N_1)$ $+(S^2{}_2/N_2)$

Where $\overline{\chi_1}$, $S^2{}_1$ and N_1 are 1st mean, sample variance and sample size; and

$\overline{\chi_2}$, $S^2{}_2$, N_2 are 2nd mean, sample variance and sample size

The resultant statistic is 14.40000 (table 1).The table F-value is 4.21. Since the Welch F statistic of 14.40000 is greater than the table value of 1.00 i.efalls in the rejection region, we reject H_o and accept H_a i.e. the utilities from capital market investments in Nigeria are statistically different from investors' utility expectations

To test hypothesis 3 to determine the risk tolerance level of Nigerian investors, we use the Grabble and Lytton (1999) model. The resultant risk assessment scores are shown in table 2.

Table 2: Risk tolerance scores of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21.00	63	14.8	14.8	14.8
	25.00	63	14.8	14.8	29.6
	26.00	126	25.9	25.9	55.6
	27.00	63	14.8	14.8	70.4
	30.00	63	14.8	14.8	85.2
	33.00	63	14.8	14.8	100.0
	Total	441	100.0	100.0	

Source: Field study, 2018.

From table 2, risk tolerance scores of respondent investors in Nigeria range between 21.00 and 33.00 (within the average band) indicating that risk tolerance level of Nigerian investors is on the average i.e. investors in Nigeria are risk neutral.

Research Results And Policy Implications Of Findings

Result from test of hypothesis 1 shows that investors in Nigeria do not take cognizance of expected and total utilities from their current investments when making first and subsequent investments respectively in the same security. Chi-square results show that capital market investments in Nigeria are not dependent on expected utilities. Likewise, subsequent investments in the same security do not depend on the utilities obtained from previous investments in that security. Where actual utilities from previous acquisitions are lower or higher than expectations, they do not negatively or positively affect future investment in that security. This finding shows the irrational investment nature of Nigerian investors who after a period forget the existence of some of their investments. Individual investors seem not to engage in investment appraisal before investment but rather are moved by the bandwagon effect of investment and not on the investment utilities obtainable from investments. Thus we accept H_o i.e. capital market investment choices in the Nigerian capital market are not based on expected and total utilities from the investment indicating that empirical evidences in the Nigerian capital market does not support the VNM expected utility theory. This result supports earlier findings of Machina (2005).

Since the calculated Anova F-test and the Welch F-test statistics of 14.4 and 14.4 (table 1) respectively falls in the rejection region, we reject the H_o of hypothesis 2 and accept the H_a i.e. there exist a statistical difference between expected and actual investment utilities in the Nigerian capital market. This result is significant at 5% significance level (table1). The Satterthwaite Welch t-test statistic of 3.795 (table 1) also falls in the rejection region i.e. more than the table statistic of 2.160. This result substantiates the rejection of H_o of hypothesis 2.The actual (satisfaction) utilities to Nigerian investors from their investments are lower than expected levels of satisfaction (utilities). This may be attributable to over expectation by investors from their investments and/or deviation of actual state of investments from firm projections.

From the Grabble and Lytton (1999) risk tolerance assessment model, minimum and maximum scores obtainable by investor-respondents are 13 and 45 respectively. Results of total scores obtained from 441 sampled investor-respondents range between 21 and 33. The score range is the average band. This shows that investors in Nigeria are not totally averse neither do they take much risk but are risk neutral i.e. wait for others to make their investments and then make their own investment decisions based on the investment outcomes of others, but do not desire to take the first investment step. Nigerian investors are seen to be:

(i) cautious in their decisions and take cognizance of current and future events and their outcomes;

(ii) take risks only when it is necessary and expected outcomes of decisions capable of compensating them for the risks taken;

(iii) carefully evaluate investment decisions and choose the investment which outcome gives the highest level of total utility; and

(iv) consider probabilities of outcomes.

Conclusions

From this study, we conclude that the expected utility theory is not supported by empirical evidences from the Nigerian capital market as investments in the market are not based on the expected utility from such investments, and there exists a statistical difference between expected and actual utilities from investments in the market. The above results are further explained by the risk neutral nature of investors in Nigeria with resultant minimal returns, rewards/satisfaction (utilities). These results necessitates proper evaluation of investments taking cognizanceof expected utilities from such investments and monitoring of actual utilities regularly to ensure that actual rewards/satisfaction (utilities) do not fall below expectations. Where such exists, investors should engage in arbitrage to avoid loss of utilities from investments. Investors in Nigeria should take risks where necessary with use adequate risk mitigants (derivatives) as risky investments and portfolios offers higher levels of rewards/satisfaction (utilities).

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FINANCIAL MARKET STRUCTURE DEVELOPMENT AND PRIMARY COMMODITY DEPENDENCE IN AFRICAN ECONOMIES

EKE, O. Patrick[1] and ASHAMU, O. Sikiru [2]
Dept. of Banking & Finance, Lagos State University, Ojo,
[1] ekeopatrick@gmail.com
[2]soyerinde2012@gmail.com

Abstract
This paper argues that change in the financial structure and mechanism could limit the increasing exposure of Africa's primary commodity export dependent economies. Relying on data from the World Bank and world governance databases from 2009 to 2016, generalized method of moment technique in a two-stage least square methodology was employed for the two contemporaneous equations- the financial market, proxied by the credit to private sector, and primary commodity export dependence. Significantly, the study finds that lending rate, bank competitiveness, legal infrastructure and depth of credit information impact credit to private sector variable. Moreover, while credit to private sector drives primary product export, technological development however has negative impact, which suggests low quality education output to drive primary commodity transformation. The paper provides important policy recommendations, particularly the licensing of new banks, competitive banking, and government investment in legal infrastructures.

Keywords: Financial market structure, Primary commodity dependence, Legal infrastructure, Industry driven

JEL Code: G10, O47, K41, L16

Introduction

Attempts at improving Africa's industrial output growth fortunes have been a perennial problem, which have informed the thoughts of researchers and technocrats in different fora. Many African economies are primary commodity dependent due to their relative poor value addition in commodity exports and imports (World Bank, 2015). An economy's production mechanism, extent of openness and commodity trade structure constitute means of financial linkages, as commodity external price movements often constitute major cause of macroeconomic crises and frustrates growth projections in developing economies (AfDB, OECD, and UNDP, 2017). Concern on African economies continuous overreliance on export of primary products also underlines her state of underdevelopment, such that it exacerbate high domestic price volatility due to large export shocks; poor governance, as governments rely on the rental income from primary product exports; and to the extent that these economies have been susceptible to civil wars and social-economic crises (Collier, 2002; World Bank, 2015).

Lack of sound financial market structure may constitute the financial system gap, such that its reforms may boost the economy's investment climate, towards broader diversification, to reducing the primary commodity dependence. The financial structure indicates the specific institutional drivers of the financial system. Hitherto, since the World Bank liberalization campaign of the 1980s and 1990s, the financial system has been dominated by banking institutions, such that the financial system in many African economies is characterized by interest rate spread, high bank concentration, and poor inclusivity (Leon, 2015). This study opines that the financial intermediation structure may need fine-turning if the region is to advance from primary commodity export dependency, towards greater value addition.

Substantial numbers of African economies have their external sector limited to primary product, hence exposed to periodic economic cycles, as decline in their primary product prices and sales affect their growth momentum. The doctrine of extroversion is evident in an economy that does not largely consume what it produces, and does not produce what it consumes. Ojo (2010) is consistent that the Nigerian banks seem to promote the deficiency, by financing foreign countries' growth, as the banks are deficient in the production of 'expected' industrial loans; preferring to financing less productive commerce and final consumption imports

For instance, evidence from Africa Growth Outlook (AfDB *et al.* 2017) reveals that the net primary commodity exporters were more affected by the 2016 commodity price shocks and the resultant economic slowdown than the non-primary commodity exporters, while economies with better monetary and fiscal policy coordination and linkages were better prepared and immuned. Top on the African growth potential is the high domestic consumption, as Africa continues to maintain positive population growth rate (AfDB *et al.* 2017).

The relative weak industrial growth rate of many African economies pursues global development bodies such as the UNIDO, UNCTAD, IMF, *etc*. United Nations Industrial Development Organization (UNIDO, 2013) reports that in terms of average regional contribution to World manufacturing value added (MVA) from 2007-2011, East-Asia and Pacific contributed 16 per cent, South and Central-Asia gave 3 per cent, while except South Africa's 1 per cent contribution, the rest of Africa contributed virtually nothing. Moreover, Africa achieved 0.13 per cent increase to Global MVA growth from1990-2011, rated as the lowest among global developing countries. In 2014, the region accounted for 1.6% of Global MVA (UNIDO, 2016), while among global developing and emerging industrial economies, the region's MVA has consistently declined from 9% in 1990 to 7% in 2000, and to 4% in 2014 (UNIDO, 2015).

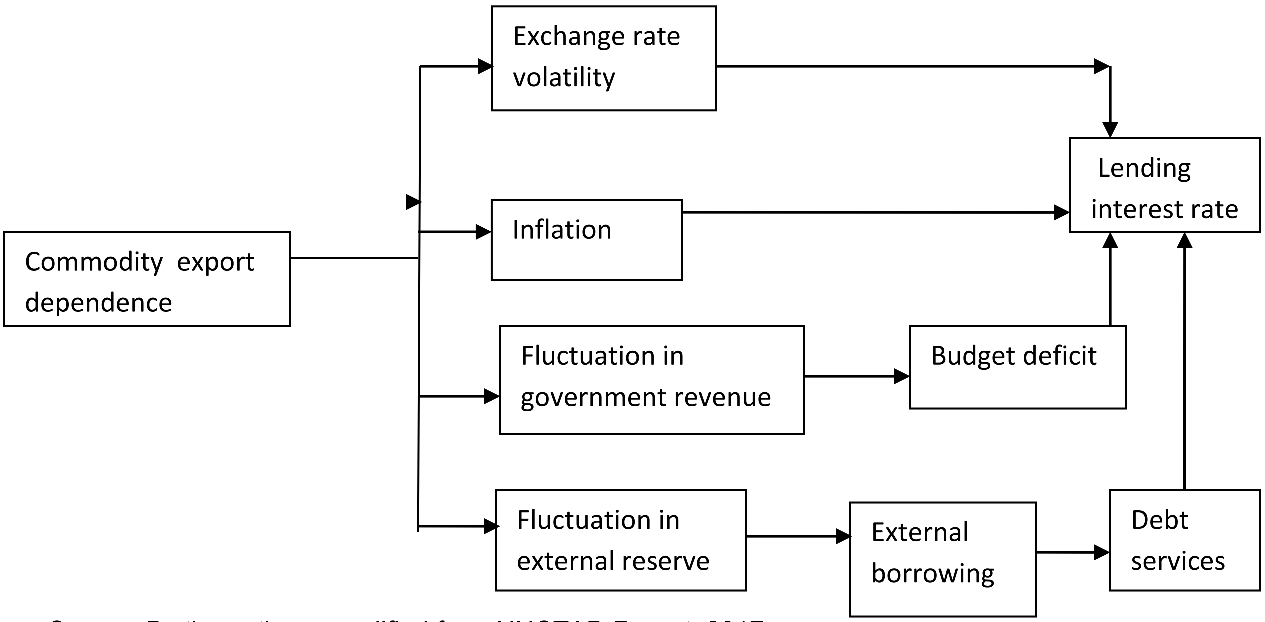
Economic growth and development by industrialisation is the desire of every country. In particular, though African governments may have been making industrial growth a priority, however the ability to mobilize the right financial resources necessary to build the requisite industrial and infrastructural technologies to transform the continent's natural resources have been of great challenge to governments, financial development theorists and technocrats. Despite the resource potentials highlighted above, the low industrial output growth status and somewhat de-industrialisation policies of sub-Sahara Africa may have consistently made the African economies to produce worst statistics in human living index, unemployment, per capita income; and ever increasing cost of living index relative to other regions (Bhorat, Naidoo and Pillay, 2016).

There is a correlation between the degree of financial intermediation and the rate of investment growth (UNCTAD, 2014). The dynamism of commodity prices has the tendency to influence financial market, particularly in the recent idea of financialisation of commodity prices (UNCTAD, 2015). Moreover, the increasing use of financial market products as hedging, arbitraging and speculative business instruments in achieving portfolio targets suggest that a more diversified financial structure of African economies, can ease financial availability for more value addition of primary commodity, and hence deepen the financial system. The carry trade concept is another line of linkage.

conceptual framework

The framework in figure *1* below presents the transmission of primary commodity export dependence structure on the financial market, through market interest cost. The consequence of primary commodity price vagaries negatively impacts the financial market by its fiscal and monetary variable influences.

Fig. 1: Primary commodity export and financial market nexus



Source: By the authors, modified from UNCTAD Report, 2017

Perhaps, many African economies are yet to fully realize that manufacturing is the driving force of economic growth, particularly promoting inclusiveness for poverty reduction, due to the qualities of increasing productivity and scope for innovativeness (UNIDO, 2015). Presented in table 1 below is an update of the state of the respective economies primary commodity export and their main type of export produce. UNCTAD classifies countries with more than sixty (60) per cent primary commodity export as primary export dependant economies (UNCTAD, 2014). Economies that remained consistently less primary product dependant from 2009-2016 are Mauritius, South Africa, Tunisia, Egypt, Lesoto, Swaziland and Morocco (UNCTAD, 2016).

Table 1.0 shows the trend in export structure (% of primary commodity export/total merchandise export) and their main commodity export from 2009-2016.

Countries/Year	*2009-2010*	*2012-2013*	*2014-2015*	*2016*	*Main export produce*
Angola	99.0	100.0	100.0	100.0	Fuel
Cameroon	89.0	88.0	92.0	93.0	Fuel & Food items
C.A.R	90.0	91.0	90.0	94.0	Agric. raw material & Metals
Chad	98.0	99.0	98.0	100.0	Fuel
Congo	90.0	96.0	92.0	86.0	Fuel
D.R.C	95.0	96.0	95.0	100.0	Metals
Equatorial Guinea	97.0	96.0	96.0	-	Fuel
Gabon	95.0	96.0	89.0	93.0	Fuel
Sao tome & Principe	51.0	68.0	68.0	68.0	Food items
Botswana	83.0	93.0	94.0	95.0	Metals
Namibia	69.0	77.0	75.0	83.0	Food & Metals
South Africa	54.0	60.0	55.0	54.0	Ore, metals, precious stones
Burundi	92.0	78.0	86.0	86.0	Food items
Djibouti	83.0	74.0	65.0	80.0	Food items
Ethiopia	90.0	90.0	92.0	90.0	Food items

Eritrea	47.0	88.0	89.0	89.0	Food, Agric. material & Metals
Kenya	66.0	65.0	64.0	64.0	Food items
Madagascar	50.0	65.0	70.0	72.0	Ore, metal, and food items
Rwanda	89.0	91.0	82.0	91.0	Ore, metal & Gold
Malawi	91.0	85.0	84.0	79.0	Food items
Seychelles	86.0	91.0	90.0	-	Food
Uganda	72.0	67.0	69.0	71.0	Food
Tanzania	83.0	83.0	85.0	87.0	Food & metals
Zambia	89.0	85.0	86.0	89.0	Metals
Zimbabwe	75.0	85.0	83.0	89.0	Food & metals
Egypt	59.0	58.0	52.0	54.0	Fuel and food items
Algeria	99.0	99.0	64.0	64.0	Fuel
Libya	97.0	98.0	95.0	91.0	Fuel
Sudan	-	97.0	98.0	100.0	Fuel
Mauritania	100.0	99.0	98.0	100.0	Food & metals
Nigeria	97.0	98.0	97.0	99.0	Fuel
Benin	89.0	90.0	87.0	89.0	Food and Agriculture produce
Burkina Faso	93.0	93.0	94.0	96.0	Agric. raw material & metals
Cape Verde	66.0	79.0	63.0	54.0	Food
Cote d' Ivoire	84.0	86.0	96.0	85.0	Fuel & food
Ghana	90.0	93.0	94.0	94.0	Food & fuel
Liberia	56.0	71.0	73.0	69.0	Agric raw material & food
Sierra- Leone	71.0	94.0	97.0	94.0	Gold & metals
Guinea	97.0	98.0	96.0	94.0	Fuel & metals
Guinea Bissau	99.0	99.0	99.0	100.0	Food
Mali	92.0	89.0	92.0	-	Agric.raw material & food
Niger	72.0	71.0	64.0	75.0	Food & metals
Togo	64.0	63.0	-	62.0	Food & metals
Mozambique	94.0	92.0	93.0	93.0	Iron ore, metal s & gold
Senegal	67.0	68.0	72.0	72.0	Food & fuel
Africa's average	81.0	83.0	80.0	79.0	

Source: UNCTAD (2016): State of Commodity Dependence-Special unit on commodity, United Nations, New York and Geneva, 2017, retrieved from -*unctadstat.unctad.org/countryprofile/generalprofile,* accessed Jan. 27, 2018; - indicates not available; African average represents the mean value of fifty-four (54) countries, computed by the researchers.

The paper makes a proposition that the continuous dependence of the African economies on primary product export is of macro-structural defect, which requires examining the following questions. First, to what extent is the economies commodity exports related to the structure of productive capital, and secondly, to what extent is the economies' financial structure related to the primary commodity dependence. The study therefore makes a hypothetical proposition that the financial structure is not significantly related to the primary product export dependence in the selected African economies.

Theoretical Review

In the theoretical literature, beyond the terms of trade and resources endowment theories of the Prebish-Singer's thesis and Heckscher-Ohlin respectively on external trade composition and capacity, the pace-setting research work of Goldsmith (1969) on financial structure and development sets large body of research interests on the financial structure aspect of financial development relative to economic growth.

The Prebisch-Singer price hypotheses warn on the long term deterioration of the terms of trade of primary product export of the resource rich developing economies.

The increasing price risk of primary commodity export have also drawn attention of various price volatility hypothesis studies, and may have informed the growth of derivative market, otherwise referred as financialisation of commodity market (Staritz, Tröster, and Küblböck, 2015). The financial fragility of commodity dependent economies is argued in Kinda, Montfort Mlachila, and Ouedraogo (2016). Piermartini (2004) acknowledges inefficiencies as the bane in the financial system of developing economies continuous primary commodity export as key to unlocking the primary commodity diversification and efficient risk management. The paper reveals that an internationally developed financial market can assist in hedging the risk of international price variability. Moreover, in a study on 56 Latin American economies attempt at improving the external sector in Latin America led to export concentration rather than the intended promotion of diversification (Babczuk and Berretonni, 2006). Collier (2002) examines the cost connection to the perpetuation of commodity export dependences in Africa.

In a cross-country comparative study Goldsmith (1955) concludes that changes in an economy's financial organization and instruments aside from impacting the speed of economic growth, and even re-direct the course economic development, it could also inform the bases of differences among different economies. Within countries of similar level of development differences their financial systems impact their gross domestic product (GDP) differently e.g. the advanced economies of Japan and Germany are noted as bank-based as against the western economies of the United States and United Kingdom that are more of market-based financial system (Spratt, 2013; Ojo, 2010). However, following wave of financial liberalization, many emerging economies and some developing ones are embracing market-based finance structures (Beim and Calomiris, 2001), however, due to less economic activity and low efficiency, majority of developing countries, particular those in Africa are characterized as bank-based economies relative to developed countries with sophisticated financial system and industrialization, which informs their been more generalized as market-based financial structure (Ojo, 2010). The market-based finance model is relatively new in sub-Sahara Africa, characterized with low stock market issuing and trading. Study reveals that prior to 1990 only five stock exchanges existed in sub-Sahara Africa (Mathenge and Nikolaidou, 2018). This paper improves on the above by examining the financial system linkage to the continuous primary commodity market dependence.

Data analysis and discussion of results

This study employed secondary data, obtained from the World development indicators (WDI) database. Details of data descriptions, sources, measurement and justification are presented in table 3.1 below.

Table 3.1: Data: description, sources, measurement and justification

Variable description	Type/Source/Measurement/Proxies	Literature justification	Parameter's *a-priori*
Pcx= Primary commodity export ratio	Secondary/UNCTAD/	Collier (2002)	<0
Cps= Credit to private sector ratio	Secondary/ World Bank/	Ojo (2010)	>0
Lnrt= Lending rate	Secondary/ World Bank; Central Banks of respective economies/	Bosworth (2014), Mu *et al.* (2013)	<0
Bc= Bank competitiveness ratio	Secondary/World Bank/Commercial bank branch per 100,000 adults	Ojo (2010)	>0
Lginfra= Legal	Secondary/ Worldwide Governance	Ayala *et al.*(2015),	>0

infrastructure	Indicators/ Rule of law index		
Dcinf= Depth of credit information	Secondary/World Bank/ Depth of credit information index	Djankov, McLiesh, and Shleifer (2007)	>0
Tdv =Technological development	Secondary/ World Bank/Expenditure on education as % of total government expenditure / Research & development: production structure	Grossman and Helpman (1994), Pack (1994), Heng (2015).	>0
*https://data.worldbank.org/indicator/NV.IND.TOTL.KD.ZG?view			

Source: By the authors (2018)

Justified by the theoretical review presented in the last section, the method employed is the two-stage (instrumental variable) approach, presented below. The identification conditions of the simultaneous equations form were established; thereafter the reduced form of the model was obtained. The necessary (order) condition for identification requires that in an equation of the simultaneous model, the number of missing exogenous variables M, must be greater than or equal to the number of endogenous variables G in the system less one, indicating over identified or exactly identified respectively, otherwise it is under identified (Asteriou and Hall, 2011). Algebraically, this is stated as:

$$M \geq G - 1 \tag{1}$$

Where M represents number of exogenous variables missing from a particular equation under study, and G is the number of endogenous variables in the system. Applying this to the Simultaneous equation model above the study achieved over-identification for both equations. The sufficient (rank) condition was evaluated, that is, the order of the largest nonzero determinant that is formed from the square sub-matrices is at least G-1 (Asteriou and Hall, 2011; Kmenta, 1997: 664; Gujarati and Porter,2009:702).

Model specification

The two stage least square (TSLS) model specifications is used for the study in two equations, with credit to private sector *(Cps*) and primary commodity export (*Pcx*) ratio as endogenous variables respectively. In implicit form, they are stated as follows:

$$Cps_{it} = f(Lnrt_{it}, Pcx_{it-1}, Bc_{it}, Dc\inf_{it}, l\inf ra_{it}) \tag{2}$$

$$\quad - \quad - \quad + \quad + \quad +$$

$$Pcx_{it} = f(Cps_{it}, Lnrt_{it}, Bc_{it}, Tdv_{it}) \tag{3}$$

$$\quad - \quad + \quad - \quad -$$

Where: Pcx= is the country's primary commodity export to total merchandise export; Cps= Credit to private sector; Lnrt= lending rate; Bc= bank competitiveness; Tdv= technological development; Dcinf=depth of credit information; Linfra= legal infrastructure ratio, a proxy for institutional regulatory quality. In Africa, the financial sector credit is largely determined by the banking sector (Moyo, Nandwa, Oduor and Simpasa, 2014), however, for the reasons of broader access to capital the study used the credit by the financial sector as proxy for financial sector development. Micro-panel data composition is used for the study, that is T= 8 years (2009-2016) and large number of countries (N= 40 economies), it is however unbalanced. The proposition for TSLS is that an increase in *Cps* from the long-tenure segment (the corporate bond market) of the credit market could restructure the primary commodity production for export, lessening the risk platform, and providing invitation to higher entrepreneurship and technology into primary commodity production and hence diversify by manufacturing. The variables' *a-priori* expectations are stated in table **3.1**. The model in explicit form is presented as follows:

Fin. market: $logCps_{it} = \alpha_i + \log Inrt_{it} + \log Pcx_{it-1} + \log Bc_{it} + \log Dc\inf_{it} + \log l\inf_{it} + \mu_{it}$ (4)

Primary commodity export: $\log Pcx_{it} = \beta_i + \log Cps_{it} + \log Lnrt_{it} + \log Bc_{it} + \log Tdv_{it} + \varepsilon_{it}$ (5)

The instruments are the predetermined variables of lending rate: lnrt(-1 to -3), legal infrastructure index: linfra (-1 to -4), human capital development, proxied by ratio of government expenditure on education: tdv(-1 to -3), depth of credit information: dcinf(-1 to -5).

The study adopted the static and dynamic approach. Static panel specification for fixed and random models estimation is generally represented as:

$$y_{it} = \sum x_{kit}\beta_{kit} + \varepsilon_{it} \ , \ i = 1,...,N; t =,...,T \quad (6)$$

In an unbalanced panel data set, as some countries have omitted observations in some years, the specification is denoted as:

$$\{x_{it}, y_{it}\}: for \ i = 1...,N \ ; \ t = \underline{t}_i,...,\overline{t}_i \quad (7)$$

Moreover, in simple form, a dynamic panel estimation model (Baltagi, 2008) can be specified as follows:

$$y_{it} = \delta y_{i,t-1} + x_{it}^{'}\beta + u_{it} \qquad i = 1,.......,N \qquad t = 1,.......,T$$

(8)

where δ is a scalar, $x_{it}^{'}$ is 1 x k, β is k x 1, and the error term u_{it} is a one way component as

$$u_{it} = \mu_i + v_{it} \quad (9)$$

Being a micro panel, the study assumes that μ_i □ $IID(0,\sigma_{\mu}^2)$ and v_{it} □ $IID(0,\sigma_v^2)$.

Unit root results

The study uses three panel unit root processing techniques to determine the level of stationarity. The common unit root based statistics, the Levin, Lin and Chu (LLC); and the study also assumes individual or entity based unit root statistics- Im, Pesaran and Shin (IPS) and ADF-Fisher Chi-Square. This study places overriding priority on the IPS test for its superiority in handling complexities in heterogeneities among entity unit roots in panel (Asteriou and Hall, 2011). Presented in Table *3.1* below is the level of stationarity of the variables employed in the research study. Using the LLC, IPS, ADF and PP criteria, the credit to private sector (*Cps),* Lending rate (*Lnrt*) and technological development *(Tdv)* results reveal that they are level variables, while the *Pcx* is a first difference variable. The LLC, ADF and PP tests indicate that bank competitiveness (*Bc*) is a level variable while IPS test result suggests that it is a first difference variable. Legal infrastructure (*Linfra*) and depth of credit information are rated as level and first difference variables by the LLC and PP-Fisher tests respectively, while ADF rates both variables as second difference variables. These mixed outcome influence to a large extent the type of estimation techniques and regression test employed for the analyses.

Table 3.1: Unit root test

	Common unit root process assumed		Individual unit root process assumed					
Variable	LLC test	Stat. @	IPS test	Stat.@	ADF-Fisher	Stat.@	PP-Fisher	Stat.@
Pcx	-8.78***	I(1)	-1.77**	I(1)	122.49***	I(1)	214.2***	I(1)
Cps	-24.42***	I(0)	-1.38*	I(0)	95.07**	I(0)	166.25***	I(0)
Lnrt	-1,609.7***	I(0)	-86.5***	I(0)	98.77**	I(0)	195.01***	I(0)
Bc	-20.83***	I(0)	-1.773**	I(1)	109.76***	I(0)	167.06***	I(0)
Linfa	-6.313***	I(0)	-4.977***	I(2)	119.8***	I(2)	125.46***	I(1)
Dcinf	-3.9823***	I(0)	-	-	27.1401***	I(2)	35.45***	I(1)
Tdv	-75.13***	I(0)	-4.37***	I(0)	122.95***	I(0)	171.26***	I(0)

Source: By the authors using E-view 9. *,**,*** indicates 0.1, 0.05 and 0.001 levels of significance respectively. Stat. @ indicates stationarity at indicated levels

Descriptive Statistics

Presented in Table *3.2*below, is the basic information of inter-country performance statistics through time. Economies with highest primary commodity export *(Pcx)* record of 100% are Angola in 2013 and 2016, Mauritania in 2016, Chad in 2016, Democratic Republic of Congo in 2016, Guinea Bissau in 2016, Sudan in 2016. The economy with lowest *Pcx* dependence record of 48.9% is Madagascar in 2011. The economy with highest credit to private sector (*Cps*) as per cent of GDP is Cape Verde in 2011 with 65.7%, while the lowest is Guinea with 2.66%. On bank competitiveness, the economy with highest branch network per 100,000 adult is Seychelles 53.3 in 2015, while the lowest branch network of less than 1 branch (0.48) occurred in Democratic Republic of Congo in 2009. The economy with highest lending rate is Democratic Republic of Congo with 65% in 2009, while the lowest is Cameroon of 3.2% in 2014. On drive for technological development, the highest total government t expenditure on education occurred in Zimbabwe with 87% in 2010, while the lowest expenditure of 5.45% was recorded in Nigeria in 2010.

Table 3.2: Descriptive statistics

	PCX	CPS	BC	LNRT	LINFRA	DCINF	TDV
Mean	0.8349	0.2013	6.9238	0.2501	-0.6994	1.5706	0.1661
Median	0.8700	0.1649	3.9700	0.1480	-0.7300	0.0000	0.1614
Max.	1.0000	0.6574	53.348	0.6540	0.6700	8.0000	0.8721
Mini.	0.4890	0.0266	0.4850	0.0320	-1.8500	0.0000	0.0545
St. Dev.	0.1269	0.1188	9.6605	1.5465	0.5634	2.5723	0.0795
Sum	252.98	60.994	2097.92	75.801	-211.91	496.00	50.337
S.S.D.	4.8663	4.2631	28184.3	722.29	95.862	1998.2	1.9115
Obsev.	303	303	303	303	303	303	303

Sources: Computed by the authors using E-views

Correlation result

Correlation study establishes the preliminary course of associations among variables, whether positive or negative association exists among the set of variables. From the Table **3.3** below, it suggests that primary commodity export (*Pcx)* is negatively associated with credit to private sector (*Cbi*), bank competitiveness *(Bc)*, lending rate (*Lnrt),* depth of credit information (*Dcinf*), legal infrastructure (*Linfra*) and technological development (*Tdv).* The implication of the finding suggests that lack of endogenous reforms in the later variables may have exacerbated primary commodity export dependency (*Pcx*) in African region by 42% from *Cps*, 18% from *Bc*, 16% from *Linfra*, and 6% from *Dcinf.*

Table 3.3: Correlation test

	PCX	CPS	BC	LNRT	DCINF	LINFRA	TDV
PCX	1.000000						
CPS	-0.426707	1.000000					
BC	-0.182259	0.520971	1.000000				
LNRT	-0.006795	-0.046658	0.000302	1.000000			
DCINF	-0.061390	0.401269	0.271979	-0.036157	1.000000		
LINFRA	-0.164618	0.531174	0.439790	0.011165	0.520777	1.000000	
TDV	-0.031422	0.217041	-0.065904	-0.029348	0.154002	0.083270	1.000000

Source: Computed by authors using E-views 9.

Lag length order

Standard multivariate regression study requires that an optimal lag length of the variables be established to guide the limit of time dynamics fitted for the model. Using the All Information Criterion (AIC), Schwarz Information criterion (SIC), Hannan-Quinn Information criterion (HQ) and final prediction error (FPE), lag 1 is the optimum lag length selected for the model. The lag length 1 appears as that in which the lowest value of majority of the techniques is achieved, as presented in Table *3.4*below.

Table 3.4: Lag length order

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-357.2007	NA	4.29e-07	5.202866	5.349949	5.262636
1	768.0400	2121.882	9.02e-14*	-10.17200*	-8.995343*	-9.693842*
2	803.0312	62.48415	1.11e-13	-9.971874	-7.765642	-9.075327
3	824.0221	35.38480	1.67e-13	-9.571745	-6.335938	-8.256810

Sources: Computed by authors using E-views 9

Regression results

In the financial market section (equation 1), of all the techniques of estimation employed as presented in table 3.5 below, the diagnostics tests reveal that the orthogonal deviations technique has the lowest standard error of regression of 0.015, which equates the overall measure of goodness of fit (R^2) of the model, indicative that the estimates predicts the dependent variable better. The J-statistic of 20.29 is significant with 31.6% probability value, which suggests that the study does not reject the null hypothesis that instruments applied may have been valid.

The coefficient results reveal that all explanatory variables- lending interest rate (*Lnrt*), bank competitiveness (*Bc*), depth of credit information (*Dcinf*), and legal infrastructure (*Linfra*) satisfy their *a priori* expectations stated in table 3.1. It suggests that a one per cent reduction in interest rate may increase credit to private sector (*Cps*) in the region by 0.2%, albeit insignificantly, perhaps due to data limitation. Similarly, a one per cent increase in bank competitiveness can significantly produce 0.8% increase in *Cps,* whilea one per cent increase in *Dcinf* may raise private sector credit by 0.04%. Moreover, a one per cent increase in legal infrastructure (*Linfra*) may significantly increase *Cps* 2.5%, which suggests that improvement in rule of law could be helpful for the growth of the credit market in African region.

The diagnostics results for equation 2, that is, the primary commodity export (*Pcx*), as presented in table*3.6* reveals that the standard error of regression for the GMM-orthogonal deviations is lowest at 0.039, which suggests that the technique of estimation is the best of the five (5). The J-statistics is 14.8, with probability value of 0.73, meaning that the study fails to reject the null hypothesis that the instruments applied are valid. On coefficients result, the credit to private sector (*Cps*) meets the *a priori* expectation of negative relationship between *Cps* and *Pcx* which suggests that a one per cent increase in *Cps* can significantly increase *Pcx* diversification. While the financial impacts of *Lnrt* and *Bc* are justified in the financial market (*Cps)* equation, the negative outcome of *Tdv* on *Pcx* reveals that a one per cent increase in technological development can significantly reduce primary commodity export by 34.6%.

Equation 1 result

Table 3.5: Method: TSLS-Dependent variable: Cps

	Pool	Fixed effect	Random effect	GMM: 1 period lag	GMM: 1st difference	GMM: orthogonal deviations
Lnrt	-0.3377*** [-3.3836]	-0.1115 [-0.8441]	0.0315 [0.3240]	-0.3565*** [3.4910]	0.0372 [0.5167]	-0.0023 [-0.0361]
Pcx-1	-0.1848 [-0.6047]	-0.1717 [-0.5538]	0.0657 [0.3254]	-0.1883 [-0.7257]	-0.0119 [-0.4486]	0.0078 [0.1542]
Bc	-0.0020 [-0.7171]	-0.00563 [-0.7797]	0.0004 [0.1180]	-0.0014 [-0.5386]	0.0102*** [5.6873]	0.0087*** [5.3432]
Dcinf	0.0086* [1.7868]	0.0038 [0.9204]	0.0041 [1.2181]	0.0087** [2.1267]	0.0002 [0.2166]	0.00004 [0.0543]
Linfra	0.1002*** [3.5481]	-0.1751 [-1.5954]	0.0791** [2.2950]	0.0988*** [4.0488]	0.0184*** [2.7264]	0.0254*** [4.6816]
Cps					0.0339 [0.2878]	0.0513 [0.3983]
R^2	0.389	0.97	0.033	-	-	-
F-statistics	13.90	164.73	2.664	-	-	-
S.E. of regression	0.097	0.023	0.019	0.093	0.021	0.015
Instrument Rank	15	48	15	15	24	24
J-Statistics	-	-	-	16.62	20.02	20.29
Prob.(J-stat.)	0.12	0.98	0.141	0.0549	0.331	0.316

Source: Computed by the authors using Eview 9. *, **, and *** denote levels of significance @ 0.1, 0.05, and 0.001 respectively

Equation 2 result

Table 3.6 Equation 2: Method TSLS- Dependent variable: Pcx

	Pool	Fixed effect	Random effect	GMM: 1 period lag	GMM: 1st difference	GMM: orthogonal deviations
Cps	-0.0762 [-0.4315]	-0.0541 [0.1994]	0.0649 [0.7634]	-0.0911 -1.1293	0.1668 [0.7073]	0.5139*** [3.5737]
Lnrt	-0.2629 [-4.9836]	-0.1309 [1.0954]	0.0633 [0.2739]	-0.2518 [-10.851]	0.0494 [0.3198]	0.2619** [1.9383]

Bc	-0.0012 [-0.3345]	-0.1747*** [-2.7201]	-0.0147 [-1.9215]	-0.0010 [-0.3796]	0.0113** [2.1290]	-0.0018 [-0.3584]
Tdv	0.2748* [1.7153]	0.4881*** [3.4216]	-0.3358 [0.4927]	-0.1687*** [-5.1852]	-0.4814*** [-3.9043]	-0.3463*** [-2.9392]
Pcx					-0.7600*** [-3.7478]	0.0254*** [4.6817]
R^2	0.307	0.98	0.924	0.332	-	-
F-statistics	9.173	180.6	23.94	-	-	-
S.E. of regression	0.132	0.043	0.041	0.122	0.052	0.039
Instrument Rank	15	48	48	15	24	24
J-statistics	-	-	-	14.7	17.9	14.8
Prob.(J-stat.)	0.12	0.98	0.92	0.055	0.529	0.732

Source: Computed by the authors using Eview 9. *, **, and *** denote levels of significance @ 0.1, 0.05, and 0.001 respectively

Implication of findings

The findings from the financial market regression that bank competitiveness and legal infrastructure significantly impact 'credit to private sector' underscore the high oligopolistic banking practices and the poor state of legal infrastructure to increase the state of African credit market. It suggests that being bank based economies the lower the bank competitiveness rate and limited legal infrastructure, the more marginalized the real sector would assume from getting access to productive capital.

In the second equation, credit to private sector *(Cps*) positively drive primary commodity dependence *(Pcx)* which may have revealed that current 'credit to private sector' level in Africa's economy, largely dominated by the short tenured bank finance significantly supports the less developed and low capacity of the real sector,unlike the German-Japan banking model. Similarly, technological development (*Tdv*) has negative relationship with *Pcx*, which appears to support the existing findings in the literature (Moja, 2000) that the output of the education system in Africa does not drive the real sector, and in particular the industrial sector. Significant implication of the study is for the credit system to drive the real sector manufacturing led growth from primary commodity export production system, like the industrial world of north America, Europe and newly industrialized East Asia, the financial structure would require complimentary role of the banking type finance and the long tenured debt and securities credit market type that would subsequently transmit to lower the long term capital risk for onward diversification of primary commodities export base. This findings is supported by the positive links of the 'depth of credit information' and legal infrastructure variables to *Psc*, indicative that given appropriate legal infrastructure and institutions, the banking finance type and market-based financial structure may ensure higher industry-driven value addition, productivity and economic growth.

Conclusions

This study sets out to examine Africa economies' financial market structure development relative to the preponderance of primary commodity export dependence. Two stage least square (TSLS) methodology was employed in two equations. Firstly, financial market regression reveals that bank competitiveness and legal infrastructure positively drive credit to private sector, while in the second, the primary commodity export, credit to private sector positively drives the primary commodity export, while there is negative relationship from technological development to the real sector export, which implies that the quality of the education system in the region may not be helpful for primary commodity diversification and industrial production for the export market. The causal variable- government spending on human capital may not have been effectively utilised, such that the gap suggests lack of innovative learning and training for skill and competence in the schooling process

Recommendation

Based on the studied findings, the following recommendations are proposed:

First, as bank competitiveness significantly drives credit to private sector, which affirms banking finance dominance of credit industry, an accelerated branch banking policy from the Central Banks in the region would help. Particularly, efforts to reduce numbers of persons per branch in the largely unbanked rural areas in Africa may be achieved by attracting direct finance investors to building cottage banking structure backed by complimentary fiscal supports and security guarantee by governments are needed to drive financial inclusion to the populated rural villages. Secondary advantage there-from includes increased savings culture and increased risk taking incentives.

Secondly, legal infrastructure drives credit to private sector, requires improving the rule of law culture in the corporate industry by establishing more courts, appointment and training of judicial officers for speedy dispensation of business cases. This may be complimented by anti-corruption policy to strengthen the transparency expected of the judicial system by global standards.

Thirdly, the credit to private sector directly impacts primary commodity export, which requires that aside from improving the current bank-led finance dominance in the region, the market based securities finance ought to be improved on by appropriate legal instruments of government to reduce information asymmetry and financial relation uncertainties associated with reducing the potency of securitization and direct finance culture.

Finally, human capital development, a proxy for technological development does not drive the primary commodity export, a gap in human capital-industrial growth nexus in the region, requires overhaul of the education system, academic-industry collaboration and increased funding and management of funds in the education system, in line with UNESCO's recommendations on quality education delivery.

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IMPACT OF E-DIVIDEND MANDATE IN REDUCTION OF UNCLAIMED DIVIDEND BALANCES IN NIGERIA.

Eke Robert Ike
Department of Accounting, School of Management and Social Sciences, Wellspring University Benin City, Edo State.
robbyeke19@yahoo.com
&

Okoh Johnson Ifeanyi
Department of Financial Studies, National Open University of Nigeria,
okohjohnson1@gmail.com

Abstract
The accumulation of unclaimed dividend by shareholders of companies has constituted a serious challenge to both the regulators and other stakeholders in capital market. This study examines the impact of e-dividend mandate introduced by Securities and Exchange Commission (SEC) to reduce the accumulation of unclaimed dividends as well as on the dividend payment processing of the operators. The study utilized descriptive survey method that entails the administration of questionnaire to generate data from sample of 150 respondents out of a total population of 241 staff from registrars of companies in Lagos metropolis. The analysis of data was done using simple distribution of frequencies and percentages while chi-square test statistic was used to test the hypothesis of the study. Finding of the study showed that e-dividend mandate has drastically reduced the huge accumulated unclaimed dividends. It further observed that e-dividend mandate has simplified the dividend payment processing by registrar of companies. The study recommends that more enlightenment of the shareholders be still carried out to educate them on the benefits of e-dividend mandate. The study also recommends that any future subscription of shares of any company must carry the e-dividend mandate.

Keywords: E-dividend mandate, unclaimed dividend, capital market, Nigeria

Introduction

One of the major essences of investment in ordinary shares of an organization is the return on investment which could be in form of capital appreciation or cash dividends. Dividends are payments made by company to its shareholders. It is an after tax profit appropriated to the owners of the company (shareholders). Over the year, the values of these dividends remaining unclaimed in the books of these organizations are becoming alarming. Various reasons are attributed to this increase in unclaimed dividends some of which include; death of shareholders, change of address by investors, loss of dividend warrant on transit, dividend warrant getting stale etc (Owolabi & Obida, 2013).

The operators and analysts have also come up with several reasons why unclaimed dividend is accumulating. Some of the reasons adduced include; the issue of multiple application for shares, complicity of registrars, ineffectiveness of the Nigerian postal service and majority of uninformed/illiterate investors.

The genesis of unclaimed dividend can be traced to the indigenization era of the administration of General Yakubu Gowon. During the exercise, those in position of power who had the finances acquired shares in the privatized companies with fictitious names of their house helps, their security guards, cooks and their late relations in such a way that when the dividends came, they could not remember the details used in the acquisition of those shares until the dividend become statute barred. Invariably, they were not able to claim such dividend because there were not perfect fit for anybody to claim such dividend.

One of the crucial roles of the Registrar to a company is the distribution of cash dividends to shareholders. The Board of the company recommends possible cash dividends, closure date for register of members and payment date to shareholders, who usually approve these recommendations at a general meeting and thereafter the gross value of the dividend is deposited with registrar for onward distribution to shareholders. Unfortunately despite the effort of the registrars, these dividends do not get to all the shareholders of various companies and the issue of unclaimed dividend has kept on accumulating from year to year. According to the chairman of SEC Board Suleiman Ndanusa the unclaimed dividend figure as at the year 2000 stood at N8Million and this figure has risen to N60Billion as at November 2013.

The main objective of this study is to find out a lasting solution to the issues of unclaimed dividend in Nigeria. Various measures have been taken by both the operators and regulators towards reducing drastically the issue of unclaimed dividend. The specific objectives of this study is to find out if the e-dividend mandate introduced by SEC has in anyway contributed to reduction of unclaimed dividend in Nigeria and if the introduction of e-dividend has improved the dividend payment processing by registrar of companies. It is also set out to find if the e-dividend mandate has improved the time of receipt of dividend by shareholders after approval at Annual General Meeting.

The hypotheses of the study, formulated from the research objectives seeks to find out if there is no significant relationship between e-dividend mandate and reduction in unclaimed dividend balances. It will also find out if there is no significant relationship between e-dividend mandate and dividend payment processing and finally if the implementation of e-dividend mandate to dividend has not led to reduction in time of receipt of dividend after approval.

Literature Review

Concept of Dividend

Dividend is used in general sense as well as specific sense to refer to return investment (ROI). In general sense, dividend refers to all gains that accrue on an investment including cash payouts, script or bonus shares and capital gains. But dividend is usually used in relation to cash dividend the periodic distribution of net profit from business to shareholders. One of the crucial roles of the Registrar to a company is the distribution of cash dividends to shareholders.

Olowe (1997), defined dividend as taxable payment declared by a company's Board of directors and given to its shareholders out of the company's retained earnings, usually half-yearly or yearly depending on the company. Dividend is also defined as a share of the after tax profit of a company, distributed to its shareholders according to the member and class of shares held by them (Akinselume , 2010).

Dividend may take any of the following forms.

a. Cash Dividend: this is mostly done by sending dividend warrants to the shareholders, who in turn deposit the warrants to their Bank accounts. Banks now accept dividend and warrants to be paid into both current and savings account. The dividend warrants are paid to shareholders net of withholding tax.
b. Stock or script Dividends: these are paid in form of bonus shares to the shareholder. It is paid from the reserves of the company and issued in proportion to the shares already owned by the investors. It enables the company to retain the cash to take advantage of growth opportunities.

c. Property Dividend: this entails paying the dividend in kind. It may involve allocating shares in subsidiary company or giving out physical assets such as inventories that the company holds. The dividend is recorded at the market value of the asset provided.
d. Interim Dividend: these are dividend payment made before the annual general meeting and final arrival report. It accompanies interim financial report or half year account of companies.

Unclaimed Dividends
Dividend remains unclaimed if after the declaration and approval of the dividend by shareholders, they fail to present the warrant issued to them by the Registrar through their bank. At the end of every annual general meeting of companies (AGM), dividend declared are approved and thereafter, the registrar of such companies are expected to issue dividend warrant, and despatch the warrant to the shareholders. In most cases these warrants does not get to the shareholder or get to them late. These circumstances make it difficult for the shareholders to present the warrant as and when due and be paid.

Procedure for Payment of Dividend
Every shareholder of a company is supposed to be abreast of the payment procedure so as to monitor when the dividends are declared and eventually paid and despatched to them. The important dates to remember regarding dividend payments are:

- Declaration Date: This is the day the Board of directors announces its interest to pay dividend. On this day, a liability is created and the company records that in its books. The company now owes the money to the shareholders. On the declaration date, it will also announce a date of record and a payment date.
- Book Closure Date: whenever a company announces a dividend pay-out, it also announces a date on which the company will ideally temporarily close it books for fresh transfer of stock.
- Record Date: shareholders registered in the stockholders record on or before the book closure date will receive dividend while shareholders who are not registered as of this date will not receive dividend.
- Payment Date: This is the day when the dividend cheques will usually be mailed to the beneficiary or credited to their accounts.

Position of the Law on Unclaimed Dividend
The company and allied matters Act (CAMA) 1990, stipulate that dividends, which remain unclaimed after 15 months of being declared, shall be returned to the firm from where the beneficiary/investor may take a claim not later than 12 years. Afterwards, such unclaimed dividends are considered statute-barred and thus forfeited by the shareholders.

Section 382 of CAMA state thus;

1. Where dividends are retired to company unclaimed, the company shall end a list of the names of the person entitled with the notice of the next annual general meeting to the members.
2. After the expiration of three months notice mentioned in subsection (1) of this section, the company may invest the unclaimed dividend for its own benefit in an investment outside the company and no interest shall accrue on the dividends against the company.
3. Where dividends have been sent to members and there is an omission to send to some members due to the fault of the company, the dividends shall earn interest at the current bank rate from three months after the date on which they ought to have been posted.
4. For the purpose of Liability, the date of posting the dividend warrant shall be deemed to be the date of payment and proof of whether it has been sent is a question of fact.

Problems Giving Rise to Unclaimed Dividend In Nigeria

Various reasons has been put forward as to why majority of dividends remain unclaimed in Nigeria. Some reasons are systemic while others are generic. According to Nwachukwu (2011) there are so many reasons for increase in unclaimed dividend in Nigeria.

Delay in receipt of dividend warrant. As outlined earlier, dividends are supposed to be distributed as soon as the payment is approved. These dividends warrant sometimes gets to the beneficiaries very late and other times the warrant miss on transit. These situations are blamed on the inefficiency of the Nigerian Postal Services, the wrong use of address by investors and to some extent the deliberate efforts of some companies to deprive investor from claiming the dividend.

During the capital market boom in Nigeria, a lot of people ventured into investment in the capital market without adequate knowledge of how the market operates. Many acquire shares in various companies using different names without knowledge on how the market operates. This factor contributes to the increase in unclaimed dividend and as most of these investors hardly know that they need to lodge their warrant into their bank account. Majority of the shareholders do not also have bank account.

There is also this school of thought that most companies and Registrars by their actions deliberately withhold the payment of dividend to shareholders. This may be as a result of lack of cash to backup the payment. Also most companies' uses unclaimed dividend as working capital against the provision of CAMA which provided that unclaimed dividend is invested outside the company in the interest of the shareholders. This serves as a cheap source of financing the company's operations.

Death of shareholders also contributes to increase in unclaimed dividend. Many family members may be ignorant of their deceased family members holding in shares of many companies. In the event of the death of the shareholder with or without a will, the shares and dividend is as good as lost. Even when the knowledge that he has shares exists, the process of getting the shares transferred to their beneficiaries is so cumbersome that many prefer to abandon it.

Non-presentation of Dividend Warrant for payment is another cause. The amount paid as dividend, depending on the number of shares in holding by the shareholder, may be too little for the shareholder to cash. Sometimes the cost of transportation to the bank is more than the value of the dividend warrant and so the shareholder may just abandon the collection. Sometimes the warrant may have gotten stale before reaching the shareholder and when he considers the rigour in revalidating the warrant, he may just decide to abandon it.

Many shareholders/investors usually lodged complaints to the Registrar and more often than not, they are not being attended to within a reasonable time. It is popular phenomenon that out of frustration, many shareholders abandon or ignore the warrants and leave the dividend unclaimed.

Resolution of the Problem of Unclaimed Dividends

Several solutions have been proffered on how the problem of unclaimed dividend can be resolved (Qwolabi and Obidan ,2013).

One of the problems why unclaimed dividend is growing is that many shareholders do not even know they have outstanding dividend. While some companies are publishing theirs, others are not. They therefore suggested that there should be a platform maintained by either Security m/and exchange Commission or other regulatory bodies where detailed information about value of unclaimed dividend in all quoted companies could be accessible. The platform should make provision for individual investor to trace their unclaimed dividends in all quoted companies on yearly basis.

Another solution they suggested is the extension of Expiry date of Dividend warrant: One of the major reasons attributed to continuous increase in unclaimed dividend is the issue of dividend warrant getting to shareholders few days to expiry date or in most cases after the expiry date. Currently, the expiry date of warrant is 6 months after issue. It was recommended that extension of the expiry date to at least 12 months will go a long way in alleviating some of these problems.

They also suggested that the dividend warrant could be redesigned to allow investor cash their warrant over the counter at any bank anywhere in the country. This may reduce the level of unclaimed dividend attributable to petty investors who do not maintain a bank account.

The present process of renewing dividend warrant should be made simple to enable investors to revalidate their warrant with ease. Investors should be able to revalidate their warrant online without having to travel long distance for an amount that may not worth the effort. Provision should also be made for investor that does not have access to internet to revalidate their warrant without spending more than the value of their warrant.

The period of statute bare that is pronounced by CAMA may need an urgent review. It is suggested that the period be extended to 19years whereby the survivor of a deceased shareholder would have grown to a level of asking, query and challenge some actions of the trustee, registrar and Administrators of the deceased property.They also suggested that with full dematerialization of shares in the stock market, it will go a long way in reducing the incidence of unclaimed dividend in the country. Dematerialisation is the process of converting physical shares into electronic format. An investor who wants to dematerialize his shares need to open a demat account with depositing participant (stockbroker). The investor surrenders his physical shares and in turn gets electronic shares in his demat account. During this process the bank details of the share holders is captured and dividend can be paid direct to their account.

E-dividend mandate: was also suggested as a way out. This is a mandate issued by an investor authorising the Registrars to pay all present and future dividend accruing to him to his bank account specified in the mandate. Under this mandate, physical warrants are not sent to share holders. The features of this e-dividend platform includes

- it is safe and convenient
- it saves time and resources
- Shareholders are notified right on their mobile phone once payments are made into their respective bank accounts.

Security and Exchange Commission introduced the e-dividend mandate in Nov 2015, and gave deadline for stoppage of issue of dividend warrant. Presently the deadline has been extended to Feb. 28, 2018.There has been some opinion that since the introduction of the e-dividend mandate, the volume of unclaimed dividend in the country has drastically reduced. This paper is intended to either corroborate such thought or disprove such opinion.

Dividend Policy Theories

Several main theories of dividend can be identified. Some argue that the increasing dividend payments increase a firm's value, while a reduction in dividend payment also reduces firm value. Another theory asserts that dividends payment has no relevance to the firms value as all effort spent on dividend decisions is wasted. Several other theories have also been presented which further increases the complexity of the puzzle.

Dividend Irrelevance Hypothesis

Prior to the publication of Miller and Modigliani's (1961, hereafter M&M) seminal paper on dividend policy, a common belief was that higher dividends increase a firm's value. This belief was mainly based on the s0-called "bird-in –hand" argument. Graham and Dodd (1934), for instance, argued that "the sole purpose for the existence of the corporation is to pay dividends", and firms that pay higher dividend must sell their shares at higher prices.

However, as part of a new wave of finance in the 1960's, M & M demonstrated that under certain assumptions about perfect capital markets, dividend policy would be irrelevant. Given that in a perfect market dividend policy has no effect on either the price of the firm's stock or its cost of capital. Shareholders wealth is not affected by the dividend decisions and therefore they would be indifferent between dividend s and capital gains. The reason for their indifference is that shareholders wealth is affected by the income generated by the investment decision a firms makes, not by how it distributes that income. Therefore in M&M world, dividend is irrelevant.

The assumptions of a perfect capital market necessary for dividend irrelevancy hypothesis can be summarized as follows:

1. No differences between taxes on dividends and capital gains
2. No transaction and flotation cost incurred when securities are traded
3. All market participant have free and equal access to the same information symmetrical and costless information
4. No conflict of interest between managers and security holders (i.e no agency problem)
5. All participants in the market are price takers.

Dividend Relevance Hypothesis (Bird-in-Hand)

In a world of uncertainty and imperfect information, dividends are valued differently to retained earnings. Investors prefer the "bird-in-hand" of cash dividend rather than the "two-in the bush" of future capital gains. Increasing dividend payments ceteris paribus may then be associated with increase in the firm's value. As a higher current dividend payout reduces the uncertainty about future cash flows as a higher payout ratio will reduce the cost of capital and hence increase share value. Graham and Dodd, for instance argued that a dollar of dividends has, on average, four times the impact on stock prices as a dollar of retained earnings. Other scholars who support this view include: Lintner (1962), Gordon (1968)

M & M (1961) has criticized the bird-in –hand and argued that the firms risk is determined by the riskiness of its operating cash flows, not by the way its earnings are distributed. Consequently, M & M called this argument the "bird-in-hand fallacy".

Low Dividends Increase Stock Value (Tax Effect Hypothesis)

The tax-effect hypothesis suggests that low dividend payout ratios contribute to maximizing the firms' value. This argument is based on the assumption that dividend are taxed at higher rates than capital gains. In addition dividends are taxed immediately while capital gains are taxed at a later date when the stocks are sold. This tax advantages tends to predispose investors to prefer companies that retain most of their earnings rather than pay them out as dividends; and are willing to pay a premium for low payout companies. Furthermore, a low dividend payout ratio will lower the cost equity and increases the stock price. It should be noted that this prediction is almost an exact opposite of the bird-in-hand hypothesis and it challenges the strict form of the BIH.

In many countries, a higher tax rate is applied to dividends as compared to capital gain taxes. Therefore, investors in high tax brackets might require higher pre-tax risk adjusted returns to hold stocks with higher dividend yield. This relationship between pre-tax returns on stocks and dividend yields is the basis of a posited tax effect hypothesis. The hypothesis states that all things being equal, a stock with higher dividend yield will sell at a lower price because of the disadvantage of higher taxes associated with dividend income. Brennan (1970) developed an after tax version of the capital asset pricing model (CAPM) to test the relationship between tax risk adjusted returns and dividend yield. Brennan's model maintains that a stock's pre-tax returns should be positively and linearly related to its dividend yield stocks to compensate investors for the tax disadvantages of these returns.

Mehta (2012) empirically analysed the determinants of dividend policy, using evidence from United Arab Emirates (UAE) companies. The study examined a range of determinants of dividend policy; profitability, Risk, Liquidity, Size and leverage of the firms. It concludes that profitability and size are the most important considerations of dividend payout decisions by UAE firms.

Adelegan and Inanga (2000) investigated the impact of different firm specific factors on dividend policy of companies by selecting a sample of banks listed on the NSE for the period 2006-2011. The result shows that there is a strong linear association between profitability and firm size with dividend policy. In contrast, the variable, leverage and firm's risk has an inverse linear relationship with dividend policy.

Al-Kuwari (2009) examined the determinants of dividend policy of firms listed on the Karachi stock exchange and that are part of KSE-100 index, using panel data of 100 financial and non-financial firms over the period 2007 to 2009. They find that liquidity, leverage, earning per share (EPS), and the size are positively related to dividend whereas growth and profitability are found to be insignificant determinants of dividend policy. The result reveals that EPS, company profitability and size increase the probability of companies paying dividends, whereas growth opportunities decrease the probability of paying dividends.

Nnadi and Akponi (2008) focused on various implications of dividend policy in developing economies, particularly in Africa. They found a significant effect of profit on dividend and a positive relationship between tax, profit and dividend. Ali (2007) examined listed firms in the Tunisian stock exchange and found that dividend policy of corporations was significantly different from the widely accepted policy of corporations operating in a developed market. Generally, the dividend policy of firms in developing countries varies in some respects vis-a-vis those of developed economies.

Majority of research conducted in relation to dividend have centred on policy areas. Much effort have not been devoted in researching on how these dividends if paid are received by their respective shareholders, hence this work intends to bridge that gap.

Research Method

This study adopted a survey research design. The primary data were generated through a questionnaire administered to staff of registrar of companies. The population of the study is 241 staff of the entire 16 registrars of companies that are among the operators registered with Security and Exchange Commission (SEC). Registrars of companies were chosen because of their direct involvement in distribution of dividends to shareholders.

The entire population of registrars were divided into two strata ie Lagos Mainland and Lagos Island taking into consideration that all the registrars are located in Lagos. A total of five registrars were selected for sampling (three from Island and two from mainland). The five were chosen based on their staff strength taking into account the big and the small firms. The total no of staff in the five registrars chosen is 241. Applying Yaro Yamanei's formula in determining the sample size;

Formula $n = N/1+N(e)^2$
Where N= Population size
n = Sample Size
e = margin of Error (0.05 on the basis of 95% confidence level)
Therefore $n = 241/1+ 241(0.05)^2$
$n = 150.3900$
ie approximately n = 150.

One hundred and fifty questionnaires were distributed equally among the staff of five registrars chosen as detailed in the table below. Out of the 150 sent out, only 124 representing 83% of the total sample were returned as shown in the table below. 4 point linkert scale was adopted in structuring the question from strongly agree to strongly agree.

Categories of the Responded	No. Distributed	No. Returned
Staff of African Prudential Registrars	30	23
Staff of CardinalStone Registries ltd	30	27
Staff of Datamax Registrars Ltd	30	21
Staff of Veritas Registrars Ltd	30	27
Staff of Pace Registrars Ltd	30	26
Total	150	124

Validation of the Instrument.
The questionnaire was pre-tested in African Prudential Registrars which is one of the organisations sampled and is validated with information and experiences gathered from the pre-testing of the questionnaire before they were finally administered. The researcher interviewed and discussed with selected respondents to elicit further information based on their responses to the questionnaire.

Data Analysis and Discussion of Results

Table 1: Frequency of responses to Question 1:
Reduction in build up of unclaimed dividends

	Frequency	Percentage	Cumulative percentage
Strongly disagree	0	0	0
Disagree	25	20.2	20.2
Agree	58	46.8	67.0
Strongly Agree	41	33.0	100.0
Total	124	100	

Source: Field Survey, 2018.

The above table 1 depict the frequency of responses to question 1 which sought to find out if e-dividend mandate has reduced the accumulation of unclaimed dividend in company books. From the table 46.8% agreed to the fact while 33% of the respondents strongly agreed that e-dividends mandate has reduced the accumulation of unclaimed dividend.

Table 2: frequency of Responses to Question 2:

There is drastic reduction in unclaimed dividend balances with introduction of e-dividend mandate.

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	7	5.6	5.6
Disagree	31	25	30.6
Agree	34	27.4	58
Strongly Agree	52	42	100
Total	124	100	

Source: Field Survey, 2018.

From the table above 27.4% agree and 42% strongly agree that e-dividend mandate has brought about drastic reduction in unclaimed dividend balances.

Table 3: frequency of Responses to question 3:
Share holders have received arrears of their dividend through e-mandate platform.

	Frequency	Percentage	Cumulative percentage
Strongly Disagree	9	7.3	7.3
Disagree	11	8.9	16.2
Agree	48	38.7	54.9
Strongly Agree	56	45.1	100
Total	124		

Source: Field Survey, 2018.

The question in table 3 above sought to find out if majority shareholders have received arrears of unclaimed dividend after the introduction of e-dividend mandate. The result shows that 38.7% agree while 45.1% strongly agree that they have received arrears of unclaimed dividend.

Table 4: Frequency of Response to Question 4:
Dividend payment processing is now easier under e-dividend mandate.

	Frequency	Percentage	Cumulative percentage
Strongly Disagree	11	8.8	8.8
Disagree	21	16.9	25.7
Agree	46	38.0	63.7
Strongly Agree	45	36.3	100
Total	124	100	

Source: Field Survey, 2018.

The question in table 4 above seeks to find out the ease with which dividend payment processing has been since the introduction of e-dividend mandate.

The result shows that 74.3% of the respondents agree that new system has simplified dividend payment processing.

Table 5: Frequency of Response to Question 5:
Reduction in time for processing dividend payment through e-dividend.

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	18	14.5	14.5
Disagree	30	24.2	38.7
Agree	45	36.3	75
Strongly Agree	31	25.0	100
Total	124		

Source: Field Survey, 2018.

The question in table 5, seeks to find out if there is reduction in time of processing dividend payment with the introduction of e-dividend mandate. The result showed that 61.3% of the respondents agreed that there has been a reduction in processing time of dividends since the inception of e-dividend policy.

Table 6: Frequency of Response to Question 6.
E-dividend has led to reduction in manpower processing dividend payment.

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	8	6.5	6.5
Disagree	20	16.1	22.6
Agree	42	33.9	56.5
Strongly Agree	54	43.5	100
Total	124		

Source: Field Survey, 2018.

The question in table 6 above seeks to find out if implementation of e-dividend payment by registrars led to reduction in employees processing dividends payment. The results show that 77.4% of the respondents agreed that there has been reduction in manpower among the operators in the capital market as a result of e-dividend policy.

Table 7: Frequency of Response to Question 7:
Shareholders now receives timely dividend with the e-dividend policy.

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	20	16.1	16.1
Disagree	20	16.1	32.3
Agree	48	38.7	71.0
Strongly Agree	36	29.0	100
Total	124	100	

Source: Field Survey, 2018.

The question in table 7 above seeks to find out from shareholders if they now receive dividends timely after the introduction of e-dividend mandate.

From the table it can be observed that majority (67.7%) of the respondents agree that they now receive their dividend on time.

Table 8: Frequency of Respondents to Question 8:
The time lag between the approval of dividend and payment/receipt of the dividend has been reduced.

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	25	20.0	20.0
Disagree	17	14.3	34.3
Agree	39	31.4	65.7
Strongly Agree	43	34.3	100
Total	124	100	

Source: field Survey, 2018.

The question in table 8 above, seeks to find out if the time lag between approval of dividend and payment/receipt of same has reduced with the e-dividend mandate in place.

From the table, it can be seen that majority of the respondents (65.7%) agreed that there has been a significant reduction in time between approval and receipt of dividend after the introduction of e-dividend mandate.

Test of Hypothesis
Tables 1, 2 and 3 are combined to test hypothesis 1. Tables 4, 5 and 6 are combined to test hypothesis 2, while tables 7 and 8 are combined to test hypothesis 3. The hypothesis was tested based on the following parameters;

- Statement of hypothesis, null and alternative.
- Level of Significance, $\alpha = 0.05$
- Decision Rule: Reject the null hypothesis (H_0), if the P-value < 0.05.
- Test Statistic: Chi-square

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

  where *O* is the observed frequency and *E* is the expected frequency, with *n*-1 degrees of freedom or (*r*-1)(*c*-1), where n is the number of observation, r and c are the numbers of rows and columns respectively.
- Decision and conclusion

Hypothesis 1
H_0**:** There is no significant relationship between e-dividend mandate and reduction in unclaimed dividend balances.

H_1:There is a significant relationship between e-dividend mandate and reduction in unclaimed dividend balances.

O	E	O - E	$(O – E)^2$	$(O – E)^2/E$
5	31	-26	676	21.8065

22	31	-9	81	2.6129
47	31	16	256	8.25806
50	31	19	361	11.6452
Chi-Square Calculated				44.3226
P-value				0.00001
Degrees of Freedom				3

The P-Value is 0.00001. The result is significant at $p < 0.05$

Decision: Reject the null hypothesis (H_0), since the P-value (0.00001) < 0.05.

Conclusion: The analysis shows that there is a significant relationship between e-dividend mandate and reduction in unclaimed dividend balances.

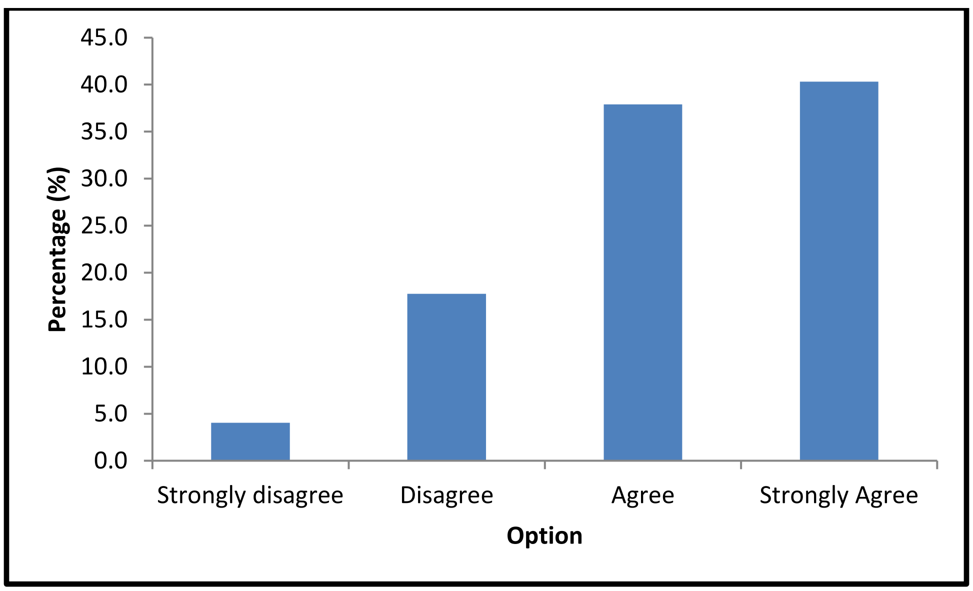

Figure 1: Respondents Opinion on the relationship between e-dividend mandate and reduction in unclaimed dividend balances

Hypothesis 2
H_0: There is no significant relationship between e-dividend mandate and dividend payment processing.

H_1: There is a significant relationship between e-dividend mandate and dividend payment processing.

O	E	O - E	$(O - E)^2$	$(O - E)^2/E$
13	31	-18	324	10.4516
24	31	-7	49	1.58065
44	31	13	169	5.45161
43	31	12	144	4.64516
Chi-Square Calculated				22.129
P-value				0.000061
Degrees of Freedom				3

The P-Value is 0.000061. The result is significant at $p < 0.05$

Decision: Reject the null hypothesis (H_0), since the P-value (0.000061) < 0.05.

Conclusion: The analysis shows that there is a significant relationship between e-dividend mandate and dividend payment processing.

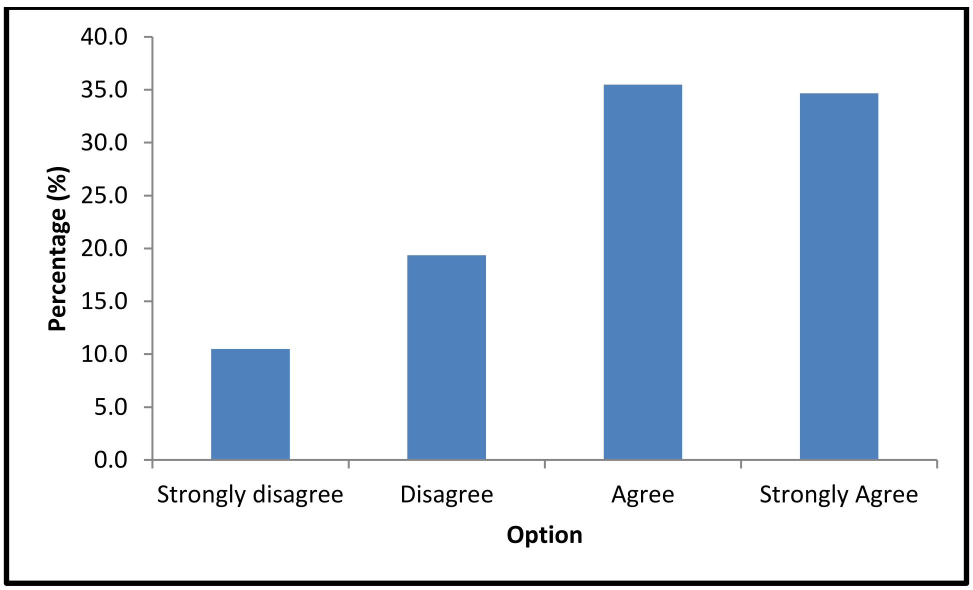

Figure 2: Respondents Opinion on the relationship between e-dividend mandate and dividend payment processing

Hypothesis 3

H_0: The implementation of e-dividend mandate to dividend has not led to reduction in time of receipt of dividend after approval.

H_1: The implementation of e-dividend mandate to dividend has led to reduction in time of receipt of dividend after approval.

O	E	O - E	$(O - E)^2$	$(O - E)^2/E$
22	31	-9	81	2.6129
18	31	-13	169	5.45161
44	31	13	169	5.45161
40	31	9	81	2.6129
Chi-Square Calculated				16.129
P-value				0.00001
Degrees of Freedom				3

The P-Value is 0.00001. The result is significant at $p < 0.05$

Decision: Reject the null hypothesis (H_0), since the P-value (0.00001) < 0.05.

Conclusion: The analysis shows that the implementation of e-dividend mandate to dividend has led to reduction in time of receipt of dividend after approval.

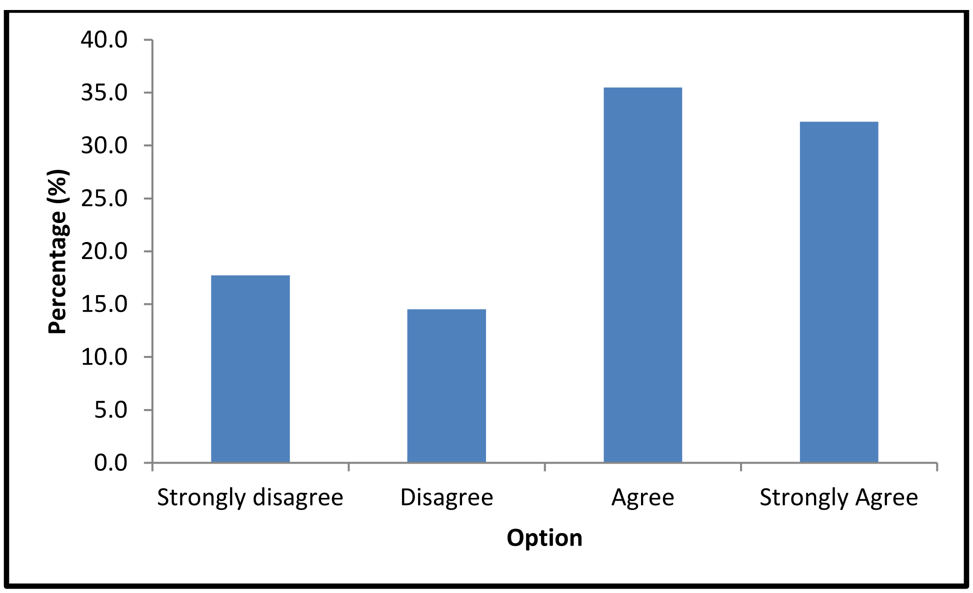

Figure 3: Respondents Opinion on the effect of implementation of e-dividend mandate on reduction in time of receipt of dividend after approval

From the analysis of the study, the following are the summary of major findings.

1. E-dividend mandate has drastically reduced the accumulated unclaimed dividend arrears that have been outstanding in the books of our registrars.

2. E-dividend mandate has also improved the dividend payment processing of the operators in the capital market.
3. E-dividend mandate has also impacted positively the time lag the shareholders receive their dividend once approval is given by the Board of Directors.

   This result tends to corroborate the word of former DG of SEC when he said in a forum in Lagos in November 2017 " The efforts made by the Commission to ensure that the era of stale dividends and huge unclaimed dividends in the market become a thing of the past was already achieving result with the e-dividend registration system".

Conclusions

This study was set out to find out if the e-dividend mandate introduced by Security and Exchange Commission to mitigate the burden of accumulation of unclaimed dividend has actually achieved its aim. The result of the study revealed that e-dividend policy has actually led to the reduction in unclaimed dividend arrears while at the same time improved the dividend payment processing of operators in capital market. Based on these, the following recommendations are made:

1. The present enlightenment campaign by Security and Exchange Commission for shareholders to embrace the e-dividend mandate should be intensified to ensure that all Nigerian shareholders embrace and key into it.
2. It is also recommended that future subscription for shares through public subscription or private placement should include e-dividend mandate to ease future dividend payment.
3. All the stakeholders in the capital market the registrars, the stock brokers, Nigerian Stock Exchange including the regulators should be carried along to ensure that this policy achieves its success.
4. To ensure that this policy gets its root in the stock exchange activities, there should be appropriate legislation in this regard.
5. The present effort by CSCS on full dematerialisation of shares in the capital market should be sustained as it will also ensure timely receipt of dividends

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MACROECONOMIC RISKS AND FINANCIAL SECTOR STABILITY: THE NIGERIAN CASE

Eke, O. Patrick[1] and Yunisa Simon[2]

[1]Dept. of Banking & Finance, Lagos State University, Ojo,

+2348179715587, ekeopatrick@gmail.com

[2]Dept. of Banking & Finance, Lagos state University, Ojo,

+2348034544619, yunisasimon@yahoo.com

Abstract
This study examines the long-term effect of macroeconomic variables comprising lending rate, exchange rate, inflation, institutional regulatory quality, budget deficit ratio and gross domestic product growth rate on the financial sector stability, proxied by the behavior of banking credit in Nigeria. The study relied on data from the Central Bank Statistical bulletin and World Bank indicators from 1981 to 2016. Using the fully modified ordinary least square methodology in an autoregressive distributive lag framework, non-performing loan is found to be positively sensitive to lending rate, budget deficit, inflation rate and gross domestic product, while negatively related to exchange rate and institutional regulatory quality. The study recommends ways to promote financial health through managing the intermediation system to focus on capital and securities market for long tenured lending, bank competitiveness; improved exchange rate and financial sector liberalization, ease of doing business, and economic inclusion.

Keywords: Financial sector stability, Macroeconomic management

JEL code: G10, E63

Introduction
An economy's financial sector comprises all institutions, markets and instruments through which economic transactions pass through and of which monetary policies and obligations are effected. The importance of such institutions and market is underscored by the reason for classifying banking institutions as special, as the values they transmit cut across all segments of the society and economy- managing the payment system, channels saving mobilisation and investments supportive of economic growth (IMF, 2017). A financial system would be resilient if markets and institutions continue to function and payments system functions reliably in the face of economic disturbances. This paper fills the gap that an internally stable financial market and institution may require perhaps, moderately managed macroeconomic risks, as it may not itself generate major financial shocks which may lead to financial crisis, common to prior studies in the Nigeria's case.

Financial sector stability enhances efficient allocation of economic resources over time, such that it may constitute the sufficient prerequisite for the expected sustainable intermediation roles of fund mobilisation, efficient allocation and utilization of the economy's scarce capital by the deficit economic units, (Ojo, 2010). This may be vital for any accelerated economic growth and economic development. A finance inspired instability problem has both country and cross-country shock impacts, often beyond trickling-down the intermediation system, as it undermines economic stability, limits monetary policy operations. Other far reaching consequences are exacerbates rate of capital flight, exchange rate pressure, and fiscal pressure for bailouts (IMF, 2017).

Nigeria equates non performing loans (Npl) as interest or principal that is due and unpaid for 90 days or more, as well as interest payments equals to 90 days interest or more have been capitalised, rescheduled or rolled over into a new loan. The crises associated with Npl may have macroeconomic risk contents. Three key policy variables of macroeconomic management much needed to respond to economic and business fortunes are the fiscal policy, monetary policy and exchange rate policy (AfDB, OECD and UNDP, 2017). A conscious or unconscious management of these policies may impact the fortunes of the financial functions of credit allocation. For instance, events leading to the recent 2008 global economic crises suggest that following expansion in the monetary system, monetary policy may have been right at the gradual increase in interest rate; however, the obvious lapse in financial regulation to keep pace with the 'sophistication' and 'complexity' of the growing financial instruments of the US financial mortgage system, otherwise called the sub-prime lending crises, such that the link between lenders and borrowers got broken, is directly adduced as the main remote cause of the 2008 global financial crises (Spratt, 2009).

The quality of financial liberalization has been adduced as a causal factor to financial crises (Spratt, 2009). Under imperfect (asymmetry) information, adverse selection rears up, that is a common phenomenon of African economies' credit history, where interest rate charged may not be a perfect hedge for credit risks. According to the World Bank (2005) the 'basics' of good regulation being foundation for financial sector development policies that ensure macroeconomic stability; foster competition; secures the right of borrowers, creditors; and shareholders; facilitates flow of information; and ensures that bank avoid extreme risks

This paper argues that the financial stability of an economy depends on the macroeconomic and structural conditions in the real economy bearing on the financial intermediation decisions that may frustrate the economies credit system to optimize its potentials, with particular reference to Nigeria. Therefore, the study argues the following research question: to what extent do macroeconomic risks affect the non-performance of credit system in Nigeria.

Literature Review

The stability of the financial system has theoretically been linked to her macroeconomic soundness and financial structuraldynamics (Goldsmith, 1970). Moreover, financial instability in many developing economies is attributed to unstable macroeconomics and institutional failings, given the structural rigidities, rather than transformation, associated with economic policies and reforms (Ojo, 2010). Ojo (2010) further cites macroeconomic requirements for financial stability as sound public finance; an adequate macroeconomic policy instrument which is consistent with the exchange rate regime so as to enhance price stability; macroeconomic policies that moderate fluctuation in aggregate economic activity, and adequate level of national saving (private and public) to finance domestic involvement needs without unnecessarily relying on foreign borrowing. Public indebtedness may have an impact on bank credit risk in countries where public authorities make up a significant portion of the formal economy (Brei, Jacoline and Noah, 2017). For instance, in the Nigerian case, the deregulation and liberalization reforms of the financial system in the post 1986 reforms was unexpectedly associated with era when emerging financial institutions faced increased macroeconomic risks of galloping inflation, excessive budget deficit, balance of payment arising from decline in crude oil prices, leading to rapid decline in the value of the national currency (Ojo, 2010). Consequently, exacerbated with lax micro-prudential management, such as poor internal control, insider lending, and others led to problems of banking business cycles constantly experiencing illiquidity and financial distress.

Brei, Jacoline and Noah (2017) conducted a study on the impact of macroeconomic variables on credit risk. Findings show that macroeconomic variables such as growth, financial deepening and economic structure, as well as bank portfolio choices have positive effect on credit risk.Castro (2013) conducted similar study and establishes a negative relationship between nonperforming loans and economic growth in advanced economies. Laeven and Valencia (2012) conducted similar study using Greek bank conclude that bank's risk portfolio can be explained by macroeconomic fundamentals (GDP, unemployment, interest rates and public debt) and management quality. Klein (2013) conducted similar study using data from 16 Central, Eastern and South-Eastern Europe countries over the period 1998-2011. Findings showed that both bank specific as well as macroeconomic (GDP, inflation) factors influence credit risk. Ghosh (2015) using data from 50 American commercial and savings banks showed that bank-level variables such as capitalization, cost efficiency, size and macroeconomic factors such as inflation, and public debt, significantly influence non-performing loans.

Several studies which focused on developing countries highlighted the vulnerability of credit risk to external macroeconomic factors. Fofack (2005) using data from 16 Sub-Saharan African countries, found that non-performing loans are largely driven by macroeconomic volatility. The implication of the study is that it reflects the driving influence of external shocks and the impact of insufficient economic diversification. The study showed that the real interest rate, net interest margin, real exchange rate, interbank loans and economic growth are significant determinants of non-performing loans. Beck, Fuchs, Singer and Witte (2014) using a sample of 46 banks from 12 countries in the Middle East and North Africa region, over the period 2002-2006, found that foreign participation, credit growth, loan loss provisions and institutional environment have significant impact on the level of nonperforming loans.
This study sought to add to the current string of research by using non-performing loans as an indicator of financial sector stability in Nigeria.

The variable data adopted for study, their description and sources are presented in the table below:

Table 3.1:Description of variable-sources, measurements and justification

Variable description	Type/Source/Measurement/Proxies	Literature justification	Parameter's *a-priori*
Npl= Non-performing loan	Secondary/Nigeria Deposit Insurance corporation; Ojo & Somoye (2013)	Ojo & Somoye (2013)	>0
Lrt= Lending rate	Secondary/ Central Banks of Nigeria statistical bulletin/maximum	Ojo & Somoye (2013); Bosworth, B. P. (2014)	>0
Exrt= Exchange rate	Secondary/ Central Banks of Nigeria Statistical Bulletin/ Average annual	Honig (2007)	<0
Bc= Budget deficit	Secondary/ Central Banks of Nigeria Statistical Bulletin	Laeven and Valencia (2012), Ojo (2010)	>0
Rqt=Institutions' regulatory quality	Secondary/ Worldwide Governance Indicators (2017)/ Institutional quality	Ayala *et al.*(2015)	<0
Ifr= inflation rate	Secondary/Central Bank of Nigeria/	Dhal *et al.*(2011)	>0
Gdpgt = Gross domestic product growth rate	Secondary/ World development indicators/	Fofack (2005), Ojo (2010)	<0

Sources: Compiled by the authors

The study adopts the fully modified ordinary least square (FMOLS) of Pedroni (2000) in an autoregressive distributive lag (ARDL) model. The short-run residual of the series were obtained and incorporated into the

ARDL framework, to produce an augmented error correction linked ARDL. The ARDL specification with defined lag polynomial is in the VAR model family. The ARDL was developed by Henry, Pagan and Sargan (1984), and further popularized by Pesaran and Shin (1999) and Pesaran *et al.* (2001). Stated below is a modified Maddala and Kim (1998) generalized version of ARDL with *p* regressors *m* lags in *y*, and *n* lags in each *p* regressors denoted as ADL (*m, n; p*):

$$y_t = \varphi_0 + \sum_{k=1}^{m} \alpha_k y_{t-k} + \sum_{j=1}^{p} \sum_{k=0}^{n} \beta_{jk} x_{jt-k} + \varepsilon_t \qquad 2$$

It is assumed that $\varepsilon_t \sqcup$ iid $(0, \sigma^2)$, a white noise process, and that the impact multiplier decreases in successive periods if $|\alpha| < 1$, and additionally by including sufficient lags of the dependent and explanatory variables, the serial correlation in the error term can be eliminated (Hill, Griffiths, and Lim, 2011). Moreover, there is a theoretical connection between the ARDL and ECM. We modify in simplified panel form Verbeek (2004) as follows:

$$Y_t = \delta + \varphi Y_{t-i} + \gamma_0 X_t + \gamma_1 X_{t-1} + \varepsilon_t \qquad 3$$

From 3.73, the long-run equilibrium relationship between Y and X can result by subtracting Y_{t-1} from both side and following transformation process, an ECM representation model could be formed as follows:

$$\Delta Y_t = \delta - (1-\varphi) Y_{t-1} + \gamma_0 \Delta X_t + (\gamma_0 + \gamma_1) X_{t-1} + \varepsilon_t$$

Or $$\Delta Y_t = \varphi_0 \Delta X_t - (1-\varphi)[Y_{t-1} - \alpha - \beta X_{t-1}] + \varepsilon_t \qquad 4$$

α and β are the long run equilibrium multipliers of a unit change in X_t. It connotes that the change in Y_t responds to current change in X_t plus an error correction term, and $(1-\varphi)$ is the adjustment parameter that determines the speed of adjustment, the current error in achieving long run equilibrium. In this study, the ECM is extracted from the fully modified ordinary least square (FMOLS), in an autoregressive distributive lag model (ARDL) or Bound testing framework. Thus, the superiority of the ECM over the VAR is that other than the long run equilibrium relationship, as part of explanatory variables, the past disequilibrium is introduced in dynamic form along with other current variables (Maddala and Kim, 1998).

Model Specification

In implicit form, the empirical proposition is that financial system stability (Fss) proxied by the annual values of non-performing loans (npl) is expectedly sensitive to its historical antecedents and the antecedents of other macroeconomic risks as follows:

$$Fss_t = f(Fss_{t-i}, Lrt_{t-i}, Exrt_{t-i}, Bd_{t-i}, Rqt_{t-i}, Ifr_{t-i}, Gdpgt_{t-i}, \varepsilon_t)$$

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The other explanatory variables are as follows: Bd is budget deficit; Lrt is lending rate; Fss is proxied by non-performing loans (npl) of the banking industry as used in World Bank stability indicator; Ifr is inflation rate, Exr is exchange rate, Iqx is institutional regulatory quality, and Gdpgt is gross domestic product growth rate. The specification is presented explicitly below:

$$\Delta Npl_t = \alpha_0 + \beta \Delta Npl_t + \phi \Delta Lrt_t + \gamma \Delta Exrt_t + \varphi \Delta Bd_t + \lambda \Delta Rqt_t + \psi \Delta Ifr_t + \varsigma \Delta Gdpgt_t + \varepsilon_t \qquad 6$$

more formally, including the ECM term:

$$\Delta Npl_t = \alpha_0 + \sum_{j}^{p} \beta_j \Delta Npl_t + \sum_{j}^{p} \phi_j \Delta Lrt_t + \sum_{j}^{p} \gamma_j \Delta Exrt_t + ... + \xi z_{t-1} + \varepsilon_t \qquad 7$$

It is assumed that $\varepsilon_t \sim$ iid $(0, \sigma^2)$, a white noise process, while z_{t-1} is the ECM term.

Data analysis and discussion of results

Unit root analysis

Presented below is the unit root test statistics. Three variable- the *Bd, Rqt* and *Gdprt* are level stationary while *Npl, Lrt* and *Exrt* are first differenced stationary. The *Ifr* series produce mixed result as the Augmented Dickey-Fuller (ADF) technique reveals it as level variable, while the Phillips-Perron (PP) reveals it as first difference variable. The non-uniform stationary properties of the variables studied suggest the use of ARDL methodology for long run co-integration and regression study.

Table 4.1: Unit root tests

Methods	Augmented Dickey-Fuller Test			Phillips-Perron Test			
Variables	[1]Test statistics	Prob. value	Stationary @	[1]Test statistics	Prob. value	Stationary @	Remark
Npl	-6.9374	0.0000***	I(1)	-7.3953	0.0000***	I(1)	differenced
Lrt	-6.5259	0.0000***	I(1)	-8.0601	0.0000***	I(1)	differenced
Exrt	-3.5057	0.0543*	I(1)	-3.5057	0.0543*	I(1)	differenced
Bd	-3.9654	0.0192**	I(0)	-3.6042	0.0435**	I(0)	stationary
Rqt	-5.7703	0.0002***	I(0)	-5.8094	0.0002***	I(0)	stationary
Ifr	-3.7898	0.0291**	I(0)	-10.729	0.0000***	I(1)	mixed
Gdpgt	-5.0238	0.0013***	I(0)	-5.0265	0.0013***	I(0)	stationary

Source:By the researcher in 2018 using E-view 9. *,**,***,**** denotes 0.1, 0.05, and 0.01 levels of significance respectively. [1]Test is for constant and trend models.

Summary statistics

One significant item in the summary statistics presented in table *4.2* is the Jarque-Bera test statistics that reveals that four variables- Bd, Exrt, Lrt, and Npl are normally distributed, while three are not, that is Gdpgt, Ifr and Rqt.

Table 4.2: Summary statistics table

	BD	EXRT	GDPGT	IFR	LRT	NPL	RQT
Mean	-2.834595	88.47698	3.446757	19.50405	21.67568	22.62538	-1.170000
Median	-2.800000	92.30000	3.800000	12.90000	21.34000	20.90000	-0.840000
Max.	0.800000	305.0000	33.70000	72.80000	36.09000	51.00000	-0.200000
Mini.	-9.500000	0.599200	-13.10000	5.400000	10.00000	2.960000	-8.430000
St. Dev.	2.107617	77.63287	7.519593	16.63828	6.040857	13.47629	1.314731
Jarque- Bera	5.517507	2.479687	63.31893	22.96243	0.028070	2.122214	999.0634
Prob. value	0.063371	0.289430	0.000000	0.000010	0.986063	0.346072	0.000000
Sum	-104.8800	3273.648	127.5300	721.6500	802.0000	837.1390	-43.29000
S.S.D.	159.9137	216967.0	2035.594	9965.967	1313.710	6537.978	62.22660

Observations	37	37	37	37	37	37	37

Source: Computed by the authors from E-view9

Correlation Analysis

Correlation test provides associated level relationship among the variables. As *a-priori* dictates, non-performing loan (Npl) in the country is positively associated with lending rate (Lrt) and inflation rate (Ifr) but negatively associated with exchange rate (Exrt) and regulatory quality (Rqt). The reported associated relationship between Npl and budget deficit (Bd) and gross domestic product growth rate (Gdpgt) are positive and negative respective, which may not be economically justified.

Table 4.3: Correlation relations

	NPL	LRT	EXRT	BD	RQT	IFR	GDPGT
NPL	1.000000						
LRT	0.289950	1.000000					
EXRT	-0.523675	0.473312	1.000000				
BD	-0.505809	-0.185597	0.426987	1.000000			
RQT	-0.421696	-0.121399	0.203918	0.239957	1.000000		
IFR	0.532441	0.152745	-0.320103	-0.184281	-0.416471	1.000000	
GDPGT	0.019214	0.234906	0.285200	0.260225	0.004384	-0.131023	1.000000

Source:Computed by the authors using E-view 9

Lag length order

The maximum lag selection order chosen by majority of the criterion is 2, hence lag order 2 informed the extent of restrictions used in the conditional vector error correction-ARDL regression presented below.

Table 4.4: Lag selection order

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-807.0424	NA	3.76e+11	46.51671	46.82778	46.62409
1	-666.6947	216.5365	2.15e+09	41.29684	43.78540*	42.15589
2	-599.4630	76.83630*	1.08e+09*	40.25503*	44.92107	41.86575*

Source:By the authors in 2018, using E-view 9: where LR: sequential modified LR test statistic (each test at 5% level); FPE: Final prediction error; AIC: Akaike information criterion; SC: Schwarz information criterion; HQ: Hannan-Quinn information criterion. * denotes lag order selected by the criterion.

Regression results

The diagnostics of the long run result provided in table 4.5 suggests that the findings of the study justify the demands of the proposition made. The regression squared (R^2) and adjusted regression squared (adj.R^2) results moderate at 89.6% and 83.3% respectively, which suggests the extent to which the explanatory variable explains the behavior of the dependent variable in the long term. The all coefficients Wald test produce F. test statistics and chi-squared statistics of 19.0371 and 152.297 respectively that are statistically significant at 1%, affirms the regression squared result. It implies the long run joint influence of all explanatory variables determine the course of financial system stability, proxied by the variability non-performing loans. The other diagnostics test statistics on the model robustness and the results are presented in tables *4.7* to *4.10* below.

In line with *a-priori* propositions, except for gross domestic product growth rate (Gdpgt), all the explanatory variables-Lrt, Exrt, Bd, Rqt, and Ifr achieve their expectations. Moreover while lending rate (Lrt) is significant at 5%, exchange rates (Exrt) and Ggpgt are statistically significant at 1% respectively. The outcome suggests that lending rate and exchange rate are the strongest mechanisms affecting the non-performing loan, and consequently credit performance and hence financial system stability in Nigeria.

The short-run dynamics result presented in table *4.6* tend to equilibrium by approximately 70% annually, and satisfies *a-priori* expectation. Exrt and budget deficit (Bd) are statistically significant at 10%; while Gdpgt and Lrt are significant at 5% and 1% respectively.

Table 4.5: FMOLS-ARDL Long Run Results

Dependent Variable: Npl				
Explanatory variables	Coefficient	Std. error	T. stat.	P. value
C	12.105364	8.280971	1.461829	0.1610
LRT	1.173625	0.429620	2.731775	0.0137*
EXRT	-0.233195	0.035851	-6.504639	0.0000**
BD	2.093897	1.325049	1.580242	0.1315
RQT	-0.843989	1.396830	-0.604217	0.5532
IFR	0.187152	0.134054	1.396093	0.1797
GDPGT	0.811698	0.275668	2.944479	0.0087**
DIAGNOSTICS: All WALD TEST F. statistics χ^2 statistics R^2 = Ad. R^2 =	 19.03717 152.2974 0.896 0.833			 0.0000** 0.0000**

Source:By the authors using E-view 9. *, ** denotes 0.05 and 0.001 levels of significance respectively

Table 4.6: Residual based ARDL-Error correction model & short run results

Dependent Variable: Npl				
Explanatory variables	Coefficient	Std. error	T. statistics	P. value
ECM(-1)	-0.70310	0.139583	-5.30714	0.0001***
LRT(-1)	0.82517	0.254289	3.25403	0.0045***
EXRT(-1)	-0.09024	0.076158	1.18503	0.2514
BD(-1)	-0.32768	0.579281	-0.56567	0.5786
RQT(-1)	-0.59341	0.988055	-0.60058	0.5556
IFR(-1)	0.13158	0.096964	1.357061	0.1915
EXRT(-2)	0.166901	0.089808	1.858428	0.0795*
BD(-2)	-1.33275	0.689436	-1.93310	0.0691*
GDPGT(-1)	0.364943	0.156855	2.32663	0.0319**
RESIDUAL(-1)	0.66100	0.206971	3.193725	0.0050***

Source:By the authors using E-view 9; * and **, *** indicate 0.1, 0.05 and 0.01 levels of significance respectively

Diagnostic Tests

1. Pesaran co-integration/Bound Test: Presented in Table **4.7** below is the result of the co-integration test. At 1 percent level of significance the computed statistics of 4.44 lies above the upper bound of 4.26 and lower bound of 2.96, indicating that the null hypothesis of 'no co-integration' is rejected to conclude that long run relationship exists among the variables. The existence of long run relationship justifies the theoretical relationship between the variables in the macroeconomic study, which also absorbs the model of spuriousity.

Table 4.7:ARDL Bound (proof of Long run relationship) test table

BOUNDS TEST RESULT		
COMPUTED F-Stat. (k =7)	4.439468*	
Pesaran critical value @ 1 percent level:	lower	upper
critical statistics	2.96	4.26

Source:By the authors using E-view 9. Critical value is from Pesaran, Shin and Smith (2001) under condition of unrestricted intercept and no trend. * indicates rejection at 1%. Critical values for 10 and 1 percents are 2.03 - 3.13 and 2.96 - 4.26 respectively

2. Serial Correlation LM test: The Serial correlation LM test presented below in Table **4.8** provide evidence to suggests that the study fails to reject the hypothesis that there is no serial correlation among the series, as the F-stat. value of 2.17307 produces a probability value of 14%. It helps to conclude that there is no serial correlation among the residuals.

Table 4:8 Breusch-Godfrey serial correlation LM Test

.LM testDFProbability			
F. Stat.	2.173078	2, 19	0.1413
Obs*R-squared	6.515654	2	0.0385

Source:Computed by the authors using E-view 9

3. Heteroscedasticity Test: The heteroscedasticity test statistics whose probability values are above 5% for each of the test results presented below provide evidence which suggest that we fail to reject the hypothesis that the residuals are homoscedastic.

Table 4.9 Breush-Pagan-Godfrey Test

. Test	*DFProbability*		
F. Stat.	0.953150	13,21	0.5220
Obs*R-squared	12.98805	13	0.4487
Scaled Explained SS	6.472065	13	0.9273

Source:Computed by the authors using E-view 9

Model Normality test

Table 4.10: Jacque-Bera residuals test

Obser.	*TeststatisticsProbability*	
32	1.8980	0.3871

Source:Computed by the authors using E-view 9

Discussion and implications of findings.

The first result which reveals direct effect of lending rate on non-performing loans (Npl) growth rate may be realistic, as it justifies the imperfections in the Nigerian financial system, with the consistent wide margin between the average deposit and lending rates. Being a bank-based economy, long term development funds are hitherto sourced from the short-tenured end of the commercial banking system that often calls for increasing the lending rate, amid profit optimizing behavior of the banking firm, 'availability' doctrine and credit rationing policies. Furthermore, Nigerian economy is inflationary, and where credit assets are bought at variable lending rates, it compounds the cost of credit servicing, which may exacerbate the possibility of default, amid possibility of revenue fall. In otherwords, expected profit increase of the banking lending as a function of high interest rate also increases the risk of default (Matthews and Thompson, 2014). It implies that increase in the Central Bank's monetary policy rates (Mpr) for tightening money supply may have been transmitting adverse effects on the rate of nonperforming loans, than anticipated.

Secondly, exchange rate adverse effect on non-performing credits may provide evidence for the worsening state of increasing depreciation of the country's currency, the naira, against all world strong currencies. The Nigerian economy is often regarded as open, highly extrovertic, primary export dependent, hence it is prone to exchange rate variability. By rational expectation theory, adverse depreciation of the currency may be detrimental to borrowers' credit repayment capacity and ability, perhaps as a result of the inflationary transmissions, given international Fisher effects and correlation that suffice between currency deterioration and inflation (Beim and Calomiris, 2001). Loss of currency value produces two effects, to investors that uses credit funds- domestic inflations and devaluation, where investors transact operations in foreign currency.

Thirdly, the positive relationship of GDP growth rate to Npl may imply that Nigerian growth process in non-inclusive, as improving the 'ease of business' may positively influence the behavior of credit borrowed. Measurement of GDP variable may be bias in monetary measures rather than value additions, such that incidence of non-performing loans persists.

The overall implication of the research findings is that macroeconomic risks of increasing lending rate and exchange rate volatility may frustrate bank lending growth rate in Nigeria, hence a lesson.

Conclusions

This study concludes that lending rate and exchange rate have significant long-term relationship with non-performing loan, the proxy for financial system stability, and secondly, the empirical result produce adverse outcome on the long term growth of non-performing loans, that suggest that an increase in lending rate would be detrimental to existing credit level, while any adverse movement in currency depreciation affects the performance of non-performing loans (Npl) as it may accentuate it via inflation pass-through impacts.

Recommendations

The study recommends as follows. First, since lending rate is a key function of the financial intermediation process, the source of lending should be improved via increased retail and corporate savings culture. The seeming imperfection in the financial market between the lending and deposit rate should be addressed by the Central Bank through further liberalization, which can encourage savings culture. Furthermore, the capital market and securities market intermediation should be promoted for long-term capital sourcing, by improving the economy's legal infrastructure, information availability and dissemination, and encouraging private investment in financial infrastructures via tax incentives. To reduce impacts of 'politics' of financial intermediation (Rajan and Zingale, 2003), strict penalty should be imposed for unjustified adverse long-tenured lending by commercial banks by the Nigerian Deposit Insurance corporation (NDIC).

Secondly, exchange rate risk on outstanding credits and non-performing loans can be reduced by developing derivative markets on adverse movement of the country's currency relative to other international strong currencies. Though currency futures and options market have not developed substantially in Nigeria, encouragement are needed from government to attract private interest in the market to trade such risks.

Thirdly, adverse GDP growth rate on Npl requires inclusivity of government macroeconomic policies to reduce business risks in a way that would improve loan repayments of borrowers.

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Conference theme 15:

ACCOUNTING FOR GENDER ISSUES

ACCOUNTING FOR GENDER ISSUES: A STUDY OF VARIATIONS AND FACTORS INFLUENCING WOMEN'S PARTICIPATION IN HOUSEHOLD FINANCIAL DECISIONS AMONG MAJOR ETHNIC GROUPS IN NIGERIA

[1]AbiolaAbosedeSolanke
Department of Accountancy,
The Federal Polytechnic, Bida, Nigeria
[2]Kabiru Isa Dandago
Department of Accounting
Bayero University, Kano-Nigeria
[1]Corresponding author: mosunmolal1974@gmail.com

Abstract

Gender issues are not widely discussed in accounting literature. This may explain reasons why male dominance of accounting profession and practice is yet to be effectively addressed, especially in developing economies like Nigeria. This paper examines variations and social factors influencing women's participation in household financial decisions among major ethnic groups in Nigeria, using documentary accounts made available by secondary sources of data. The dependent variable is participation in household financial decision. The independent variables are a number of women's individual socio-economic characteristics. Husband characteristics were used as the control variables in the study. The binary logistic regression was applied. Results showed that 9.4%, 34.8% and 45.8% of Hausa/Fulani, Igbo, and Yoruba women respectively participated in the decision. The development of an accounting system that would ensure effective social and behavioural communication programme to focus on household decision-making based on accounting information relevant to their financial and material contributions is imperative in Nigeria. It is not out of place for the programme to be initiated by the Institute of Chartered Accountants of Nigeria (ICAN).

*Keywords:*Accounting system, Household, financial decision, Gender issues, Documentary accounts, ICAN

Introduction

Gender issues are not widely discussed in accounting literature. Though, some studies have examined rarity of women in the top echelons of the accounting profession (Komori, 2008; Dambrin & Lambert, 2012; Whiting, Gammie & Herbohn, 2015) This may explain reasons why male dominance of accounting profession and practice is yet to be effectively addressed across the world. With the prominence given to gender issues across the world particularly during the 1995 Berlin Women Conference, the accounting profession cannot afford to be indifferent to the global calls for greater involvement of women at all levels of decision-making, particularly in decisions affecting women and their children. Accounting as a distinct discipline must be made to take account of gender disparity, inequity and equality by encouraging further investigations of gender issues in the profession.

In Nigeria, women are marginalised in national and political leadership, with very few women in critical decision-making positions (Federal Ministry of Women Affairs & Social Development [FMWA & SD], 2006). There is presently no woman-Governor or traditional ruler in Nigeria. In most Nigerian communities, social norms and cultural practices discriminate against women. Cultural practices such as wife inheritance, genital cutting, early and forced marriages, wife-battery, and other harmful practices are widespread (National Population Commission [NPC], 2004). Social relations at the household level are not different as most women are not involved in the decisions affecting their health and general well-being (Kritz & Makinwa-Adebusoye, 1999). Partner with the larger income was likely to play a more dominant role in household financial decisions (Volger, 1998), wives should be allowed to have access to economic resources through paid employment, in other to balance power relations between both of them. (Layard, 2005) when male partners controlled fiancés or make decision alone, both male and female partners will not be happy with their relationship than when responsibilities were shared. Some Nigerian women are prevented from participating in the labour force (Uwakwe, 2004; British Council, 2012). This impoverishes women and denies them the opportunity of improving their social status and welfare. Studies by (Kirchler, Hapiness & Meler, 2001) found that men had more influence over, and more benefit from financial decisions, than women, men were more likely than women to claim that control balance out between partners over time. Women were far more likely to see it as crystallised according to traditional gender roles and the characteristics of the couple

One key aspects of the Nigerian household in which discrimination against women have been socially sustained is participation in household financial decisions, particularly in decisions about large household purchases. Research evidence reveals that household financial decisions are largely dominated by men (Baba, Zain, Idris & Sanni, 2015; Lamidi, 2016). (Acharya, Jacqueline, Padam, Edwin & Pramod, 2010) investigate women autonomy in household decision making and findings shows that women autonomy in decision making is positively associated with their age, employment and numbers of living children. Studies in other climes, particularly in developing countries have also reveal similar lack of women autonomy in household financial decisions (Rammohoran & Johor, 2009; Yusof & Duasa, 2010; Acharya et al., 2010; Baliyan, 2014). (Chritina, 2004) Argue that mothers who contribute to the household financial decision of the family have significant influence. Against this backdrop, a number of studies have examined female financial autonomy within Nigerian households. (Volger, Lyonette & Wiggins, 2008) did a study on money, power and spending decision in intimate relationships, result shows that men and women should have power over household financial decision in other to have a satisfy family life. However, (Salway, Jesmin & Rahman, 2005) founding's shows that working women are more likely to manage money, shop for household provisions and move about outside the home than non-working women. (Omeje, Oshi & Oshi, 2011; Baba et al., 2015; Solanke, Isa & Manukaji, 2015; Lamidi, 2016). However, little is still known about ethnic variation in women's participation in household financial decision, as well as the distinct factors influencing it among major and minority ethnic groups in the country. This study attempts to fill this gap. It is important to understand ethnic dimension of women's participation in household financial decision because of the significant role ethnicity plays in social relations in the country. Improving women's financial autonomy in the country may require understanding factors that are peculiar to specific ethnic groups in the country. The objectives of the study are thus to assess variations in women's participation in household financial decision across major ethnic groups; examine association between socio-economic characteristics and women's participation in household financial decision; and identify the predictors of women's participation in household financial decision across major ethnic groups in Nigeria.

Methodology

Data Source

The data analysed in the study were extracted from the 2013 Nigeria Demographic and Health Survey (NDHS).Since 1999, the NDHS has been conducted every five years by the National Population Commission (NPC) with funding and technical support of ICF International. The survey provides valid information on basic socio-demographic and health characteristics of the Nigerian population. These include education, health, domestic violence, maternal and child health, family planning, and women empowerment (NPC & ICF International, 2014).

Sample Design and Size

The 2013 NDHS adopted a cross-sectional descriptive design. The sample was nationally representative. Respondents were randomly selected across the 36 States and the Federal Capital Territory. A total of 38,948 women were covered in the survey (NPC & ICF International, 2014). However, in the current survey, only women of three ethnic groups, namely Hausa/Fulani, Igbo, and Yoruba were included in the study. The study thus analysed a sample of 21,817 women. This consists of 10,698 Hausa/Fulani women, 5,636 Igbo women, and 5,482 Yoruba women.

Dependent Variable

The dependent variable in the study is participation in household financial decision. This was measured in the NDHS by asking surveyed women who had final say in household decision on purchase of large household items. The options for response are respondent, male partner, joint with male partner, and someone else. However, in the present study, only two categories are used. Women who solely had final say or who had final say jointly with their male partners were grouped as ‘participated’ while other women were grouped as ‘no participation’. Hence, the dependent variable is a categorical variable.

Independent and Control Variables

The independent variables in the study are individual women’s socio-economic characteristics. These are education, place of residence, employment status, access to mass media, religion, type of earnings, and ownership of house or land. Access to mass media was grouped into three categories of none, low, and moderate based on whether women had exposure to newspaper, radio, and television per week. Three household characteristics, namely, partner education, type of marriage, and household wealth quintile were selected for statistical control in the study.

Method of Data Analysis

Data were analysed at three levels, namely, univariate, bivariate and multivariate levels. At the univariate level, frequency distribution and percentages were used to describe respondents’ profile. At the bivariate level, cross tabulation of the research variables were carried out with the Chi square test used to examine whether or not an association exists between the research variables. To identify the predictors of women participation in household financial decision, the binary logistic regression model was used.

The general form of the binary logistic model is:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \ldots\ldots \beta_kX_k + e_i$$

Where Y = participation in household financial decision having only two possible outcomes denoted as 1 (participated) and 0 (non participation).

$\beta_{1\ldots k}$ are the regression coefficients estimated by odds ratios

β_0 is the intercept of the model

$X_{1\ldots k}$ = are the independent and control variables

$e_i$is the error component of the model (Rawlings, Pantula & Dickey, 1989). All analysis were done using STATA version 14 (StatCorp, 2015).

Data analysis and discussion of results

Univariate Results

Table 1 presents the socio-economic characteristics of the sampled women, as well as the prevalence of women's participation in household financial decisions across the studied ethnic groups. As shown in the table, the majority (73.0%) of Hausa/Fulani respondents had no formal education compared with less than one-tenth of Igbo and Yoruba respondents. Across the studied ethnic groups, secondary education was dominant among educated women, though the proportion was lower among Hausa/Fulani respondents. Among all groups, higher education was the least attained by the respondents. More than two-thirds of Igbo (73.6%) and Yoruba (78.7%) respondents were urban residents compared with less than one-third (29.4%) of urban Hausa/Fulani respondents. Across the ethnic groups, more than half of respondents were working as at the time of the survey. However, the proportions of unemployed women were highest among Hausa/Fulani respondents (42.2%) but lowest among Yoruba respondents (26.1%). Moderate exposure was higher among Igbo and Yoruba respondents compared with their Hausa/Fulani counterparts.

Virtually all Hausa/Fulani respondents were Muslims, while virtually all Igbo respondents were Christians. On the other hand, the Yoruba respondents had a mixture of both Christian and Muslim women though with slightly higher proportion of Christian respondents. In all the studied groups, the majority of respondents earned cash for their economic activity. The majority of women particularly among Hausa/Fulani and Yoruba respondents do not owned land or a house. Among respondents who owned either land or a house, the ownership was jointly with their male partners. Partner education was similar to the pattern of respondents' education. Secondary education was the dominant educational level reached by respondents' partners, while higher education was the least attained among respondents' partners irrespective of ethnicity. Among Hausa/Fulani respondents, the majority were either in the 'poorest' or 'poorer' wealth category compared with their Igbo and Yoruba counterparts who were either in the 'richer' or 'richest' wealth category. Across the three ethnic groups, more than half of the respondents were in polygynous marriage. Among Hausa/Fulani respondents, 9.3% participated in household financial decision compared with 35.4% among Igbo respondents and 48.8% among Yoruba respondents.

Bivariate Results

In this section, the dependent and independent variables were cross tabulated to assess the prevalence of women's participation in household financial decision due to changes in socio-economic characteristics. The chi-square test was carried out to examine the significance of the association between the research variables. Findings are presented in Table 2. As shown in the table, the association between women's education and participation in household decision was not significant among Hausa/Fulani women. However, among Igbo women (χ^2=19.1; p<0.01) and Yoruba women (χ^2=38.7; p<0.01), the associations were statistically significant. Place of residence and participation in household financial decision were not significantly related in the studied ethnic groups. Access to mass media and participation in financial decision were significantly associated in the three ethnic groups. Among Hausa/Fulani women, religion and participation in financial decision were significantly associated, while among Igbo and Yoruba women, religion and participation in decision had no significant association. In the three ethnic groups, employed women had higher participation in household financial decision. For instance, among Igbo women, 46.3%

of employed women participated in the decision compared with 15.7% of unemployed women who participated in the decision.

Among Hausa/Fulani and Yoruba women, women who earned cash only had higher participation in household financial decision. On the contrary, Igbo women who earned cash and kind had higher participation in household financial decision. The association between ownership of house/land and participation in household financial decision were significantly associated in the studied ethnic groups. However, among Igbo (61.4%) and Yoruba (72.9%) women, higher participation in household financial decision was reported by women who had joint and sole ownership of assets. Except among Yoruba women, the women whose husbands had higher education had higher participation in household financial decision. Nevertheless, the associations between partner education and participation in household decision were statistically significant in all the ethnic groups. Likewise, in all the ethnic groups, monogamous women had higher participation in household financial decision compared with polygynous women. The association between household wealth and participation in household decision was mixed in all the ethnic groups studied. The associations were however statistically significant among Hausa/Fulani (χ^2=4.4; p<0.05) and Igbo women (χ^2=7.4; p<0.01).

Multivariate Results

This section examines the socio-economic characteristics that predict the likelihood of women's participation in household financial decision. The results are presented in Table 3. Education significantly predicts participation in household financial decision among Igbo and Yoruba women. Place of residence did not exert significant influence on women's participation in financial decision in all the ethnic groups. Access to mass media had significant influence on participation in financial decision only among Hausa/Fulani women. For instance, Hausa/Fulani women who had moderate access to the mass media were more than twice more likely to participate in financial decision compared with women who had no access to the mass media (OR=2.175; p<0.01). Religion had significant influence on the likelihood of women's participation in household financial decision. Among Hausa/Fulani women, Muslim women were less likely to participate in financial decision (OR=0.204; p<0.01), while among Igbo women (OR=2.739; p<0.01) and Yoruba women (OR=2.727; p<0.01), women who practiced other faith were more than twice likely to participate in household financial decision compared with Christian women. Also, among Igbo and Yoruba women, women's employment status had significant influence on the likelihood of women's participation in household financial decision.

In the three ethnic groups, type of earnings had significant influence on the likelihood of women's participation in household financial decision. Among the Hausa/Fulani, women who earned cash were 63.3% more likely to participate in household financial decision compared with women who earn no cash (OR=1.633; p<0.05). Also, among Yoruba women, the likelihood of participation in household financial decision was more than twice likely among women who earned cash compared with women who earned no income (OR=2.681; p<0.01). Ownership of land or house had significant influence on women's participation in household financial decision in the studied ethnic groups. Likewise, in all the ethnic groups, partner education and type of marriage exerts significant influence on the likelihood of women's participation in household financial decision. Except among Yoruba women, the likelihood of women's participation in household financial decision significantly increase as household wealth improves. Based on the multivariate results, the general predictors of women's participation in household financial decision across the three ethnic groups are religion, type of earnings, and ownership of assets, partner education and type of marriage.

This study has ascertained variations in women's participation in household financial decision; examined association between women's socio-economic characteristics and participation in household financial decision; and identified the general predictors of women's participation in household financial decision across three major ethnic groups in Nigeria. The study made contributions to literature on female financial autonomy in Nigeria by improving upon previous studies (Omeje, Oshi & Oshi, 2011; Baba, Zain, Idris & Sanni, 2015; Solanke, Isa & Manukaji, 2015; Lamidi, 2016) which did not examine ethnic variations and influence on women's participation in household financial decision in the country. Evidence from the study reveals that Hausa/Fulani women had the least level of participation in household financial decision among the studied ethnic groups. This implies that social interventions aiming to improve women's social position in Nigerian households should focus more attention on Hausa/Fulani women compared with Igbo and Yoruba women. One way of achieving this may be to scale up women's education among the Hausa/Fulani women. This may create more opportunities for the women to delay childbearing and also to increase prospect for economic productivity among the women. It is expected that with increase participation in the economy, women will improve in income generation and contribution to household wealth, thereby improving their involvement in household financial decisions.

It was evident in the study that the general factors that exert influence on women's participation in household financial decision in all ethnic group studied are religion, type of earnings, and ownership of assets, partner education and type of marriage. The implication of this finding is that all women-centred initiatives to promote women empowerment in the country should target these factors or build strategies around the factors. For instance, government can collaborate with faith-based organisations in designing Social Behaviour Change Communication (SBCC) programme that are not inconsistent with dominant religious beliefs in the country. Such programme could specifically target women in polygynous marriages by mobilising men to ensure that none of the wives in the household is relegated to the background when vital household decisions are to be taken. Professional bodies such as the Institute of Chartered Accountants of Nigeria (ICAN) can help promote gender issues such as female financial autonomy by the development of an accounting system that would ensure effective social and behavioural communication programme to focus on household financial decision-making based on accounting information relevant to women's financial and general well-being.

Conclusions

This study confirms variations in women's participation in household financial decision across major ethnic groups in Nigeria. The main predictors of women's participation in household financial decision are religion, ownership of assets, type of earnings, partner education, and type of marriage. The development of social behaviour change communication programme through collaborative efforts of faith-based organisations, professional associations and other civil society organisations is imperative in the country.

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Table 1: Respondents' Socio-economic Characteristics, 2013 NDHS

Characteristics	*Hausa/Fulani (n=10,699)*		*Igbo (=5636)*		*Yoruba (=5482)*	
	Number	*%*	*Number*	*%*	*Number*	*%*
Education						
None	7807	(73.0)	259	(4.6)	246	(4.5)
Primary	1281	(12.0)	1976	(19.1)	1052	(19.2)
Secondary	1439	(13.4)	331	(58.7)	3141	(57.3)
Higher	172	(1.6)	991	(17.6)	1043	(19.0)
Place of residence						
Urban	3145	(29.4)	4147	(73.6)	4312	(78.7)
Rural	7554	(70.6)	1489	(26.4)	1170	(21.3)
Employment status						
Not working	4514	(42.2)	2002	(35.5)	1430	(26.1)
Working	6184	(57.8)	3634	(64.5)	1170	(21.3)
Access to mass media						
None	4000	(37.4)	513	(9.1)	218	(4.0)
Low	2716	(25.4)	1624	(28.8)	939	(17.1)
Moderate	3983	(37.2)	3499	(62.1)	4324	(78.9)
Religion						
Christianity	91	(0.9)	5532	(98.1)	218	(55.9)
Islam	10,552	(98.6)	16	(0.3)	939	(43.0)

Others	55	(0.5)	88	(1.6)	4324	(1.1)
Types of earnings						
Not paid	4448	(41.6)	2456	(43.6)	1526	(27.8)
Cash only	5760	(53.8)	2541	(45.1)	3697	(67.5)
Cash and kind	491	(4.6)	639	(11.3)	259	(4.7)
Ownership of house or land						
Does not own	8922	(83.4)	3976	(70.5)	4403	(80.4)
Alone only	413	(3.9)	337	(6.0)	220	(4.0)
Joint and alone	884	(8.3)	1051	(18.7)	731	(13.3)
Both alone and jointly	480	(4.5)	272	(4.8)	128	(2.3)
Partner education						
None	7450	(69.6)	2497	(44.3)	1924	(35.1)
Primary	1345	(12.6)	1181	(20.9)	765	(14.0)
Secondary	1242	(11.6)	1437	(25.5)	1843	(33.6)
Higher	661	(6.2)	522	(9.3)	949	(17.3)
Household wealth quintile						
Poorest	3447	(32.2)	190	(3.4)	4	(0.1)
Poorer	3326	(31.1)	575	(10.2)	186	(3.4)
Middle	18169	(17.0)	1172	(20.8)	609	(11.1)
Richer	1392	(13.0)	1479	(26.2)	1800	(32.8)
Richest	720	(6.7)	2221	(39.4)	2882	(52.6)
Types of marriage						
Monogamy	4896	(45.8)	3639	(64.6)	2806	(51.2)
Polygamy	5803	(54.2)	1997	(35.4)	2676	(48.8)
Participation in financial decision						
No participation	9706	(90.7)	3639	(64.6)	2806	(51.2)
Participated	993	(9.3)	1997	(35.4)	2676	(48.8)

Table 2: Cross-tabulation (%) and association between variables

Characteristics	House/Fulani		Igbo		Yoruba	
	None	Participated	None	Participated	None	Participated
Education						
None	90.8	9.2	58.9	41.1	30.1	69.9
Primary	88.8	11.2	53.0	47.0	33.8	66.2
Secondary	92.3	7.7	70.1	29.9	58.6	41.4
Higher	87.6	12.4	60.2	39.8	51.5	48.5
Statistic	$\chi^2 = 1.4$;	p=>0.05	$\chi 2=19.1$;	$p<0.01$	$\chi 2=38.7$;	$p<0.01$
Place of residence						
Urban	90.0	9.1	64.6	35.4	51.5	48.5
Rural	90.6	9.4	64.4	35.6	50.2	49.8
Statistic	$\chi 2=0.3$;	$p>0.06$	$\chi 2=0.08$;	$p>0.05$	$\chi 2=0.2$;	$p> 0.05$
Access to mass media						
None	93.7	6.3	64.6	35.4	46.9	53.1
Low	92.2	7.8	60.2	39.8	60.2	39.8
Moderate	86.7	13.3	66.6	33.4	49.5	50.5
Statistic	$\chi 2=15.4$;	$p<0.01$	$\chi 2=5.2$;	p=<.05	$\chi 2=12.5$;$p<0.01$	
Religion						

Christianity	68.4	31.6	64.8	35.2	53.1	46.9
Islam	91.0	9.0	58.5	41.5	48.7	51.3
Others	80.9	19.4	51.6	48.4	50.7	49.3
Statistic	χ2=17.6; p<0.01		χ2=2.6;	p=0.08	χ2=2.1;	p>0.05
Employment statues						
Not working	94.4	5.6	84.3	15.7	92.2	7.8
Working	88.1	11.9	53.7	46.3	36.7	63.3
Statistic	χ2=47.3;	p<0.01	χ2=178.6;	p>0.01	χ2=752.6;	p<0.01
Types of earnings						
Not paid	94.5	5.5	82.4	17.6	91.7	8.3
Cash only	87.8	12.2	51.2	48.8	35.2	64.8
Cash and kind	90.9	9.1	49.5	50.6	41.3	58.7
Statistic	χ2=25.1;	p<0.01	χ2=140.2;	p<.01	χ2= 363.6;	p<0.01
Ownership of house or land						
Does not	89.9	10.1	71.7	28.3	56.7	43.3
Alone	89.0	11.0	8.6	51.4	36.1	63.9
Jointly	96.7	3.3	49.6	50.4	26.9	73.1
Both jointly and alone	97.1	2.9	38.6	61.4	27.1	72.9
Statistic	χ2=10.4; p<0.01		χ2=51.4	p<0.01	χ2=58.2;	p<0.01
Partner education						
None	92.4	7.6	95.2	4.8	91.5	8.5
Primary	87.5	12.5	43.3	6.7	26.3	73.7
Secondary	87.3	12.7	39.5	60.5	29.7	70.3
Higher	85.5	14.5	35.2	64.8	31.3	68.7
Statistic	χ2=10.4;	p<0.01	χ2=282.8;	p<.01	χ2=277.3;	p<0.01
Types of marriage						
Monogamy	88.2	11.8	34.1	65.9	26.3	73.4
Polygamy	92.8	7.2	93.5	6.4	74.4	25.6
Statistic	χ2=28.8;	p<0.01	χ2=490.2;	p<0.01	χ2=498.7;	p<0.01
Household wealth quintile						
Poorest	93.4	6.6	67.9	32.1	38.8	61.2
Poorer	90.4	9.6	70.2	29.6	48.3	51.7
Middle	86.1	13.9	69.7	30.3	53.5	46.5
Richer	91.8	8.2	65.2	34.8	52.7	47.3
Richest	89.4	10.6	59.7	40.3	50.0	50.0
Statistic	χ2=4.4;	p<0.05	χ2=7.4;	p<.01	χ2=0.8;	p>0.05

Table 3: Predictors of women's participation in household financial decisions

Characteristics predicting participation	House/Fulani Odds ratio	Igbo Odds ratio	Yoruba Odds ratio
Education			
None	1.000	1.000	1.000
Primary	.918	.585**	.373**
Secondary	.650	.450*	.243*
Higher	.789	.492**	.308*
Place of residence			
Urban	1.000	1.000	1.000

Rural	1.430	1.091	1.058
Access to m/media			
None	1.000	1.000	1.000
Low	1.180	1.186	.734
Moderate	2.175*	.732	1.282
Religion			
Christianity	1.000	1.000	1.000
Islam	.204*	1.223	1.079
others	.573	2.739*	2.752**
Employment status			
Not working	1.000	1.000	1.000
Working	1.368	2.231*	2.727*
Types of earning			
Not paid	1.000	1.000	1.000
Cash only	1.633**	1.181	2.681*
Cash and kind	1.193	1.885**	2.453**
Ownership of house			
Does not	1.000	1.000	1.000
Alone	.786	1.397	1.164
Jointly	.278	1.404**	1.403
Both jointly and alone	.220**	1.860**	1.500
Partner education			
None	1.000	1.000	1.000
Primary	1.340**	5.095*	11.090*
Secondary	1.391**	6.266*	9.714*
Higher	1.671**	6.297*	8.483*
Types of marriage			
Monogamy	1.000	1.000	1.000
Polygamy	.581*	.112*	.379*
Household wealth quintile			
Poorest	1.000	1.000	1.000
Poorer	1.405	1.261	2.525
Middle	2.235**	1.461	1.753
Richer	1.258	1.778**	1.309
richest	1.536	2.816*	1.403

Notes: RC= Reference category, * $p<0.01$, ** $p<0.05$

GENDER BOARD DIVERSITY AND ITS IMPACT ON THE PERFORMANCE OF LISTED FIRMS IN NIGERIA

Ayoola-Akinjobi, Olayemi
Joseph Ayo Babalola University
College Of Management Sciences
Accounting Department
Ikeji-Arakeji
Osun State
ayoyemi2001@gmail.com

Abstract

This study focuses on gender board diversity and how it relates to listed firm's financial performances. The research method used was expost-facto survey because data were derived from the financial report of the selected listed firms between 2011 and 2017. The observed 80 firms were selected using Balsely and Clover (1988) model. The findings reveal a strong, positive correlation of 0.72 implying that increase in the women representation on board also increases firm financial performances; the study conclude by recommending that number of women on the corporate board of firms listed on the Nigeria Stock Exchange should be increased since it positively influences the performances of the firms

Keywords: Corporate governance, Gender board diversity, Women representation on board, Performances.

Introduction

Scandals and fraud in organizations across the globe led to in-depth study of various facets corporate governance like the effectiveness of corporate governance, her roles and responsibilities and the board composition as it affect performances. Board gender diversity as one of the variables for corporate governance is explored in this study as it affects firm's financial performances. Carter, Simkins and Simpson (2003) considerboard gender diversity to be the best policy for corporate governance. Board gender diversity refers to the presence of women on corporate Boards of Directors (Dutta & Bose, 2006; Julizaerma & Sori, 2012).Mildred (2011) observes that the percentage representation of women on corporate boards is quite low when compared to total number of employee in an organization; and that the rate of increase in women's board representation is slow especially in countries without quotas.

Some studies reveal that women bring different resources and external relationships to theboard, which also enhances value for the board (Hillman, Cannella, & Harris, 2002); three assumptions in this regard were made, firstly, good governance improves corporate performance (Brown, Brown &Anastasopoulos, 2002); Secondly, women have different resources, behavior or preferences than men; and thirdly, women on boards actually exert influence in the board. Some findings indicate that more women on a board increase the quality of board deliberations and corporate governance as a whole (Burke &Vinnicombe, 2008; Clarke,2005; Fondas &Sassalos, 2000; Huse& Solberg, 2006; Stephenson, 2004). Women representation in corporate boards have been advantageous in generating productive boardroom discourse, facilitate effective boardroom decision-making, and in general contributes to good governance (Billimoria &Wheeler, 2000; Brown, et al., 2002; McInerney-Lacombe).

Corporate boards function as a link between the company and external organizations; Jensen and Meckling (1976) asserts that agency relationship involves a person (the principal or owner) to engage another person (the agent or manager) to perform a service or activity on behalf of the principal. Both parties are seen as rational, aiming to maximize their personal benefits. The agency theory explains problems arising from ownershipseparation and control by providing a useful way of explaining relationships where the parties' interests are at odds and can be align through proper monitoring and a well-planned compensation system (Davis, Schoorman & Donaldson, 1997). Resources dependency theory serves as basis for the role of board of directors as resources to the organization (Hillman, Canella, & Paetzold 2000; Johnson, Daily, & Ellstrand, 1996). It appreciates the importance of other stakeholders aside the main shareholders in assuring firms access to resource through its affiliation with external resources (Lawal, 2012). It is believed under this theory that directors use their individual external network of contacts to attract indispensable resource that the firm needs to operate and compete favorably (Daily, Dalton, & Canella, 2003; Hillman et al., 2000). Carter, Frank, Simkins, and Simpson (2010) explain that boards of directors are commonly assumed to have four areas of responsibilities namely: monitoring and controlling managers; providing information to managers; monitoring compliance with applicable laws and regulations; and linking the corporation to the external environment. Resource dependence theory plays an important role when researching the relationship between the diversity of corporate boards and firm financial performance (Hillman, Carnela & Harrison 2002; Carter, 2010). Pfeffer and Salancik (2003) suggest four types of benefits that come from external linkages of the board: directors provide their information and expertise; they offer certain channels with external elements that are importance to the firm; they get support commitments for the company from other organizations or groups; and they create legitimacy for the firm in its environment.

Gender issues in board room has been researched into but the outcome is confusing; some authors believes it positively correlates to performances, while some assert the negative correlation and some researcher sees no relationship among the variables; however, to the best of the researcher knowledge, all these studies were carried out in developed countries, the researcher seeks to carry out the same study in developing country like Nigeria using non-financial firms listed in Nigeria stock exchange as case studies. The aim of this study is to determine the relationship between women representation on board and listed firms performances; in this regard research question was formulated *to what extent does women representation on board influence listed firms financial performances* and the hypothesis formulated is *there is no significant relationship between gender board diversity and firm financial performances.*

Literature Review

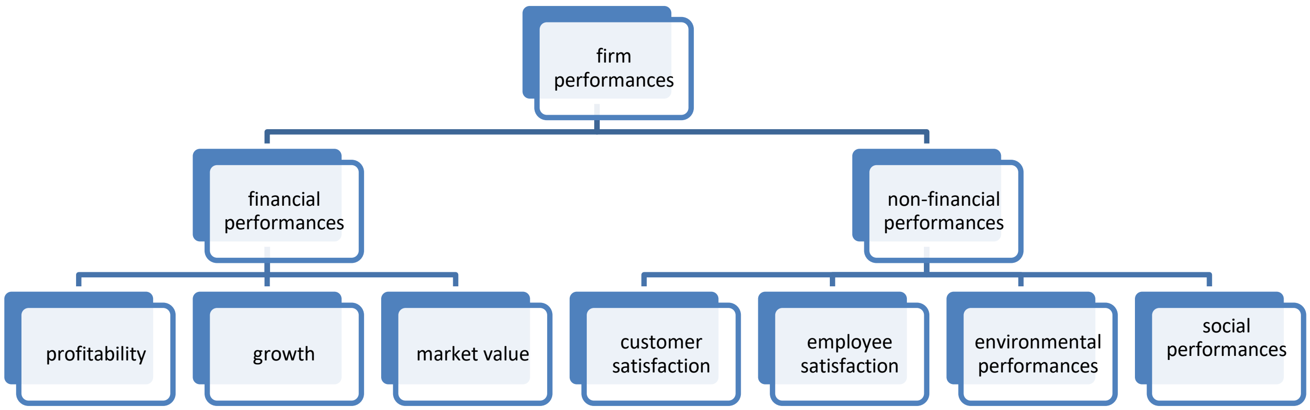
Concept of Corporate Governance

According to Cadbury (2000) it was refer to a whole system of controls, financial and otherwise, which ensure that a firm is directed in the right way and towards the right direction. Shleifer and Vishny (1997) opine that corporate governance deals with the ways the suppliers of finance to corporation assure themselves of getting return on their investment. Monks and Minow (1995) define it in terms of interactions between various players in the corporate environment and the processes used in achieving consensus in the allocation of corporate resources and in the determination of corporate direction to ensure improved performance.

Firm performances

George and Karibo (2014) defined performances as the success in meeting pre-defined objectives, targets and goal within a specified time. It can be grouped into two financial and non-financial performances. Firm financial performance is a measure of how well a firm can use assets from its primary mode of business and generate revenues; it measures firm's overall financial health over a given period of time. Santos and Brito (2012) believes that financial performance can be measured by profitability, growth and market value. Profitability is a measure of firm past ability to generate returns while growth demonstrates a firm past ability to increase its size. The non-financial performance facets are: customer's satisfaction, employee's satisfaction, environmental performance, social performance etc; this study focus on financial performances with special emphasis on profitability using return on equity as proxy.

Fig 1: Analysis of firm performances



Board gender diversity and firm performances

Diversity is the condition of having or being composed of different element especially inclusion of different type of people in a group or organization. It is a set of conscious practices that involve understanding and appreciating interdependence of humanity, cultures, and the natural environment. It includes knowing how to relate to those qualities and conditions that are different from our own and outside the groups to which we belong, yet are present in other individuals and groups; which are age, ethnicity, class, gender, physical abilities/qualities, race, sexual orientation, as well as religious status, gender expression, educational background, geographical location, income, marital status, parental status, and work experiences. (www.qcc.cuny.edu/diversity). Milliken and Martins (1996) summarize diversity into observable and non-observable attributes; Observable attributes are readily detectable e.g. gender, age, race and ethnic background while non-observable attributes are less visible examples are personal value, personality characteristic and education.

Different studies were made by authors on examining the relationship between board gender diversity and firm performance across different countries such as the United States, Indonesia, Norway and Sweden (Randøy, Trond, Steen& Lars, 2006). Some studies established a positive and significant relationship between gender diversity and firm performance while some studies established negative relationship and some indicate no relationship at all.

Studies with positive relationship

Kans and Stengard (2012) discover that the proportion of women in the board affect both corporate governance and status of the business by at least 30%. According to Calabro, Torchia and Huse (2011), the level of innovation of enterprises is enhanced by increasing women representation in the board of directors.Ding and Charoenwong (2010) emphasizethat investors respond positively to the representation of women directors in Singaporean firms.Campbell and MinguezVera (2008) carry out a survey research on Spanish companies and and conclude that significant positive relationship exit between corporate performance and the proportion of Spanish female board member. McKinsey(2007)emphasize that there is a positive correlation between the share of women on boards and financial company performance. Haniffa and Hudaib (2006) indicates that female on top positions in management tends toward taking more risks leading to better financial performance. Carter et al. (2003) argue that the level of gender diversity on a board of directors is directly associated with shareholder value. Stiles (2001) relatesboard diversity to age, gender, and nationality by emphasizing its positive impact on performance and stating that group diversity influence management tasks positively by increasing overall problem-solving capacity; at the same time, establishing interactions and external links with the environment and, as a result, win crucial resources for companies (Siciliano, 1996). Coz and Blake (1991)emphasize that diversity attract and retain the best talent, reduced costs due to lower turnover and fewer lawsuits, enhanced market understanding and marketing ability, better problem solving, greater organizational flexibility and better overall performance.

Studies with negative significant relationship

Mirza, Mehmood, Andleeb and Ramzan(2012) explain that society believes women are emotional, destructive, risk averse and not well educated; therefore they emphasize that finance deterioration is caused by female's directors. Darmidi (2011) discover that the presence of women in top management affected negatively the performance of the business which based performance on return on assets; Dobbin and Jung (2011) conclude that gender diversity has a negative effect on performance, arguing that females acting as CEO of firm tends to lead it toward lower performance because of the cultural conditions, emotional instability and patience issues which was supported by Erhardt, Werbel and shrader, (2003); Watkins and Watkins (1984). Women entrepreneurs was perceived to perform less when compare to men as measured by conventional economic performance measures due to less training and corporate experience (Rosa, Carter & Hamilton,1996); however, Carter and Shaw (2006); Driga and Prior (2008) explain that underperformances attributed to female performances may not be as a result of differences in the managerial ability of women and men, but it could be the result of different levels of start-up resources.

Studies with neutral relationship

Francoeur, Real and Bernerd (2015) conclude that the impact board diversity had on financial firm performance depends on the business risk and circumstances which they operates. They affirm that females had positive impact on companies operating under difficult circumstances with a larger risk of failure , while they also find that companies with a high proportion of females in the boardrooms do not have excess return, but Yaseer (2012) affirms that no relationship exist between board gender diversity and firm performance in Pakistan. Carter et al (2010) conclude that there is no significant relationship between firm performance and gender or ethnic background. Adams and Ferreira (2009) examined the relationship between board diversity and firm financial performance in the US, and discover both positive and negative relationships; females had positive impact on companies with weak governance as measured in takeover defenses while they had negative impact on companies with stronger governance also measured in takeover defenses; thus, they concluded that there is no reason to support gender quota legislation. Randøyet al (2006)discover no significant relationship among the variables examined in their study of largest 500 companies from Denmark, Norway and Sweden.Smith, Smith and Verner (2006) observe that outside female board members who are not elected by staff had a negative effect on firm performance, while female inside directors showed positive effects on financial performances as revealed in their study of 2,500 largest Danish firms.

Global view of women representation in the board

France aim at 40% female board representation; in Norway, it was compulsory for all listed companies to abide by 40% gender quota for female Directors or face dissolution. Spain establishes law requiring companies to increase the share of female Directors to 40%. Sweden threatens to make diversity in company a legal requirement. In US, women held 14.8% of Fortune 500 board seats in 2007 (Catalyst,

2007) which had increased to 19% by 2014; 70% of these companies had two or more women on their boards, while 4% had no female director(Catalyst, 2014). The percentage of female directors in Australia, Canada, Japan, and Europe were estimated to be 8.7%, 10.6%, 0.4% and 8%, respectively in 2006 (EPWN, 2004; EOWA, 2006); and the majority of firms had only one female director. However, by 2014, Canada and Australia women account for a little over 20% of the board seats in the largest 60 companies listed at Toronto Stock Exchange (Catalyst, 2014). Canadian Board Diversity Council (2014) reveals that in 2014, women held 17.1% of the board seats of Canada's largest 500 companies by revenue (FP 500 index), which recorded significant increase from 15.6% in 2013 and 14.4% in 2012.

In Australia, women occupied a little over 19% of the board seats of companies listed on the Australian Securities Exchange (S&P/ASX 200 index) in 2014, against 17.3% in 2013 and 15.4% in 2012 (Australian Institute of Company Directors, 2015). As at 2014 in Japan, women held 3.1% compared to 1.1% in 2013 of the 30 largest companies listed on the Tokyo Stock Exchange (Topix Core 30 index) (Catalyst, 2014). The Japanese government seek to address gender imbalance by creating a new Ministry for the Promotion of Women and urged Japanese companies to set a target of at least one female executive per company and 30% of women in executive positions by 2020 (Credit Suisse Research Institute, 2014).In Norway, the ultimate sanction is dissolution of a company through court if a company does not comply with the quota required. Sanctions have not yet been determined in France. Countries like Spain require all companies to comply with the quota rules no matter their legal statues, other countries like Finland and Denmark address the board diversity explicitly in the national corporate governance codes like soft law.

At global level, increase in women representation on board is fuelled by factors like, awareness of the gender imbalance, public campaigns and legislation which include mandatory quotas backed up by sanction; obligations to adopt and disclose a diversity policy. Countries following the Anglo-American model of corporate governance (mainly the UK, the US, Australia and Canada) prefer to encourage firms to increase number of women directors using a combination of purely voluntary initiatives and disclosure requirements.

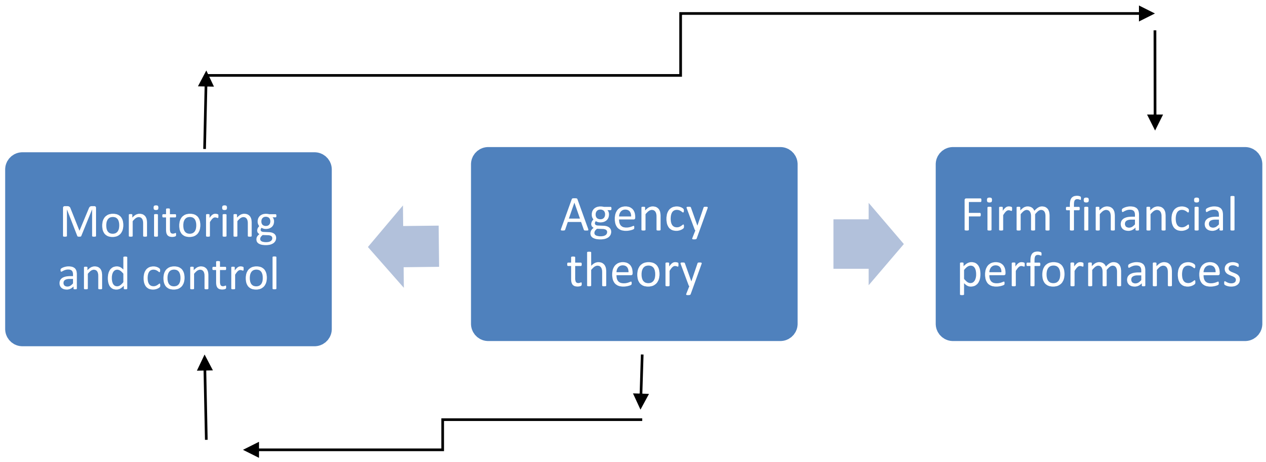
In 2010 the UK Government set up a commission chaired by Lord Davies of Abersoch, with a mandate to identify the barriers preventing women to reach the boardroom, and they recommend that the FTSE 100 companies to aim for a minimum of 25% female representation by 2015 and 30% by 2020 (Davies Review, 2011), This recommendations of the Davies Review reports alongside disclosure requirements was imposed by the UK Companies Act (2006) and the UK Corporate Governance Code (2014). Section 414A(8)c of the UK Companies Act (2006) requires quoted companies to specify in their annual Strategic Report the number of persons of each sex who were directors, senior managers, or employees of the company during the reporting period. In the US, the Securities and Exchange Commission (SEC) requires listed companies to disclose whether they consider diversity as a factor in selecting the board members. If a company has a policy for considering diversity, it must disclose how the diversity policy is implemented, as well as how the nominating committee (or the board) assesses the effectiveness of its policy (Securities Act 1933).

Theoretical review

Agency Theory

Female director with significant ownership has strong incentives to achieve the best corporate performances, in order to increase her own personal wealth. A board's role to monitor and control managers is a fundamental concept of agency theory (Carter et al, 2003). It suggests that a diverse board frequently increases board independence, which in turn increases the board's ability to monitor the management. Even though, more efficient monitoring of management might have a positive impact on firm financial performance, it provides no clear link between board diversity and firm financial performance (Carter et al., 2010). The study on how female and male directors behave has shown that women usually show more ethical awareness (Bernardi & Guptill, 2008). Welch, Welch and Hewerdine (2008) demonstrate that female entrepreneurs showed a higher degree of risk aversion than their male counterparts. Similarly, women prefer longevity over fast company growth (Bird & Brusch, 2002), considering self-fulfillment rather than profits as the main measure of their success (Weiler & Bernasek, 2001).

Figure 2: Agency theory and firm financial performances

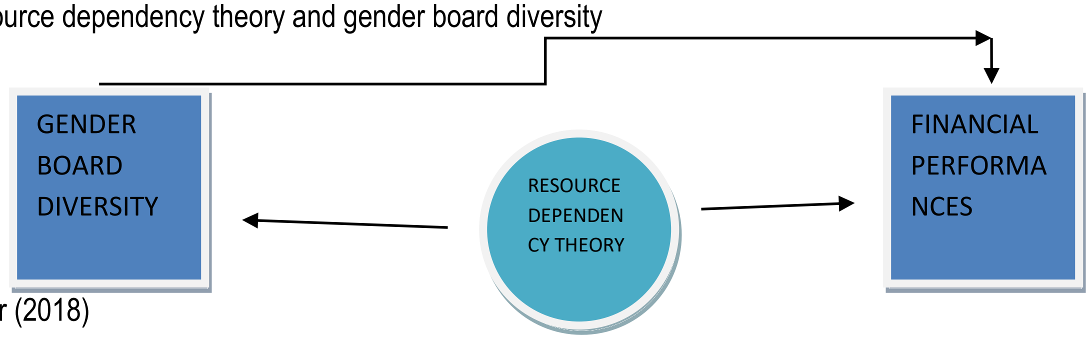


Source: Author (2018)

Resource Dependency Theory

When applying a resource dependency theory lens to examine the impact of gender diverse boards of directors on firm financial performance, female directors bring different valuable resources to the boards; Terjesen, Sealy and Singh(2009) explains that women directors insert knowledge, skills and experiences to their boards that differ from those of their male counterparts. Hillman, Shropshire and Canella,(2007) assert that women directors have the ability to create linkages to different parties than men, for example to different customers, suppliers, future employees or suppliers while Hillman, Canella and Paetzold (2000) extended the resource dependence view on the role of directors by combining theory and empirical findings to develop four different types of directors: Insiders, Business experts, support specialists and community influential's. Hillman et al(2007) found that women directors are better community influential's than men; community influential's are considered to provide expertise of, and impact on powerful groups in the community surrounding the business; the finding that female directors fill this role better than their male counterparts is supported by the conclusions of Brammer, Millington and Pavelin (2007), who observed a positive reputational effect of female board of director members.

Figure 3: Resource dependency theory and gender board diversity



Source: Author (2018)

Methodology

The study sample consisted of all 114 non-financial companies listed Nigeria Stock Exchange (NSE) during the period (2011 – 2017), these intervals were choosing to enable adequate comparison of gathered data; financial companies were excluded from the study sample dueto their different accounting and reporting rules. Systematic random sampling was used in this study. The sample size was determined using Balsely and Clover (1988) model which believe that 10% of the total known population is adequate for sample size.

Known population = 114 x 7 = 798

10% x 798 = 79.8 approximately, 80

The study employs modified version of econometric model of Miyajima, Omi and saito (2003) which is given as follows:

$\boldsymbol{Y_{it}}=\boldsymbol{\beta_0}+\boldsymbol{\beta_1}CG_{it}+\boldsymbol{\beta_2}C_{it}+e_{it}$

Where $\boldsymbol{Y_{it}}$represents firms financial performances, proxy by return on equity for firmsiin time t; CG_{it}stands for corporate governance variables, i.e. women on board and board size; C_{it}represents control variable proxy by firm size and e_{it} stands for error term

Measurement of Variables

The dependent variable is firm performances while independent variable is gender board diversity and the control variable is firm size.

Dependent variables: firm financial performances (ROE)

Proxies used for firm financial performance is Return on Equity (ROE). ROE is the ratio of net income to the firm's equity.

Independent variables: Gender board diversity ,board size

Gender board diversity is measured by women ratio i.e. the percentage of female board members over the total number of board members; this measure was used in previous gender research (Ahern & Dittmar, 2012; Bøhren & Strøm, 2010; Adams & Ferreira, 2009; Dezsö & Ross, 2012; Luckerath-Rovers, 2013; Smith, Smith & Verner, 2006; Carter et al, 2003, 2010; Erhardt et al, 2003; Singh, 2007; Haslam et al, 2010; Rose, 2007).

Control Variable

The control variable is firmsize; lag variable was introduced mainly because the performance from the previous year can affect this year's performance; which implies reverse causality and thus endogeneity problems (Carter et al., 2010). Previous papers that also apply lagged variables are Adams and Ferreira (2009) and Carter et al. (2010).

The regression is run in apanel manner, fixed effect, random effect OLS and GLS were run; the study made use of OLS being the most robust.

Data analysis and discussionnof results

The data are summarized in Table I, IIand Table III; Table I present the correlation matrix among the variables

Table I: Correlation matrix of the variables

	ROE	% WOB	BZ
ROE	1.000	.621	.720
% WOB	.621	1.000	.837
BZ	.720	.837	1.000

Table II: 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	.721[a]	.519	.507	.147489	.519	42.129	2	78	.000	1.686

a Dependent Variable:ROE

Table III: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.833	2	.916	42.129	.000[a]
	Residual	1.697	78	.022		
	Total	3.530[b]	80			

a. Predictors: BZ, % WOB

Dependent Variable: ROE

Table I shows the correlation matrix table among the variables indicating that percentage representation of women on board and board size highly correlate with performances measured by return on equity. Table II shows a strong, positive correlation of 0.72 implying that increase in the women representation on board also increases firm financial performances; the R – squared value indicates that explanatory variablesaccount for about 52% of the variation in the performances of the firms. Durbin- Watson test for auto-correlation and gives 1.69 which shows that the model is serially correlated. Table III which shows the ANOVA results especially the f-ratio test the overall significance of the model, The F-ratio, 42.13 shows that the independent variable (women representation on board) has significant effect on the dependent variable (firm financial performances). The independent variables are statically significant because it's significant value 0.000; P‹ 0.05, therefore, the null hypothesis is rejected, as statistically significant relationship exists among the variables.

Conclusions

Based on the findings, Percentage representation of women on board significantly relate to firms financial performances; hence the need to increase number of women in the boardroom to meet up with 40% gender benchmark adopted by most developed countries in order to improve organizational performances and productivity. Likewise, sanctions should be imposed for erring firms to ensure total compliance.

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GENDER DIVERSITY AND CORPORATE TAX AVOIDANCE IN LISTED MANUFACTURING FIRMS IN NIGERIA

Salami Suleiman
Department of Accounting
Ahmadu Bello University, Zaria, Nigeria.
Suleiman_salami@yahoo.com

Abstract
While there is no lack of consensus among academics and practitioners that corporate taxes affect firms' bottom line performance, current literature does not agree on whether having women in the boardroom presents economic benefits to firms. The normative case for female representation on boards of firms is not an issue but argument persists on the economic rationale. The main purpose of this study is to examine the effect of gender diversity in the boardroom on corporate tax avoidance in listed manufacturing firms in Nigeria. Data was collected from annual reports and accounts of listed manufacturing companies from 2010 to 2016. Total book tax difference was used as the primary measure of corporate tax avoidance. Controlling for profitability, firm size, leverage and board size, the study found a significant effect of percentage of females in audit committee on corporate tax avoidance. The study concluded that females have an important role to play in determining the extent of tax avoidance practice in listed manufacturing firms in Nigeria. It was therefore recommended that Securities and Exchange Commission should encourage firms to ensure female presence in audit committee to limit tax avoidance practice in listed manufacturing firms in Nigeria.

keywords: Gender diversity, Board of directors, CorporateTax avoidance

Introduction

Taxes represent mandatory contribution to government at all levels. Similar to other countries, in Nigeria, taxable individuals and entities are subjected to different tax legislations. This paper focuses on corporate taxes as provided by Company income tax Act 2004. Corporate tax avoidance is viewed as a risk taking corporate behaviour that if over exploited, can lead to reputational cost to firms. Tax avoidance is a subjective term because there is no consensus regarding what it really reflects. While some authors' (e.g. Armstrong, Blouin, Jagolinzer & Larcker 2014) views corporate tax avoidance as a legitimate act, others see it as an act to be discouraged (e.g. Salihu, Annuar & Obid 2015). Estimation of income taxes clearly shows the differences between accounting and tax rules. In Nigeria, the benefit of engaging in corporate tax avoidance may outweigh the cost due to occasional review of our tax laws and even when reviewed, penalties associated with tax offences could be lower than expected.

The worldwide desire for better corporate governance practice is influencing the pursuit of diversity in the boardroom of corporate firms. Diversity in this paper refers to gender mix of the board and the relative number of women on corporate boards. The participation of females in governance has been one of the most significant trends not only in the United States but also other developed economies. For example, the Spanish Equality Act has mandated 40% female inclusion on boards of firms (Abad, Lucas-Perez, & Vera, 2016).

Prior literature suggests that there exists a link between corporate tax position and corporate governance. Where management compensation is tied to performance, managers may engage in corporate tax minimization schemes to increase their benefits. Lower effective tax rates increases available after tax earnings backed by cash for either distribution or re-investment. Although, gender differences in corporate risk taking behaviour have been explored extensively, little is known about the role of corporate board gender diversity in tax avoidance practices.

Manufacturing firms in Nigeria are becoming strategically more important because of the emerging nature of the economy and its potential for foreign direct investments (FDIs). Also, Nigeria has been a mono product economic since the discovery of oil. Despite high revenue earned during increased global oil prices, it has failed to diversify its sources of revenue in recent years. Presently, the economic environment is harsh in the face of falling oil prices, lower oil output and high cost of governance. Corporate income tax provides a platform to ensure stable revenue generation in the face of dwindling oil revenue. Also, while earnings and taxable income are outflow of accounting practice, lower corporate tax avoidance suggests high government revenue and vice versa. Attempt to reveal governance mechanism that may increase taxes paid by manufacturing firms is therefore important for regulators and policy makers in Nigeria. Against this backdrop, this study investigates the effect of gender diversity on corporate tax avoidance in listed manufacturing firms in Nigeria.

Literature Review

Prior studies have attempted to incorporate the risk nature of top management in tax literature. The argument basically stems from the fact that ability to engage more in tax avoidance depends on whether the manager in question is risk loving or not. Specifically, it is argued that gender differences in top management also accounts for variation in tax avoidance practice across firms. Khaoula and Ali (2012) examined the effect of demographic diversity on corporate tax planning using a sample of 300 firms (S&P 500) for the period 1996 to 2009. They argued that diversity in terms of opinions, knowledge and experience does not lead to successful tax minimization strategies but demographic diversity. The study sourced financial data from compustat database and corporate governance data is extracted from proxy statements. Controlling for firm size and board size and using panel data regression, the results showed that gender diversity does not have any significant effect on tax planning. Evidence provided showed that while board independence enhances tax practice, profitability is insignificantly associated with tax planning. It was concluded that better monitoring enhances corporate governance and governance in the form of board independence improve tax practice.

Richardson, Taylor and Lanis (2015) extended extant literature on corporate governance and corporate tax. They investigated the effect of female directors on corporate tax avoidance using Australia firms. The sample was made up of 205 firms consisting 1025 firm years from 2006 to 2010. Deviating from other studies, tax aggressiveness was measured as a dummy variable equal to one if the company is a party to a tax dispute and zero otherwise. The study adopted multivariate regression analysis in examining this relationship. The study controlled for board independence, average directors age, external directorship, CEO tenure, duality, big four audit, level of stockholding, executive compensation, firm size, leverage, capital intensity, research and development intensity, use of tax haven, market to book ratio and operating performance. Consistent with their expectation that female director improve ethical standards, communication and effective oversight functions, it was found that relative to there being more than one female board director; increase in female presence reduces tax aggressiveness. They provide robust result consistent with alternative measures of tax aggressiveness and testing for self selection bias using two-stage Heckman procedure.

Francis, Hassan, Wu and Yan (2014) investigated the effect of CFO gender on corporate tax aggressiveness. The study borrowed from psychology and economics literature and linked the risk-aversion of female CFOs to firms' varying degrees of tax aggressiveness. They employed a methodology that allows isolation of the gender effect on tax aggressiveness using a sample of 92 S&P 1,500 firms that change their CFOs from male to female in the 1988-2007 periods. Specifically, the study constructs a sample with male-to-female CFO transitions and then examine whether there is a significant decline in tax aggressiveness following the male-to-female CFO transitions. Focusing on firms that experience a male-to-female CFO transition, the study tried to compare those firms' degree of tax aggressiveness during the pre- and post-transition periods. Using the probability of tax sheltering, the predicted unrecognized tax benefits, and the discretionary permanent book-tax differences to measure tax aggressiveness, results showed that female CFOs are associated with less tax aggressiveness as compared to their male counterparts. Furthermore, supporting analysis based on propensity score matching, difference-in-difference tests, and tests with a female-to-male CFO transition sample corroborates initial findings that female CFO's take less risky tax decisions. On the overall, they provided evidence which shows CFO gender as an important determinant of tax aggressiveness. However, no evidence was found on whether female CFOs behave differently from their male counterparts in less risky tax avoidance activities.

Boussaidi and Hamed (2015) investigated the means through which corporate governance decreases tax aggressiveness activities. They examined the effect of board size, gender diversity, quality of external auditor, managerial ownership and ownership concentration on tax aggressiveness. Excluding banks for specific legal considerations, the study focused on a sample of 39 listed companies listed on the Tunisian stock exchange (TSE) over an investigation period spanning seven years, from 2006 to 2012. The study utilized multiple regression using effective tax rate as dependent variable. Controlling for firm size, debt, growth opportunities and profitability, the study found that gender diversity on the board has a significant positive effect on tax aggressiveness. This implies that higher female representation increases the effective tax rate (tax aggressive activities are low). That is, female directors in the boardroom negatively affect tax aggressiveness of Tunisian companies. However, the study filed to provide consistency of results across different measures of tax aggressiveness.

Boots (2015) investigated the effect of female representation in the top management on aggressive corporate tax avoidance. The sample consists of Standards and Poors 1500 firms within the period 2000 to 2011. Empirical analysis based on 20,068 firm-year observations showed a negative effect of female management representation on corporate tax avoidance for firms with one female representation. Contrary to prior studies, the inverse relationship is more negative for companies operating in the retail industry contrary to other industries. However, no such relationship was found for firms with more than one female representation in top management. The findings suggest that although risk tolerant women self-select into top managerial positions, they are not equal to their male counterparts in terms of risk taking. The study failed to provide robustness of results across various measures of tax avoidance.

Yang and Kelton (2015) examined the associations between CFO gender, board gender diversity and corporate tax evasion through 20 years of data spanning 1991-2011. It was argued that from prior studies, women and men make ethical decisions differently and on the overall, women are more ethical and less likely to take risks than men. Also, firms are to ensure that the number of women on the board gets to a critical mass of 30% to fully benefit a company. Consistent with prior studies on how much gender diversity in leadership roles influence corporate outcome, it was found that female CFOs were indeed less likely to evade taxes than their male counterparts, and they also confirmed that having a "critical mass" of women making up at least 30 percent of the board lets a company reap the benefits of gender diversity. In addition, the gender of the CFO does not affect corporate tax evasion when all directors are male. In other words, having at least one female on the board was necessary for the female CFO to affect tax practice. Furthermore, evidence provided showed female presence on the board increasing tax evasion where board of directors includes women but having a male CFO.

Under the premise of Stakeholders theory, Streefland (2016) investigated whether female board participation improves bottom line performance of companies through corporate tax avoidance. The study focused on a sample of U.S. publicly traded firms between 2009 and 2014. Uncertain tax benefit positions (UTB) and GAAP effective tax rates was utilized as primary measures of tax avoidance. Using Ordinary Least Squares regression (OLS) to examine the effect of board gender diversity on corporate tax avoidance, it was found that female executives are significantly associated with corporate tax avoidance. The study further tested the moderating impact of shareholder rights on the relationship between female directors on the board and corporate tax avoidance, the results showed significant impact of female directors on the board on uncertain tax benefit positions but insignificant impact on GAAP effective tax rates. Evidence provided showed the impact of female directorship on GAAP effective tax rates decline in the presence of strong shareholder rights in a company. However, the study did not provide robustness of results among various proxies of board gender diversity or corporate tax avoidance. Also, the sign of direction of UTB and the GAAP ETR in relation to corporate tax avoidance was conflicting.

Olayinka, Oyenika and Francis (2016) examined the relationship between board of directors' gender diversity and tax aggressiveness of banks listed on the Nigerian Stock Exchange. They argued based on the risk aversion theory that different attitude of females to excessive risks can impact on corporate policies and decisions. Secondary Data was collected from annual reports and accounts sourced from the companies' websites and African financials website for the periods of 2012 to 2014. The study utilized cross sectional time-series research design. Interpreting the fixed effect regression model, the results showed a positive and non-significant association between female directors and tax aggressiveness after controlling for firm characteristics and governance mechanisms. Furthermore, interaction of board size with female directors significantly reduces the level of tax aggressiveness. However the study utilized only the proportion of women on the board in testing the gender effect. Based on the aforementioned, this study hypothesizes as follows:

$H0_1$: Gender diversity in the boardroom does not have significant effect on corporate tax avoidance in listed manufacturing firms in Nigeria.

$H0_2$: Percentage of females in audit committee does significantly affect corporate tax avoidance in listed manufacturing firms in Nigeria.

Methodology

The research design employed for this study is ex-post factor research design as it utilizes historical data to describe the statistical effect of the explanatory variable on an outcome variable. The sample includes manufacturing firms listed on Nigeria stock exchange as at 31st December 2016. These firms are under consumer goods, industrial goods, conglomerates and health care sub sectors. To ensure minimum probability for error, data used in this study was collected from the annual reports and accounts of firms under study. These annual reports were downloaded from the websites of respective companies for the financial years 2010 to 2016. For analysis, this study excludes firms that with bio-data information on board of directors and detailed notes on taxation (tax expense and deferred tax). A total of 147 firm year observations of a balanced panel data were obtained. Table 3.1 show the adjusted population procedure and sample distribution per sector.

Table 3.1 Adjusted population procedure

PANEL A	No of Firms	Firm-year observation	
Initial population	58	406	
(-) missing data			
Board of Directors	9	63	
Audit Committee	18	126	
Notes on Taxation	10	70	
*Adjusted population*21		147	
PANEL B			
Sub-sector	*Number of Firms*	*Firm-year observation*	*% of total Sample*
Consumer goods	9	63	42.86%
Industrial goods	5	35	23.81%
Conglomerates	3	21	14.29%
Health Care	4	28	19.04%
Total	21	147	100%

Source: Authors Computation 2017

In analyzing the data for this study, panel regression technique (using balanced panel data) and was employed. Stata statistical package 13.0 was used to run the data so as to test the hypothesis of the study. This study therefore expresses corporate tax avoidance as a function of gender diversity as shown below:

CTA = F(GD)……………………………………………………………………………………….…(i)

Substituting the proxy for corporate tax avoidance in equation (1), we have:

BTD = F(GD)………………………………………………………………………………………..(ii)

In line with prior studies, we Include control variables (accounting conservatism, firm size, leverage, profitability and board size) we have:

BTD = F(GD, PFAD, CON, PROF, FS, LEV, BS)………………………………………………..(iii)

Transforming eq (iii) above into a linear relation, we have:

$BTD_{it} = F(GD, PFAD, PROF, FS, LEV, BS)$…………………………………………………….(iv)

$BTD_{it} = \alpha + \beta_1 GD_{it} + \beta_2 PFAD_{it} + \beta_3 PROF_{it} + \beta_4 FS_{it} + \beta_5 LEV_{it} + \beta_6 BS_{it} + \varepsilon it$…………..(v)

The symbol αrepresents the constant term, subscripts *i* and *t* represent companies and year, while ε is the disturbance error term of the model. We use book tax difference as a proxy for tax avoidance as high book tax difference indicates tax avoidance practice. We control for firm size (meant to capture and mitigate the effects of the variation in the investment levels of the firms in assets with tax incentives and because of the likely timing difference in the recognition of expenses), leverage (reduces the effective tax rates of highly geared companies because loan interest is tax deductible), profitability (profitable companies are expected to have high effective tax rate) and board size (has significant relationship with accounting outcomes).

Table 3.2 presents the summary of variables used in this study.

Variables	Measurement	Source
Tax Avoidance	Total Book Tax Difference	Chyz, Gaertner, Kausar and Watson

		(2015)
Percentage of Females in Audit Committee	Measured as the ratio of females to the total number of members in the audit committee	
Firm Size	Log of total assets	(Katz, Khan & Schmidt, 2013)
Leverage	Total liabilities to total assets	
Profitability(ROA)	Profit before interest and tax divided by total assets	(Kubata, Lietz, & Watrin, 2013).
Board Size	Number of directors on the Board	

Source: Authors Review 2017

Data analysis and discussion of results

In order to have a better understanding of the data, the following table provides the descriptive results.

Table 4.1: Descriptive Statistics

Variable	N	Mean	S.Dev	Min	Max	Skewness	Kurtosis
BTD	147	-0.0655	0.1242	-0.6010	0.2957	-2.2968	11.8800
FEM	147	0.09997	0.1089	0	0.3333	0.6952	2.2484
PFAD	147	0.0939	0.1335	0	0.0333	0.9415	2.2094
PROF	147	0.1223	0.1728	-0.4416	0.7926	1.0607	7.2353
FS	147	7.5333	0.7465	5.6260	9.0509	-0.5024	3.1331
LEV	147	0.5106	0.2632	0.1830	2.4882	3.7475	25.6678
BS	147	9.6394	2.5182	6	18	0.8526	3.6163

Source: Stata Output 2017

On the average, firms used in this study reported negative TBTD of -0.0065 during the period 2010-2016. Although the sample firms do not engage in aggressive tax reporting, firms reported differences in taxable income relative to book income. The standard deviation of 0.1242 relative to the mean of -0.0065 indicates significant variation in the level of tax avoidance across firms. The minimum TBTD is -0.6010 while the maximum depicts a value of 0.2957. The skewness and Kurtosis figures of -2.2968 and 11.8800 give an indication of non normality.

The mean value for percentage of female directors on the board and on the audit committee shows values of 0.0997 and 0.0939 respectively. This suggests that on the average, females constitute 9% of board members on the board of directors and in the audit committee. This is lower than the mean percentage of female directors on U.S public firms of 16.9% in 2014 and 13.5% in 2016 as reported by Gao (2015). The percentage is also lower than the mean for Finnish firms as found by Wang (2015).There are some firms with no female director as indicated by minimum values of zero (0). The percentage of female directors on the board never exceeded 33% throughout the study period as indicated by maximum value of 0.3333. This is not a surprise as some of the firms lack presence of female either as executive or non executive director. The skewness and kurtosis of 0.6952 and 2.2484 indicate slight non normality of the variable.

The mean ROA is 12.23%, which indicates that on the average, Nigeria manufacturing firms earn 12.23% return on assets during the period. The negative minimum value of -0.4416 is because some firms had operating losses during the period which has impaired the amount of shareholders net worth. The highest ROA during the period was 79.26% suggesting impressive profitability some firms during the period. The minimum and maximum also suggest a significant variation in the level of profitability across the firms. The skewness and kurtosis values are 1.0607 and 7.2353.

The lowest value for firm size is 5.6260 (N422,741,000) while the largest firm has a value of 9.0509 (N1,124,475,000,000) indicating that no firm has a net worth lower than N422,741,000 and higher than N1,124,475,000,000 within the period. This implies that firms listed on the stock exchange vary in sizes. While some are very small, some firms are also large. The mean firm size value is 7.5116 (N97,295,295,000). This implies that, on the average, the size of listed manufacturing firms in Nigerian is (N97,295,295,000). The values for skewness and kurtosis are -0.3024 and 3.1331.

In terms of leverage, the average ratio of debt to total assets is 51.77% during the period. This implies that manufacturing firms listed on the Nigerian stock exchange utilize more of debt capital than equity capital. This suggests that on the average, listed manufacturing firms are using significant part of their earnings to pay interest. This is because; any default in fulfilling debt agreement may trigger bankruptcy risk. Some firms have little debt financing given the minimum value of 18.3% which indicates that the least levered firm employed 18.3% of debt in financing its assets. The maximum values of 248.8% of total assets suggest some firms are highly levered to the extent that they have large losses that have negatively impacted on their equity capital. In other words, some have been incurring significant losses, eroding their capital. The descriptive table shows skewness and kurtosis values of 3.7475 and 25.6678 respectively.

In relation to board size, the mean value is 9.63, indicating an average board size of nine (9) for Nigerian manufacturing firms. This is significantly lower than the maximum number of board size of 20. The minimum board size is six (6), indicating that there is no firm with number of directors less than six (6). This suggests that such boards may be composed mainly of executive directors. The largest board size of is eighteen (18) implies that no firm has more than eighteen directors in any year. This suggests that such board could be balanced in terms of its composition of executive, non executive and independent directors. Large boards could also be an indication of diversity within the boardroom. The skewness and kurtosis value shows values of 0.8526 and 3.6163.

Table 4.2 Multivariate Analysis

Dependent variables	Coefficients	Z.Values	Sig
Fem	-0.0110	-0.19	0.849
Pfad	-0.0882	-2.02	0.043
Prof	0.2257	4.21	0.000
Firm size	0.0915	6.06	0.000
Levarage	-0.1858	-4.48	0.000
Board size	-0.0079	-2.85	0.004
R-sq	*0.6144*		
F.Stat	*0.8428*		*0.000*

Source: Stata output 2017

The results in table 4.2 show the regression result. The standard errors were corrected for heteroskedasticity. Although insignificant, the coefficient for percentage of female directors is negative, which suggests female directors' discourage corporate tax avoidance. However, there is insufficient evidence to show female directors affects affect corporate tax avoidance practice. Therefore, this study fail to reject the first hypothesis which states that proportion of female directors does not have any significant effect on tax avoidance in Nigeria listed manufacturing firms'. This implies that percentage of female directors does not influence tax avoidance practices in Nigeria listed manufacturing firms. this finding contradict that of Olayinka et. al (2016). The result is in line with tokenism theory, as the number of women is limited to influence corporate tax practice.

Consistent with apriori expectation, the coefficient for proportion females in audit committee is negative and significant at 5%. This implies that more female representation in the audit committee will reduce tax avoidance practice; hence, increase in tax revenue generated by the Inland Revenue. The result is consistent with female risk averse theory but contrary to agency theory. Evidence provided is consistent with practical expectation that females are risk averse and will not undertake risky accounting choices. The sign which is negative is not surprising as the measure focuses on female representation not necessarily a director. Most of the females in the audit committee are shareholders representative which may consider tax avoidance as a risky accounting choice. This study therefore rejects the second hypothesis which states that the presence of a female in the audit committee does not have significant effect on tax avoidance in listed manufacturing firms in Nigeria. The explanatory power of the model is 0.6144 showing the combined effect of the independent variables in explaining variation in tax avoidance practice of sampled firms. The Wald Chi2 is 84.28 which indicates model is fit at less than1% level of significance.

Conclusions

This study considers the effect of gender diversity on corporate tax avoidance. Based on 147 firm year observation, the study employed a panel corrected standard error regression model to test our prediction that inclusion of female in the boardroom reduces tax avoidance. The study found a significant negative effect of proportion of female in the audit committee on corporate tax avoidance. Our results hold after controlling for other factors that influence tax avoidance across firms. This study concludes that female presence in the audit committee reduces corporate tax avoidance practice of firms. It is therefore recommended that regulatory authourities, such as SEC should encourage firms to ensure mandatory participation of female directors and shareholders in audit committees.

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Conference theme 16:

WATER ACCOUNTING AND AUDITING

WATER ACCOUNTING: A PANACEA TO WATER SCARCITY IN NIGERIA

Amos O. Arowoshegbe[1], Francis K. Emeni[2], Emmanuel Uniamikogbo[3]

[1]Department of Accounting, Ambrose Alli University, Ekpoma, Edo State, Nigeria
[2] Research & Technical Department, Institute of Chartered Accountants of Nigeria, Lagos State
[3] Department of Accounting, Rhema Univeristy, Aba, Abia State, Nigeria

Abstract
Water is at the core of sustainable development and is critical for socio-economic development, food production, and healthy ecosystems for human survival. It is, therefore, not surprising that the Nigerian government, individuals and non-governmental organizations have put in great effort in water projects. Unfortunately, despite these efforts, portable water is yet to get to all parts of the country. There is the need for a systematic study on the current status and trends in water supply in Nigeria, for evidence- informed decision making, if potable water is to get to all parts of the country. This study, therefore, theoretically examines water accounting and proposes methodologies for how water accounting can be used to alleviate the challenges of water scarcity in Nigeria. Furthermore, extant literature has shown that very few studies have been conducted on water accounting in Nigeria, with mixed submissions. In addition, most of these studies focus on developed economies and are descriptive in nature. These motivate the study and we advocate water accounting among Nigerian water authorities as a basis for evidence-informed decision making and policy development in alleviating water scarcity in Nigeria

*Keywords:*Ecological impact, governance, water scarcity, water resources, water balance

Introduction
Water is of immense importance to all aspects of life, society and our natural environment. The accelerated increase in global population over the last century coupled with intense economic development is causing unprecedented pressure on this precious commodity called water. The United Nations Department of Economic and Social Affairs (UNDESA) reports that, the current world population of 7.6 billion is expected to increase to 8.5 billion by 2030, 9.7 billion by 2050 and 11.2 billion in 2100. The National Population Commission (NPC) and the National Bureau of Statistics (NBS) propose that a country like Nigeria, with a population of 193.3 million and with a fast population growth, is likely to experience great pressure on its water supply (Population Reference Bureau - PRB Report, 2008). This kind of growth poses significant challenges to governing institutionsand infrastructurein developingcountriesalready experiencingpopulation-inducedstrainson their naturalresources.As demand grows and per capita freshwater availability decreases, competitionwill likelyincrease due to scarcity if noteffectivelyand properlyaddressed (Organisation for Economic Cooperation and Development - OECD, 2009).

Water is hardly scarce given that the planet is mostly covered with water and Nigeria, being a River Niger area, is surrounded by water. Even with the availability of water, an average Nigerian cannot get access to potable water because the composition of the water is problematic as 97.5% is saltwater and only 2.5% is the freshwater resource. Out of this, only a fraction is usable freshwater for ecosystems and human consumption, since nearly 70% of the world's freshwater resource is locked in glaciers and icebergs rendering it unavailable for human use (United Nations Educational Scientific and Cultural Organisation - UNESCO, 1999). Moreover, in Nigeria, much of the land-based water is saline, but ancient fresh groundwater resources are also largely unavailable as renewal is limited and large-scale extraction may cause ecological mayhem.

Water is an essential ingredient for human securityand sustainable development.Apart from growingfoodand supporting economic growth by ensuringdiseases are kept at bay, water is also a fundamental and irreplaceable resource in allsocieties, including Nigeria (United States Agency for International Development - USAID, 2014).Scarcity and use of water are now global concerns. Physical water scarcity is a dire reality and poses a serious threat to economic development and human wellbeing. The acceptance of anunfettereddesireforeconomicgrowthhasarguablycausedanexponentialincreaseinwaterconsumptionresultinginanotherfacetofcrisis in water scarcity. The seemingly unrelenting conduct of human activity,constantly to embrace development andadvancement in our growing technocratic industrial societies, is fuelling the demandfor this indispensable resource (Devall &Sessions, 1999). Given its importance to human life, it is not surprising that water managementis complex and water-relatedinterests are frequently and increasingly contested even in areas of the world that are relatively well-endowed with water (UN-Water, 2013).

Accessto water in sufficient quantity and quality can drivecompetition, whereinterestsare perceivedincompatible, as well as stimulatecooperationwhere there is mutualinterest. The users of water accounting products arepotentially even more diverse. For instance,local managers need to know that storageshold sufficient water to meet daily ordersplaced by irrigators. Regulators need toknow whether projected water supplies willbe sufficient to allow approval of new waterentitlements. Downstream users need to knowthat upstream users are not using more thantheir share and the wider communities need toknow that sufficient water is available to meetenvironmental and other social needs. The needs of these doers and users havedriven the development of water accountingproducts which include inventory managementsoftware, complex water availability models,and improvements to public reporting.

Various studies have been conducted worldwide in diverse disciplines to address water crisis, issues encompassing water governance, water availability, ecological concerns and water management (World Water Assessment Programme 2003, 2006, 2009). Although much emphasis has been placed on the issues surrounding this essential commodity, far less research has been conducted empirically in developed countries to examine the reporting of water accounting. Furthermore, related literature reviewed showed that very few research had been conducted on water accounting in Nigeria and most of the literature were based on developed economies and were mainly descriptive in nature. In developing countries, research on water accounting has not been explored, it remains a neglected area. Hence, accounting for water is still an unresolved issue and demands immense attention (Godfrey 2008).

This study, therefore, seeks to propose methodologies for how water accounting can be used to alleviate the challenges of water scarcity in Nigeria, while theoretically examining water accounting with a view to creating awareness amongst Nigerians on the significance of water accounting in the Nigerian environment.

The Concept Of Water Accounting

The term water accounting has been in regular use for more than two decades and it is often defined differently. Several definitions have been proposed and used but no consensus has been reached on a generally accepted definition for this term. Based on this, the Food and Agricultural Organisation of the United Nations - FAO's - expert consultation recommended that in coping with water scarcity in 2011, the FAO should develop and attempt to popularize the definition of water accounting (FAO, 2012).

Water is a renewable resource but patterns of water availability and accessibility vary in space and time, and are influenced by both biophysical and societal factors.The common perception is that water shortage (i.e. an absolute shortage of water supply in a specified domain) is the main reason for this state of affairs. However, the reality is that water scarcity, (i.e. an excess of water demand over available water supply) is by far the more important global challenge (FAO, 2012). The key difference between water shortage and water scarcity is that water shortage is driven primarily by biophysical factors (e.g. rainfall, land use, geology) and the status of infrastructural supply systems (e.g. their capacity, condition and operating rules). While water scarcity is dependent both on water shortage and the multitude of factors that drive water demand (e.g. population increase and per capita demand for water, economic growth, the need to protect aquatic ecosystems and so on) and the large numbers of political and socio-cultural factors that determine user-access to water of an acceptable quality e.g. water rights, social exclusion, poverty, unreliable power supplies, wars or localized conflicts (van Halsema & Vincent, 2012).

While many water sector professionals and the media refer to it as "a looming global water crisis", others contend that the more predictable challenges, or potential water crises, can be avoided or mitigated by adjusting the way in which water is managed and governed (Moriarty, Batchelor, Laban, & Fahmy, 2007; FAO, 2012). Their rationale is that, with good water governance and adoption of appropriate coping strategies, there is no reason why there should not be sufficient water to meet basic human and environmental demands on an equitable, sustainable and efficient basis, even in areas facing rapidly increasing water scarcity. However, to achieve this goal, in many cases, it will be necessary for agriculture, which is the sector with the largest water consumption in the world, accounting for roughly 70% of the world's total (World Water Assessment Programme, 2003), to consume less especially in areas experiencing or facing increasing water scarcity.

The essence of a holistic approach to water supply managementadopted in this study is to ensure that all the relevant components and factorsare considered in the totality of their effects on the whole process in order toachieve the sustenance goal of the system. The concept of water supplysystem is made up of three main components that are one-way directionaland serially complementary in significance and criticality (Bhatia, 2009;Okoye, 2015). They are essentially linked through design, function, andperformance. These are the source, treatment and transmission/distribution.

Water Accounting In Nigeria

Wateris a natural resource offundamentalimportance.It supports all forms oflife and creates jobsandwealth in the watersector, tourism,recreation andfisheries(Ntengwe, 2005).Without water, life as itexistsonour planet is impossible (Asthana & Asthana, 2001).97.5%of water on the earth is salt water, leaving only2.5%asfresh water of which overtwo-thirds is frozen inglaciersand polarice caps. The remaining unfrozenfreshwaterismainly found as groundwater, withonly asmallfractionpresentabove the groundor inthe air. Freshwaterisa renewable resource,yet the world's supply of clean,freshwater issteadily decreasing.Water demandalreadyexceeds supplyin many parts of theworld, andas worldpopulationcontinues to rise atan unprecedented rate,manymoreareasare expected to experience thisimbalancein the near future (Wikipedia, 2008).

While Nigeria is known to beendowed withabundantwater resources,theavailability of potable waterisaproblem in many parts of thecountry (Onokerhoraye, 1995).TheNigerian government has long consideredtheprovision of water supply services to bethe responsibility oftheFederal, State andLocal Governments.However, thepublicsector has not beensuccessful inmeeting morethanasmall portion ofthedemand for waterby residentialandcommercial users. Services are in critically shortsupply (FRN, 2000).

From 1999 to date, Nigerian government has expended huge amount of public funds on provision and management of water, still no potable water for consumption. Successive Nigerian governments have been pursuing with vigour aggressive water supply programmes and donor agencies also have been making their impacts in the sector through expansion of water supply infrastructures. Despite these efforts, the public is still disenchanted because access to safe water is not improving (NEST, 1991; Emoabino & Alayande, 2007). The value of water is determined by two elements; supply-the cost of providing the resource in a certain quality, quantity, and location which varies in different parts of the country and demand-the utility to humans and their willingness to pay for that utility (Cech, 2005). The demand for water is fast outpacing its availability for consumption and the supply of domestic water is seriously constrained by the rising population and non-accountability (Udoh & Etim, 2016).

Many households, often the poorest, end up purchasing water from private vendors usually much more expensive than from the public supply. Water supply services, where they exist, are unreliable and of low quality and are not sustainable because of difficulties in management, operation and pricing, and failure to recover costs. Many water supply systems show extensive deterioration and poor utilization of existing capacities, due to under-maintenance and lack of funds for operation (FRN, 2000).

In Nigeria, water accounting has not gained prominence because providers of water have little or no knowledge about water accounting and the likely adverse consequences of non-water accounting to water users. Also, water accounting is uncommon in Nigeria because only limited amount of information is available about water-related issues which include quality, valuation, and storage capacity. There is a surprising dearth of information about the total available water inflows and outflows of the entire water cycle. These and many more are the reasons for water crisis that brought about water scarcity in Nigeria. Water accounting is therefore advocated as it would assist water policy decision-making in Nigeria.

Global Water Accounting Studies

Freshwater is considered the lifeblood of human civilization and a vitally important non-substitutable resource (Alivia, Jha, & Sanjeev, 2008). The World Water Assessment Programme (2009) stresses that “urgent action is needed if we are to avoid a global water crisis”. Further, “managing water is essential if the world is to achieve sustainable development. This challenge is even more pressing as the world confronts the triple threat of climate change, rising food and energy costs, and the global economic crisis (World Water Assessment Programme, 2009).

Maunders and Burritt (1991) examine the ecological crisis and the role of accounting information. They argue that the monetary representations of accounting information cannot fully capture the ecological impacts created by an entity (such as the depletion of the ozone layer resulting from an entity’s activities). The provision of non-monetary measurement of ecological impact, such as compliance with standards information, is one way of tackling this issue. Hence, they suggest that environmental assets should be examined from both ecological and accounting viewpoints to provide comprehensive reporting and add value to the accounting information. Molden and Sakthivadivel (1999) predict that future irrigated agriculture will have to produce more food with less water because of the increasing competition for this scarce resource. As large part of the world's population is being threatened by water shortages, these authors suggest that water needs to be appropriately accounted for to understand better the present use of water and formulate actions for improvements in water management. They state that the prime objective of water accounting is to account for water use, depletion and productivity.

Water is depleted by four generic processes: (i) evaporation, where water is converted from its liquid form to its vapor form and transferred to the atmosphere, (ii) flows to sinks, where water flows into a sea, saline groundwater, or other location where it is not readily or economically recovered for reuse, (iii) pollution, where water quality gets degraded to an extent that it is unfit for certain uses, (iv) incorporation into a product, where water is incorporated into a product through an industrial or agricultural process such as bottling water, or incorporation of irrigation water into plant tissues (Molden, 2007; Molden & Sakthivadivel, 1999).

Molden and Sakthivadivel (1999) made a significant contribution by presenting a classification system on how to account for the use and productivity of water resources. Their 'Water Balance Approach' outlines a broader way to perceive the water cycle where it is based on the concept of mass conservation, the sum of inflows equates the sum of outflows plus any changes in storage. This method presents a useful approach to the concept of water accounting at the basic level.

Water accounting calls for different concepts. Molden and Sakthivadivel's (1999) water accounting classification of different types of water flow is a useful tool in the planning and evaluation of water resource systems. This requires different types of inflows (surface, subsurface and precipitation), outflows (utilizable, non-utilizable) and depleted water (beneficial and non-beneficial) with storage facilities serving as a buffer between different levels of supply and demand. Many similar models are available. The key is that they are trying to account for all the water in the system. The World Water Assessment Programme (2009) advises that this water box is dependent on management decisions and, in turn, these are influenced by politicians, civil society, the business and economic sectors, all of whom hopefully have access to good information about the resource they are influencing.

Water Accounting Methodologies In Alleviating Water Scarcity

Water accounting is the systematic study of the current status and trends in water supply, demand, accessibility and use in domains that have been specified. FAO (2012) defines water accounting as the systematic acquisition, analysis and communication of information relating to stocks, flows and fluxes of water (from sources to sinks) in natural, disturbed or heavily engineered environments. Water accounting in a practical sense is used as a basis for evidence-informed decision-making and policy development by answering questions such as: What are the underlying causes of imbalances in water supply (quantity and quality) and demand of different water users and uses? Is the current level of consumptive water use sustainable? What opportunities exist for making water use more equitable or sustainable? Water accounting is often used as a basis for multi-scalar assessments of; (i) the efficiency or productivity of different water uses or users; and (ii) the risk that attempts to increase water efficiency or productivity result in negative externalities, that is, someone's gain in water productivity will result in someone else's reduced access to unpolluted water.

A critical aspect of water accounting is that it considers and assesses both the supply and the demand sides of water supply systems. From the perspective of water accounting, water supply and demand can be characterized as follows:

Supply side:

• The availability of rainfall, surface water, ground water and unconventional water resources (e.g. treated waste waters) in space and time.

• Capacity, condition and Operation and Maintenance procedures of water supply, storage and treatment infrastructure.

Demand side:

• Different users demands for water in space and time, and the extent to which these demands are satisfied.

• Patterns of consumptive or non-consumptive water use in space and time.

• Water service levels that are experienced by different users in space and time and the benefits they derive in monetary and non-monetary terms such as improved health and well-being.

Water accounting is the foundationof sound water management decisions. A major strength of water accounting is that it can be used to: consolidate, assess and interpret information and evidence from a wide-range of different sources, develop an information base for specified domains that is shared and accepted by key stakeholders, and support cycles of learning, stakeholder dialogue and evidence-informed decision-making (Foster, Perry, Hirata, & Garduno, 2009).

Water accounting was developed from three distinct perspectives, namely: hydrology, irrigation or civil engineering and monitoring and evaluation (Perry, Steduto, Allen, & Burt, 2017).

• The hydrological perspective: This is based firmly on an understanding of the physical processes that govern volumes and rates of water flows, fluxes and stocks in different landscapes and/or under different agro-climatic conditions or management regimes.

• The engineering perspective: Thisfocuses primarily on the design, construction and operation of storage structures, bulk transfer schemes, well fields, irrigation and drainage schemes, municipal water-supply systems and water treatment plants. Or, put in another way, the focus is on managing stocks of water (in time and space) and the transfer of water through pipelines and canal systems from sources to where it is needed.

• The monitoring and evaluation perspective: This focuses on using water accounting to support or underpin management decisions or as a means to learn lessons or gain incremental improvements in policies and practices on both the supply and demand sides of water supply and water services delivery systems.

Summarily, the idea behind water accounting is the existence of scope worldwide to improve water-related sectoral and inter-sectoral decision-making at local, regional and national levels. Improvements are often initiated by basing decisions on ‘best-available’ information, evidence and analysis, rather than intuition, assumptions and guesswork. It would be inexperienced to believe that improvements in water governance or policy development will follow automatically and seamlessly from water accounting. The collection, evaluation, analysis and interpretation of biophysical and societal information that are central to water accounting are subjected to uncertainty and professional biases and, as behavioral scientists are quick to point out, irrationality. However, mutually-supportive water accounting has much to offer as a practical approach to; (i) assembling and checking the veracity of information from multiple sources; (jj) analyzing, modeling and interpreting this information; and (iii) assembling robust evidence to support decision-making, policy development and new courses of action.

The methods and tools used in water accounting are well-known to hydrologists and engineers such as mapping and spatial analysis, water balance analysis, water quality analysis, trend analysis, modeling of water flows, fluxes and stocks and demand forecasting. Information collected during water accounting is typically varied and addresses a range of biophysical issues. Likewise, outputs are equally diverse in their formats and their target uses and audiences.

The relevance of water accounting becomes more important where available water is fully or over allocated. Water accounting tracks quantities of water, aiming to maximize the way that available water can be managed to meet known water needs. Water accounting matters because, without reliable information, debate is uninformed and stakeholders have no basis for challenging factually incorrect or biased positions. Similarly, effective planning is near impossible if stakeholders are working with their own differing information bases. Yet, such a situation is very common. For example, government line departments, when attempting to align plans, rarely have access to a common information base. Similarly, local level water users may have a very different perception of their levels of water services as compared to organizations that are responsible for delivering these services. A key output of water accounting is, therefore, a common information base that is acceptable to all the key stakeholders involved in planning or other decision-making processes.

Water accounting is necessary because often disconnects exist between hydrological knowledge based on scientific evidence, and popular understanding of hydrology based on beliefs, folklore and hearsay. Water accounting plays a central role in identifying hydrological beliefs that are, in reality, myths. It is important, however, to recognize that while facts and evidence may be important, they do not always change opinions. Many beliefs are deep-seated and holders of these beliefs have a tendency to reject any facts or evidence that challenges or is inconsistent with these beliefs.

The question at this point is, how do we get our water? In some cases, the question is relatively easy to answer. The two broad categories of water sources are surface andunderground sources.
(i). *Surface water*:This is water that is extracted directly fromstreams, rivers and lakes. These sources generally contain larger quantities ofturbidity and bacteria than groundwater and often, the surface waters of riversand lakes are polluted by the influx of sewage or industrial wastes. In anarticle from Encyclopedia of Earth, the Niger Delta Basin was identified asthe principal surface water basin in the Delta region which covers an area of584,193 km. (ii). *Ground water*:This is water obtained from wells and springs that feed streams, rivers, and lakes. In its course, groundwater dissolves soluble mineral matter. The ultimate source of all natural potable water on earth is rainfall. Groundwater contains high concentrations of dissolved chemicals. Nigeria has extensive groundwater resources, located in various hydrogeological areas together with local groundwater in shallow alluvial (Fadama) aquifers adjacent to major rivers (Okoye, 2015).

Water from these sources could be pumped from the wells and springs to an appropriately located storage tank in or near the home and, all being well, water would flow under gravity from this storage tank to the tap(s) in the home. So, in this case, this is how water reaches the home and the costs incurred are: (1) Capital costs of constructing the system; (2) Recurrent cost of Operation and Maintenance (O&M) such as pumping costs, repair costs; and (3) the cost of routinely testing the quality of the well or spring water. This is as simple as a piped water-supply system can be. However for most water users, delivery of water from “rain clouds to the home” on a secured, reliable and predictable basis is more challenging.

In many regions of the world, sustainable and reliable delivery of water (or rather water services) to homes at the same time protecting environmental flows, has become increasingly complex and problematic. Particularly, if overall demand is surpassing supply, the delivery of water services is often less about engineering and more about politics, governance, managing and protecting sources, resolving conflicts about water, ensuring rights to water are respected, and so on. It is also about understanding and monitoring what is going on between the rain clouds and the water users. This is where water accounting plays a crucial role.

Conclusions

The International Water Management Institute (2008) argues that water is a fundamental issue because it has become the prime challenge of survival in today's world and it has a significant impact on health, food security, poverty and the environment. Gleick (1998) investigates fresh water resource management arguing inadequate access, inappropriate management, and rapid population growth are causing a growing global water crisis and that new approaches to long-term water planning and management are required to guarantee access to freshwater resource for future generations. Plummer and Tower (2009) noting the volatile political nature of water policy with the related accounting communication of this precious resource opines that water is a limited resource, thus water allocation becomes a zero-sum game. They opined that some stakeholders will win with a more 'efficient and equitable' reallocation, while others will lose and potentially lose badly with related devastating economic consequences because, not all stakeholders are equally adept or financially able to garner their political lobbying power.

In Nigeria, how policy is to be made for a product like water with static and even decreasing supply but ever growing demand has been identified as a major challenge to the Nigerian water authorities. Governments in the past have in a sense bankrupted future generations by over-allocating water rights. Global warming, climate change and the resultant deep drop in water catchment areas are finally making governments face the harsh and unpalatable reality of this unsustainable policy.

World Water Assessment Programme (2009) posits that managing water is made more difficult by the lack of knowledge and information required for decision-making and long-term planning. Few countries across the globe know how much water is being used and for what purposes, the quantity and quality of water that is available and that can be withdrawn without serious environmental consequences and how much is being invested in water management and infrastructure.

Observations from the various related literature reviewed revealed thatappropriate policies andadditional communication are needed fromNigerian water authorities especially inthe areas of the amount of available water,storage capacity and more insights onquality and valuation of water. There isalmost a complete absence of informationof Molden and Sakthivadivel (1999) styleof accounting for inflows (surface, sub-surface and precipitation), outflows (utilizable, non-utilizable) and related depletion (bothbeneficial and non-beneficial) of water. Hence, a higher level of water accounting communication is advocated. In conclusion, water accounting is a necessary tool that if embraced would help to cushion the problem of water scarcity in Nigeria.

Based on the findings in the study, it is recommended that:

i. Government should create awareness among water providers in Nigeria by organizing lectures, seminars, workshops and symposia to educate them on the relevance of water accounting.

ii. The Nigerian Government should create the Nigerian Bureau of Meteorology that has a clear mandate to create the 'NationalWater Account' that would assist inmeeting the information needs of various stakeholders and improve the public understanding about water resources in Nigeria.
iii. An independent advisory Water Accounting Standards Board (WASB) should be created in Nigeria to oversee the development of the Water Accounting Conceptual Framework (WACF) and water accounting standards. The WACF would provide the conceptual parameters for water accounting and assist in the development of Nigerian Water Accounting Standards (AWASs) as well as the preparation and presentation of General Purpose Water Accounting Reports (GPWAR).
iv. In comparison with other international developments, General Purpose Water Accounting Reports (GPWAR) that focus on the monitoring and measurement of and reporting about water rather than providing statistics about water should be introduced into the Nigerian water system.

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Conference theme 17:

SPIRITUAL ACCOUNTING

SPIRITUAL ACCOUNTINGAS THE PANACEA FOR ETHICAL FAILURE BY PROFESSIONAL ACCOUNTANTS

Paulinus Iyika Ikechukwu
Mailing Address: 17B Awolowo Road, Ikoyi Lagos
Email:iyika4real@yahoo.com

Abstract
In recent time, fingers have continued to be pointed at professional accountants as major contributors to the widespread corporate failures being witnessed globally. This is attributed to the unethical behaviours exhibited by Accountants in the discharge of their responsibilities to various parties and interests they serve. The problem therefore is that despite the efforts made by accounting bodies to issue codes of ethical conducts for compliance by its members, these codes have not been very effective in curbing this challenge owing to both controllable and uncontrollable factors facing today's professional accountant.The study focuses on Spiritual Accounting (SA) as a panacea to the problem identified above. SA emphasizes less attention to the 'letters' of the ethical codes to the 'spirit' by moving the accountant away from the realm intellect and desire (rational consciousness) to the realm of conscience (divine consciousness)(Francis Iyoha,2018).The paper used results from professional ethics, moral psychology and socio-religious values to analyse the underlying problems and proffered solutions to the critical problem. Key findings from the study is that if each of these spiritual values such as integrity, objectivity, love, faith, sincerity and divine will are integrated into the process of recording, classifying, summarizing transactions and interpreting the results thereof, the question of corporate failure as attributed to Professional Accountant unethical behaviour will be greatly reduced.

*Keywords:*Spiritual Accounting, panacea, ethics, professional Accountant, ethical failure.

Introduction

In recent years there have been increased incidents of corporate frauds globally. According to Cheng (2012),many of these incidents involve false financial reporting, irregular transactions, inflated revenues, and assets embezzlement. This has resulted in investors losing confidence in the management and by extension the financial reports of many listed companies. After the Enron saga in the early 2000, the accounting profession came under heavy criticism and has remain so despite stricter accounting rules and standards like GAAP and IFRS Ahmed (2016) and Chen (2012) also believe that despite the changes in SEC rules of countries, various regulations to enhance fraud prevention, levied punitive measures on unscrupulous behaviours and devoted continuous efforts on education of business ethics, the financial tsunamiin 2008 left financial industries in shambles. The public has more doubts on the professional ethics of corporate management and auditors/accountants. This lack of public trust in the stakeholders involved in the business of financial reporting is heightened by series of corporate failures in the recent past despite existence of ethical codes. This position was also reinforced by Iyoha(2018) as follows "all known conventional ways of priming ethical conduct have failed and can no more be relied upon to produce any fundamental change in behaviour''.

From the above, it is clear that ethical codes of conducts issued by various professional accounting bodies and institution to regulate the behaviour of its members has proved to be largely ineffective. As observed by Fischer (2015), for more than two decades, academic and business thought leaders have been calling for a reintroduction of spirituality in the workplace and in the classroom. Mittroff and Denton (1999) believes that the way out of this problem is for the accounting profession to embrace spiritualty. According to them, there is no denying the fact today's organisations are 'spiritually impoverished' and therefore ethically demented. As noted by Iyoha (2018)~~,~~ spiritual accounting (SA) provides the needed window to reach the inner life and character of accountants. SA in the context of this advocacy is the 'integrity of faith in God in the interpretation and application of the letter of accounting standards and pronouncements in order to align with the spirit of accounting practice'.

Compliance to standards and ethical codes is a behavioural issue and therefore this paper seeks to examine the influence of spirituality on the behaviour of accountants in the discharge of their professional duty.The paper is structured as follows: the introduction, the literature review, methodology and conclusions and recommendations

Literature Review

Meaning of spiritual accounting

According to dictionary.com, spiritual means 'relating to the spirit or soul rather than physical'. Spiritual accounting therefore can be seen as that aspect of accounting that is concerned with the 'spirit or soul' of accountant rather than compliance with physical letters of accounting standards. What then is the spirit or soul of accountant? This can be seen as their inner life, values and character that influence judgement and choice.

According to Iyoha (2018), a culture of compliance with the 'letter' rather than the 'spirit' of accounting practice occurs when emphasis is laid on the need for compliance while ignoring value based internal motivation for acting ethically. SA rather than focus on compliance with extant rules of ethical conducts for professional accountants seeks to look at their inner life, values and character that influence judgement and choice. Therefore SA is that advocacy aimed at aligning the spirit of accounting practice with the letters of accounting standards and pronouncements.

It must be noted stated that spirituality and religion are not exactly synonymous. Although the two are related, spirituality should not be confused with religion (Sarah &Friedman, 2015). According to them, it is quite possible for an individual to be spiritual and yet not be affiliated with any particular religious group. A key part of being spiritual therefore, is the understanding that life has a higher purpose (Sheep, 2003; Pandey &Gupta, 2008). Spiritual people sense that there is a "connectedness to something greater than the self" (McClung, Grossoehme, &Jacobson, 2006). They are concerned with making a difference, and desire to make the world a better place. The word *spirituality* conveys a belief that there is more to our existence than physical, material and observable properties; that there is a higher, intelligent and benevolent power which connect people to one another and nature (Pava, 2007).

Religion, on the other hand, refers to communally held beliefs and dogmas that are expressed publicly (McClung, Grossoehme, & Jacobson, 2006). Whereas religion tends to be associated with an organization or institution, spirituality tends to be more individualistic and personal. Karakas (2010) describes the distinction as follows: “Spirituality is distinguished from institutionalized religion by being characterized as a private, inclusive, non-denominational, universal human feeling; rather than an adherence to the beliefs, rituals, or practices of a specific organized religious institution or tradition.”

As stated by the Sarah and Friedman (2015), those who are spiritual believe in maximising their own pleasure and minimising their pain. In other words, all that matters is money, fame and/ or power. This is arguably the biggest problem facing the world of business today. Employees, including the accountants are constantly under pressure to manipulate or ‘cook the books’ in order to satisfy the management in their lust for more money under the guise of maximising shareholders’ wealth whether by hook or crook. Some once remarked that company executives are paid to maximise profit, not to behave ethically.

The nature of man

There is the need to first and foremost understand who we are before a thorough understanding of our professional demands (Iyoha, 2018). Understanding the real nature of human being is very important because this understanding affects how an individual comprehends, behaves and responds to any symbol surrounding him (Triyuwono 2015). The later examined the human nature following this classifications; Homo economicus, homo sociologicus and homo spiritus.

According to him, homo economicus is recognised as an individual who has economic rationality and self-interest. The same view was shared by Xin & Liu, (2013); Sigmund, (2010); Thaler, (2000). These researchers believe that this character or trait of the human nature focuses on maximising his/her utility or wealth. Wight, (2005) added that homo economicus is bounded by materialistic, anti-social, immorality, greed. Triyuwono (2015) drew a conclusion by stating that under these assumptions our modern economic system was developed and practiced. For example, a corporation is thus conceptualised and operationalised to maximise profit to fulfil the need for homo economicus. As earlier noted, the concept of wealth maximisation is at the root of the various unethical, immoral and sometimes fraudulent behaviours of corporations and the eventual collapse of such corporations as witnessed in the recent past.

Homo sociologicuson the other hand refers to the human nature that pays no attention to on money /profit or self-interest but is focused on social environment, psychological needs and public good (Jensen & Meckling 1994). Abramitzky (2011) added that Homo sociologicus is a model of human being who cares about a group more than his or her own interest.

Beyond homoeconomicus and homo sociologicus we find spiritus. The word *homo* (Latin) etymologically means *man* and spiritus (Latin) means breath or spirit. When put together we have *spirit man* or more loosely “*spiritual man”.* According to Boteach, (1996), homo spiritus is characterised by strong religious and spiritual conviction on intimate and transcendental relationship not only with God and other individuals, but also with nature. Researchers like Chodjim (2013); (2007); Tinker (2004); Boteach(1996) have opined that believe in one God unites all existences of both human being and nature with God. In other words there is no separation between all creatures with God. They identified four consequences of the unity summarised as follows; *firstly* spiritually and physically all creatures including humans are made from divine raw material (body of God). *Secondly* the tripartite relationship between humans and God, his fellow and nature are not separated. They are united in one relationship called the divine relationship. *Thirdly*,God is all covering. He is present in everything he created and thus no space and time without His presence. *Fourthly*, there no division between the physical and spiritual, between secular and non-secular, between state and religion and between the normative and the positive.

The relationship between spiritualityand ethics

Homo spiritus has four metaphysical elements namely desire, intellect, heart and conscience Triyuwono (2015). He provided the following analysis of these elements thus: desire is an element that has the inclination to fulfil the animal instinct. It relate to the earthly tendencies of an individual. Intellect in the other hand is that element that functions to rationalise and analyse any object surrounding the individual. According to him, intellect does not stand alone without the support of other elements. The third element is heart. This relates to emotional realm such as positive and negative emotions of an individual. The fourth is conscience. This is what he called the 'God's spot'. The essence of God that is implanted by God into human being. The purpose is to drive the behaviour and actions of individual to be in accordance with the will of God. In other words when an individual consciously and totally follows any command of the divine spirit (conscience), he or she can then be said to have submitted totally to the will of God. An individual operating at this realm can be said to be spiritual since his or her behaviour and conducts are directed by the divine spirit (the conscience).

Ethical codes for professional accountants by IFAC are designed on the principles desire and intellect (rational consciousness). Objectivity, integrity, fairness and honesty are examples of these principles. But as we will be discussed later, efforts are geared towards moving the professional accountant beyond this level increasingly from the level of psycho-spiritual consciousness (heart) to divine consciousness (conscience).

Conscience is the centre of divine consciousness (Triyuwono 2015). There seem to be agreement among researchers that the more sensitive an individual's conscience is to divine consciousness the more likely he or she will behave ethically. This view is supported by Weinberg (2013). According to him, Ethics and consciousness are directly related in the sense that the greater your scope of awareness, the more options you potentially have, allowing a wider range of possibilities for ethical or unethical behaviour.In another sense, they are inversely related as well, as there is an expectation that with greater awareness comes greater compassion, which would seem to have the consequence of more ethical behaviour.

Therefore it can be believed that lack of spirituality has direct impact on how ethical or unethical an individual can be. Some scholars see the great Recession of 2008 as a direct result of lack of spirituality, that is, a lack of *virtue* and a breakdown of morality and ethics (Jackson, 2010). It is quite essential to develop values and *virtues (through spiritual exercise)*. Since values provide stimulus to act in a certain manner, and *virtues* are permanent dispositions promoting *ethical* behaviour, combined together can shape character (Naveen&Moonat, 2017).In other words, he believed that for an individual to possess the right character required of a professional, there must be a blend of value and virtue. In conclusion, it is seen that indeed researchers have the belief that spirituality influences how ethical an individual can be baring other factors.

Ethical reform vs Spirituality, and the professional accountant

Spark & Pan, (2010) believes that ethical judgement is an inner part of an accountant that directs his or her decision to take action. An ethical action according to Triyuwono (2015) is a prerequisite for representing the quality of the accountant's service for society. Professional accountants can learn a lot from the consequences of unethical actions of the past like Enron, Tyco, Adelphia, World Com, and Satyam etc. These were the organizations/Corporations that compromised with ethical codes and had to pay dearly for it some by way of fines and others outright bankruptcy or dissolution. The publication of the Sarbanes Oxley Act in 2002 was an initial response but proved ineffective on the long run. . The accounting profession therefore should take proactive steps to repair the damage; the scandals of the past several years have done to its reputation. To restore public confidence, professionalaccountants should support and encourage comprehensive professionwide ethics reform measures.(Naveen & Moonat 2017). Iyoha

2018 opined that with reference to the accounting profession, that ethical reform initiatives should directly address the inner life and character of accountants through education of the right type in other to be effective.

Whereas Authors and researchers like Iyoha, Hocking, Myers, Cairns, Holoviak, Bailey, Hertz and Friedman canvas for a more holistic approach to accounting education by redesigning the curriculum to incorporate spirituality, others like Triyuwonoadvocate a reform in the fundamental principle of the International Federation of Accountants' (IFAC) code of ethics for professional accountants. The principle requires a professional accountant to be honest and objective, to maintain professional knowledge and skills, to act diligently in accordance with applicable technical and professional standards, to respect confidentiality of information and to comply with relevant laws and regulations and avoid any action that may discredit the profession.

The above, according to Triyuwono are not enough to bring a professional accountant to a psycho-spiritual consciousness. This he believes is because the IFAC principles reside in the rational consciousness which are steered by human desire and intellect. There is need therefore to bridge the gap between the rational spheres to psycho-spiritual spheres (heart). The two elements that areneeded to bridge the gap is *sincerity and love*which are based on feelings and not rationalisation. See the table below:

Category	*Metaphysical Element*	*FundamentalPrinciples*	*Consciousness*
1	Desire and intellect	Integrity, objectivity, professional competence and due care, confidentiality, professional behaviour	Rational consciousness
2	Heart	Sincerity, love	Psycho-spiritual consciousness
3	Conscience	Divine will	Divine consciousness

Source*:* Iwan Triyuwono 2015

Sincerity refers to an imperative internal virtue of an individual to deliver actions to all human kind, to universe and to God based on a *very pure intentions* (Gardet, 1986). When you render assistance without expecting a reward from the recipient, this can be said to be pure and sincere from even religious perspective. Do your service as unto God not unto man. At least not for self but for a higher purpose or being. *Love* in the other hand is seen as a mysterious and pleasant feeling that connect an individual to others, nature and God. It links the lover and the loved together and bring them to unity. Chopra, (1997) distinguished between human and spiritual love. The love advocated in this contest is spiritual love where the lover does nothing but for the benefit of the beloved unlike the human love which is self-centred (Nurbakhsh 2008).

Faith according to Pyle (2012) *is* a sacred, deep, emotionally involved kind of trust. Faith is the kind of trust that you enter into with your whole being. Faith is the kind of trust that, when it has been broken, it hurts deep inside. In other words, faith involves applying ones whole being to trust a principle, people, religious traditions, community, systems and institutions, in ourselves, and in the universe as a whole.Faith is not limited to religion as many assume. Faith is what enables the manifestation of love and sincerity in man. Man must have a sense of trust in the ability of his faith 'symbol' to reward him or her for good deeds. Therefore, it will be easy to manifest other virtues like love and sincerity when there is faith.According to Pyle (2012), faith is a basic aspect of human nature. Faith is what allows us to function despite knowing or sensing how little we actually know about all that surrounds us. This is where beliefs come into the definition of faith. Faith does not equate to belief but it is possible to hold faith in some of your beliefs.

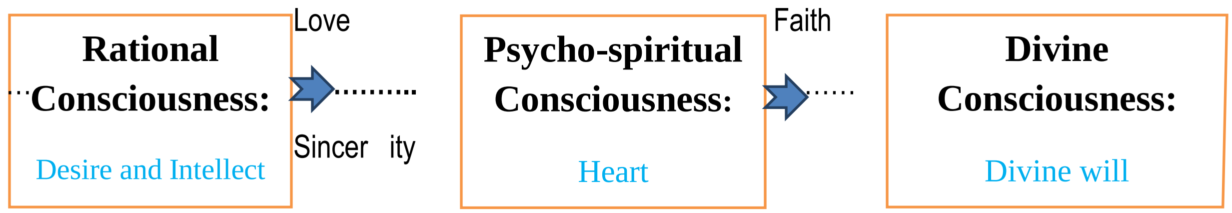
Like Pyle (2012), Thompson (2010) had earlier argued that faith is not the same as religion. According to him, it is the binding force for an increasingly fractured human society. The more economy and society changes its moral and ethical ground, the more there will be a desire to bind us back in to the old certainties. Taking a cue from Thompson's view, the reform of the codes of ethics for professional accountants must therefore incorporate faith in addition toother elements; love and sincerity as suggested by Triyuwono. This will enable themto be able to render services in an ethically compliant manner and without compromising the interest of all stakeholders.

The takeaway from the above work is that the fundamental principles upon which code of ethics for professional accountants are designed should be reformed by adding sincerity, love,faith and divine will. These elements when applied by a professional accountants in the discharge of their duties will reduce is not totally eliminate the various unethical practices and restore public confidence on the reliability of the output of any engagement by them.

Methodology

The study is primarily based on qualitative literature survey method. It further encourage in-depth analysis of the issues related to spiritual accounting as the panacea for ethical failure by professional accountants. The study is based on secondary data, which has been gathered from various sources. The methodology also assisted in providing a direction explore an area which is apparently under researched. The secondary data sources include websites, journals, newspapers, and reference books. Literature review has shown prior work done on this area and conclusions drawn from them. This paper makes an attempt to discover what is fundamentally not right with the code of ethics for professional accountants and to suggest an expansion of the fundamental principles by including *faith* as a key spiritual elements that can bring about a better behaviour by professional accountants. The model below tried to depict faith as the missing link between psycho-spiritual level and divine conscious (divine will) level.

Modelfor proposed expansion of fundamental principleunderlying the design of codes of ethics for Professional Accountants



Source: Prepared By Author on the basis of Literature Review

Conclusions

Though spirituality is not synonymous to religiosity, it can be seen from the review of existing literature that belief (faith) in a higher being is a central element that influences behaviour. According to Triyuwono (2015) Sincerity and love are required to bridge the gap between rational consciousness and psycho-spiritual consciousness. However, experience has shown that to bridge the gap between psycho-spiritual and divine conscious levels, faith is required to serve as a link between human and divine. This is contrary to the thinking of some Authors who believe that bridging the gap requires external factors like certifications acquired by a professional accountant. Being a certified ethical accountant is not a guarantee that a professional accountant will behave in an ethical manner in real life situation. To be divinely conscious is to have a holistic consciousness that is characterised by totally complying with God's will based on conscience which some authors refer to as God-Spot. A man at this level is perfect and not driven by human ego that involves desire, intellect, and heart).

To The takeaway from the above work is that the fundamental principles upon which code of ethics for professional accountants are designed should be reconstructed or reformed by adding sincerity, love,faith and divine will(conscience) to the already existing codes namely integrity,objectivity,professionalcompetence and due care,confidentiality,appropriate professional behaviour . These elements when applied by a professional accountants in the discharge of their duties is capable of reducing if not totally eliminating the various unethical practices and restore public confidence on the reliability of the output of any engagement by them.

The following recommendations are necessary for the furtherance of this subject;

- There is need for tripartite Collaboration between Professional Accounting bodies like the Institute Of Chartered Accountants Of Nigeria ICAN), Association of National Accountants of Nigeria (ANAN), Academic Institutions, and established accounting firms to drive this all important ethical reform especially in training next generation of Accountants who areoperating in divine consciousness(conscience).
- Though some researchers have worked on this subject, it is still largely underexplored. I therefore call for more work especially in designing appropriate quantitative research methodology to measure the distinction between Professional Accountants who is operating in divine consciousness and those on rational consciousness level driven by mere intellect and desire to satisfy self.

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Conference theme 18:

DEVELOPMENT IN MSMES FINANCING

AN OVERVIEW OF ENTREPRENEURIAL DEVELOPMENT IN DEVELOPING COUNTRIES: A COMPARATIVE ANALYSIS

Folorunsho M. Ajide
Department of Research and Technical, Institute of Chartered Accountants of Nigeria
Email: fmajide@ican.org.ng
&
Hamzat O. Kameel
A.Z. Opeifa& Co. (Chartered Accountants)
Email: olakameel2010@yahoo.com

Abstract

The study provides a comparative analysis of entrepreneurial development in developing countries. The study makes use of secondary data of developing countries for the period of 2005 to 2015 that are extracted from World Bank development indicators, Entrepreneurship Snapshot and Global Entrepreneurship Monitoring (GEM). Descriptive statistics such as graphs, means among others are employed to analyse the data. The results show that there is willingness on the part of individuals to venture into entrepreneurial activities and an insignificant minority of entrepreneurs is motivated by necessity. Also, the prevalence of business discontinuity is attributed to non-profitability of business ventures. The ratio of female to male entrepreneurs in developing countries is above average with one woman to every three men involved in some form of entrepreneurial activity. Government policy is the most important issue facing entrepreneurship. Employment regulation, the tax structure and the lack of a supportive environment for new businesses are identified as main impediments to entrepreneurial activity. Our analysis shows that entrepreneurial education at school stage and post school stage are insufficient across developing countries. On the part of government policies to improve and ensure friendly environment to enhance entrepreneurial development in developing countries, we document various reforms put in place by the government. On overall, the most notable improvements accrued to Kenya in Africa and Belarus, Brunei Darussalam, Kazakhstan, Indonesia in other developing countries.

Keywords: Entrepreneurship, developing countries, GEM, education

Introduction

Over the years, various attempts have been made to identify the roles of entrepreneurship in economic development. Most of the identified roles were mainly from a development perspective while others took different dimensions such as the roles of entrepreneurial processes of taking risk in growing businesses in an economy. Entrepreneurship can be seen as a development of a dynamic process that involves in breaking the equilibrium of an economy. Schumpeter (1934) ascribed the responsibility of disturbing equilibrium within the economy to the entrepreneur. By implication, development is the disturbance of the circular flow emerged through an entrepreneur, who played a fundamental role as an innovator. The entrepreneur is seen to introduce innovations in the form of new products or methods of production. It can be conveniently stated that the activity of carrying out new combinations is called ‘enterprise’; the individual whose function is to carry them out is called ‘entrepreneurs (Rocha, 2012).While Knightian entrepreneur assumes the uninsurable business hazard (Van Praag, 1999), this assertion takes a different dimension to the view of Schumpeter. Schumpeterian entrepreneur was the dynamic innovator; while that of Knightian entrepreneur was the residual uncertainty-bearer (Rocha, 2012).

From the explanation of Schumpeter, one can state that entrepreneurship is an essential ingredient for economic growth and development. This assertion is well supported because of its importance in making positive impacts on the economy of a nation and the improved quality of life of the people (Adejumo, 2001). In this respect, many have provided evidence of positive relationships between entrepreneurship and other variants of macroeconomic objectives such as economic growth; employment generation; and empowerment of the disadvantaged segment of the population, which include women and the poor (Mueller & Thomas, 2000; Oluremi& Gbenga, 2011).Development requires sustainable and shared increases in per capita income accompanied by changes in the structural composition of an economy towards higher value added goods and more efficient production methods through an economic agent called entrepreneur. Entrepreneurs can contribute to economic development by means of facilitating the efficient allocation of resources from less to more productive uses (Acs & Storey, 2004). It can also perform this, by performing ‘cost-discovery’, ‘gap-filling’, and ‘input-completing’ functions in the economy and by supporting structural change (Lewis 1954; Gries & Naudé, 2010).

The importance of every government in promoting the culture of entrepreneurship among the citizens cannot be overemphasized in an economy. It has been recognized that entrepreneurship is an ingredient of growth, policy makers are now seeking to increase the rate of entrepreneurial development in an economy which comes with various suggestions with or without scientific findings. Despite this enthusiasm to promote entrepreneurial development, it becomes very difficult to trace any scientific paper that provides a comparative analysis of the rate of entrepreneurial development in developing countries. Unlike the work of Nwankwo (2013) that provides an overview of African entrepreneurship without substantial data analysis, this present study not only gathers reliable data, but also considers other developing regions in the analysis. The related study of Chiekezie, Nzewi, Ikon and Chiekezie (2015) is limited to only Japan, South Africa and Malaysia. In this way, our contributions to the existing literature are of two folds. First, we substantiate our comparative analysis using relevant data drawn from Global Entrepreneurship Monitor and World Bank Entrepreneurship Snap short. Also, we examine the pattern and manner of entrepreneurial development by comparing what is obtainable in developing and emerging economy regions with that of developed regions.

The motivation for this study is based on the fact that a good and mindful government needs to first examine the trends and patterns of entrepreneurship taking place its domain and compare them with what is obtainable in other regions so as to know the relevant policies to be domesticated as well to know the indigenous policies to be developed within the local contexts. Entrepreneurship involves creativity, vision, willingness to accept risk and a talent for translating vision into reality. This can never take place except with adequate environmental policies formulated and well implemented that provide conducive environment to small-medium enterprises.

Entrepreneurs create small, medium and large firms; produce new products; and transform the landscape of the economy. That is why, a global consensus emerged among world leaders that entrepreneurship is a key strategy for economic growth and development. They, therefore, encourage high profile programme to encourage entrepreneurship in almost every major city, region and country as there exist a painful gap between public leaders new commitment to entrepreneurship and their regions abilities to internationally create programmes and processes that will systematically and meaningfully stimulate entrepreneurial growth. Even though that every government of a nation tries to give soft loan to entrepreneur while various macroeconomic policies are enacted to safeguard the economy, however, some of these policies normally have adverse effects. That is why a study of this nature becomes necessary for policy formulation. The rest of the next section of this paper discusses literature review, methods and approaches of the study follows by discussion of the results and conclusion ends the paper.

Literature Review

Concept of Entrepreneurship, Entrepreneurial Development and Entrepreneurial Value Creation Theory

Entrepreneurship is the willingness and ability of an individual to seek for investment opportunities, to establish and to run an enterprise successfully. The entrepreneurship spirit is a pre-requisite to an entrepreneurial society and culture. This spirit is required for the overall economic growth of any nation especially developing ones. This is in line with the view of Nwangwu (2006) that entrepreneurship is the willingness and the ability of an individual or a firm or an organization to identify an environmental change and exploit such an opportunity to produce goods and services for public consumption. Therefore, the individual that perceives this opportunity is called entrepreneur.

In economic theory, entrepreneurship is being modeled as an occupation with a choice between self-employment and wage-employment (Lucas 1978; Evans & Jovanovic 1989; Murphy, Schleifer & Vishny, 1991). Therefore, an individual can become an entrepreneur if profits and the non-pecuniary benefits from self-employment exceed wage income plus additional benefits from being in wage employment. Hence, we can say that entrepreneurship is often synonymous with self-employment. This is because self-employment is often not by choice but by necessity, a distinction is often made in between necessity and opportunity entrepreneurs (Naudè, 2013).In the neoclassical theory of the firm there is no place for the entrepreneur. In this theory, the role of firm is regarded as a “black box” that transforms inputs into outputs. The firm is modeled as a single actor, facing a series of decisions that are portrayed as uncomplicated such as: what to produce, how much of each factor to hire, and so on. These “decisions,” of course, are not really decisions at all; they are trivial mathematical calculations, implicit in the underlying data. However, in the long run, the firm may choose an optimal size and output mix, but even these are determined by the characteristics of the production function (economies of scale, scope, and sequence). In short, the firm is a set of cost curves, and the “theory of the firm” is a calculus problem. There is nothing for an entrepreneur to do (Foss & Klein, 2004). This is because the neoclassical theory assumed that there was no transaction cost. In a view to addressing the main theme of the classicists, various theories have developed. For this study, we discuss only two of theories, namely, entrepreneurial development theory and entrepreneurial Value Creation Theory.

Entrepreneurial development theory views entrepreneurship as an extension of the process of occupational choice in the individuals. This in turn is part of the individuals total striving for an adequate life adjustment, and as such supportive training and development must be given to such individuals (Rao, Wright & Mukherjee, 1990). The theory focuses on the development of entrepreneurial skills. At macro level, it involves training in opportunity awareness, relating to relevant publics, technology, market and dealing with government agencies. Entrepreneurial development can be conceived as programmes of activities to enhance the knowledge, skill, behaviour and attitudes of individual and groups to assume the role of entrepreneurs (Osemeke, 2012). It can be referred to the productive transformation of an entrepreneur, a single thread runs through all such as the ability to identify business opportunities, the ability to be able to harness the necessary resources to use opportunities identified, the ability and willingness to initiate and sustain appropriate actions towards the actualization of business objectives. It is the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. It aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generations and economic development. Entrepreneurial development focuses on the individual who wishes to start or expand a business. Furthermore, entrepreneurship development concentrates more on growth potential and innovation. Essentially this means the acquisition of skills that will enable an entrepreneur to function appropriately and adequately in terms of: attaining present result based on previous decisions and planning for the future, based on present circumstance. Maintaining and developing the organized capability which makes achievement possible, and coordinating the specialist functions that should enable a firm to perform the technical task in marketing, personnel, research and development, manufacturing, finance and control, especially in the face of changing technology and dynamic industry trend. To perform these functions, the entrepreneurial development process, procedures and skill acquisition must entrench certain skills. These include conceptual skills, human skills and technical skills, which will transform the entrepreneur into a taskmaster, mediator and motivator.

Reynolds, Hay and Camp (1999) provide a framework within which national governments can evolve a set of effective policies for enhancing entrepreneurial development. By dynamically provide government policies and programs targeted specifically at the entrepreneurial sector which have a more significant, direct impact than programs simply aimed at improving the national business context. To be effective, government programs designed to encourage and support entrepreneurial activity must be carefully coordinated and harmonized to avoid confusion and to enhance their utilization by those for whom such programs are designed. Increasing entrepreneurial activity in any country will entail raising the participation level of those outside the most active age group of 25-44 years old. For most countries, the greatest and most rapid gain in firm start-ups will be achieved by increasing the participation of women in the entrepreneurial process. Long-term, sustained enhancement of entrepreneurial activity requires a substantial commitment to and investment in education at the post-secondary level. Also, it can be stated that developing the skills and capabilities required to start a business should be integrated into specific educational and vocational training programs at all educational levels. Regardless of education level, emphasis should be placed on developing an individual's capacity to recognize and pursue new opportunities. The capacity of a society to accommodate the higher levels of income disparity associated with entrepreneurial activity is a defining feature of a strong entrepreneurial culture. Government, public policy officials and opinion leaders from all spheres have a key role to play in creating a culture that validates and promotes entrepreneurship throughout society.

The latest theory of entrepreneurship, namely the entrepreneurial value creation theory, was proposed by Mishra and Zachary (2014). The theory explains the entrepreneurial experience in its fullest form, from the entrepreneurial intention and the discovery of an entrepreneurial opportunity, to the development of the entrepreneurial competence, and the appropriation of the entrepreneurial reward. This theory provides in sufficient detail the interiors of the entrepreneurial process using a two-stage value creation framework. In the first stage of venture formulation, the entrepreneur driven by a desire for entrepreneurial reward (i.e., entrepreneurial intention) leverages the entrepreneurial resources at hand to sense an external opportunity (cue stimulus) and effectuate the entrepreneurial competence that is sufficient to move to the second stage. Several ventures fail at this stage. In the Second stage of venture monetization, the entrepreneur may acquire external resources such as venture capital or strategic alliance to effect growth. Investors face an adverse selection problem when entrepreneurial ability and venture equality are difficult to ascertain.

Entrepreneurs may use incentive signals to secure a higher valuation offer from the investors. A business model design with embedded dynamic capabilities can reconfigure the entrepreneurial competence to create sustained value and appropriate the entrepreneurial reward.

Studies on Entrepreneurial Development in Developing Countries

There are many empirical studies that scrutinize and examine that link environmental factors to entrepreneurial development (Agboli & Ukaegbu, 2006; Abimbola &Agboola, 2011). Some studies account for the role of individual traits and characteristics as factors influencing entrepreneurial development and the role of culture and environment in the development of entrepreneurship (Thornton, 1999). Wilken (1979) lays the important foundation by checking the government policies and programmes in the creation of conducive socio-economic environment for the growth of entrepreneurship. Furthermore, Rauch and Frese (2007) explain that the role of personality traits in the decision to start a business and to maintain it successfully is significant for entrepreneurial development. Their article provides a full analysis of personality traits that includes a comparison of different traits from a theoretical perspective and by analysing a full set of personality predictors for both start-up activities as well as success. Theoretically, their article adds to the literature by matching traits to the tasks of entrepreneurs. They also empirically prove that the traits matched to entrepreneurship significantly correlated with entrepreneurial behaviour (business creation, business success) including need for achievement, generalized self-efficacy, innovativeness, stress tolerance, need for autonomy, and proactive personality. Spring (2009) states that entry requirements of education, capital, business networks, limited access to capital, market niches, and product innovation hinders upward entrepreneurial development.

Furthering space of entrepreneur research in African countries, Nwankwo (2013) provides an overview of the different key factors that are influencing and influenced by the entrepreneurship environment in Africa. He documents that the most profound and encouraging change in African economies over the past decade has been the rapid advancement towards integration into the global economy. Many of the countries have undertaken significant economic reforms; improving macroeconomic management, instigating conducive private investment climate, liberalizing markets and widening the space for entrepreneurship to drive strong and inclusive growth. However, the major problems for the foreign entrepreneurs in Africa is the understanding the nature of problems, challenges and opportunities in Africa. Chiekezie et al (2015) document that hard work, discipline and initiative are highly essential for entrepreneurship development.

The Russian study of Nazarov, Butryumova and Sidorov (2015) identified some typical features for technology entrepreneurial development in the region. These features include the intellectual property; inviolable principle is to minimize external financing; company development strategy, core competencies and the strategy in outsourcing non-core activities. Matejun (2016) provides empirically how technology entrepreneurship can help in transforming into a new product and service. According to this author, technology entrepreneurship is a concept of transforming research and potential of scientific institutions into new products and services, which significantly increases benefits to consumers and results in a faster economy growth in the future. By ensuring effective and synergistic relations where science meets economy (considering the wider effect of the so-called business environment), technology entrepreneurship focuses on implementing innovative solutions and ensuring their market success, as well as on using their applications and distributing their effects in the business environment (Flaszewska, & Lachiewicz, 2013). In this case, the paper identifies and evaluates the role of technology entrepreneurship in the development of innovativeness of small and medium-sized enterprises using a survey performed among a random sample of 300 SME sector companies in the łódzkie province.

Method And Approach

This study aims at providing the overview of entrepreneurial development in developing countries. The study makes use of secondary data of developing countries for the period of 2005 to 2015 which were extracted from World Bank development indicators, Entrepreneurship Snapshot and Global Entrepreneurship Monitoring (GEM).Descriptive statistic is adopted for the study which includes line graphs, diagrams, means among others. For discussion, we adopt regional analysis in some cases while selected countries are also specifically mentioned. The discussion is organized under the following headings: new firms' creation, environment factors, perception and societal value of entrepreneurship, and government policies in developing countries to enhance entrepreneurial development.

Data analysis and discussion of results

New firms' creation (Entrepreneurship) and its distribution across regions

Entrepreneurship means any attempt concerning new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business. New firm entry density is the new registration of firms normalized by the working population. Tables 1 and Table 2 show that nearly all regions experience a sharp increase in firm creation with maximum of 45.2 in Europe and Central Asia region on an average of 6.4.

In Africa, we have an average of 1.74 per working population with a maximum of 13.1; this is far below that of Europe and Central Asia region during the period of 2012-2014. Meanwhile, this seems to be an improvement over the period of 2000-2008. The decline in business entry varies greatly across region with many factors at hands. The main reasons for such variations include policy-orientation and implementation.

Table 1: Firm Entry Density by Region (2012-2014)

	Europe & Central Asia		*Middle East & North Africa*		*Latin America & Caribbean*		*Sub-Saharan Africa*		*East Asia & Pacific*		*South Asia*	
	Entry density	New Bus. Reg.	Entry density	New Bus. Reg.	Entry density	New Bus. Reg.	Entry density	New Bus. Reg.	Entry density	New Bus. Reg.	Entry density	New Bus. Reg.
Mean	6.2	28296	2.63	9181.7	14.1	76447	1.74	11941.86	6.87	27722.07	0.75	16769.25
Max	45.2	42738	17.2	34658	0.06	70	13.1	71941	39.7	167280	4.39	98029

Source: World Bank (2015)

Table2: Average Business Density(ABD), Average Entry Density Rate(AED), Average Entry Rate(AER)

Region (2000-2008)	ABD	AED	AER
Africa& Middle East	0.74	0.05	8.1
Asia	1.24	0.06	6.6
Eastern Europe& Central Asia	2.42	0.24	8.6
Laitin America& Caribbean	1.54	0.18	7.7
Developing	1.49	0.13	8
Industrialized	5.48	0.58	10.5

Source: World Data Group Entrepreneurship Database(2008)

Tables 3, 4 and 5 show the type of entrepreneurship practiced across region such as nascent entrepreneurship rate, new business ownership rate, early stage entrepreneurial activity, entrepreneurial employee activity (EEA), established business ownership rate and discontinuation of business.

Table 3 shows that Total Early-stage entrepreneurship (TEA) is high for factor-driven countries followed by efficiency-driven countries when compared with developed countries (Innovation-Driven economies). Necessity-driven entrepreneurship rate is high in efficiency-driven countries while opportunity-driven entrepreneurship is higher in developed countries. Factor-driven countries and efficiency-driven countries are developing countries whose economic changes result in greater productivity and rising per capita incomes, and they often coincide with migration of labor across different economic sectors in society, for example from primary and extractive sectors to the manufacturing sector, and eventually, services (Gries& Naude, 2008). Factor-driven countries typically have a large agricultural sector, which provides subsistence for the majority of the population who mostly still live in the countryside. Meanwhile, efficiency-driven countries are scale-intensive economies.

Nascent entrepreneurship rate is the percentage of the adult population that has started a business that is less than 4 months old and that has not paid salaries or wages. New business ownership rate is the percent of adult population that have started a business that is between 4 and 42 months old and is paying salaries. Total early stage entrepreneurial activity is the percentage of adult population who are in the process of starting a business or who have just started a business which is less than 42 months old while entrepreneurial employee activity is the percentage of adult population who as employees have been involved in entrepreneurial activities, such as developing or launching new goods or services, or setting up new business unit, or new establishment or subsidiary. Established business ownership rate is the percentage of the adult population who currently an owner-manager of an established business (Global Entrepreneurship Monitor, GEM, 2015).

Table 3: Average Entrepreneurship and Motivation (2005-2009)

	Factor-Driven Economics	*Efficiency-Driven Economies*	*Innovation-Driven Economies*
Nascent Entrepreneurial Rate	9.9	6.1	3.4
New business ownership rate	8.3	5.3	3.1
Total Early Stage Entrepreneurial Activity TEA	17.7	11.2	6.3
Established business ownership	8.9	7.9	6.8
Discontinuation of business rate	6.9	4.9	2.5
Necessity-Driven rate	29	32	17
Improvement –Driven opportunity	44	41	56

Source: GEM, various years

Table 4 : Total Early Stage Entrepreneurial Activities (TEA) (Figure in %) (2010-2014)

	SSA & Asia	*Latin America ,East Asia & MENA*	*Europe & America*
Nascent entrepreneurship	12.40	8.15	5.30
New business ownership	11.72	6.24	3.40
Early stage entrepreneurship	23.26	14.04	8.54
Established business ownership	12.71	8.52	6.74
Discontinuation	10.98	4.49	2.65

Source: GEM, various years

In Africa, Tables 4 and 5 show that the average Total early stage entrepreneurial activity (TEA) is high within the year 2010-2014 when compared to other regions. Table 4 shows that TEA is about 17.6% and 19.8% in 2016 and 2015 respectively with a shape decrease by 2.2% from 2015. In this region, early stage entrepreneurial activity is highly practiced followed by nascent entrepreneurship, established business ownership and the rate of discontinuation of business is about 12.7% in 2016 which increases by 4.4% when compare with the rate in year 2015. Table 5 and 5 further show that the discontinuation rate is very high in African region compared to other regions. Latin America& Caribbean region maintains high total early stage of entrepreneurial activities after African region while European region maintains the lowest rate on total early stage of entrepreneurship.

Following the above analysis, it can be concluded that the importance of entrepreneurship as an ingredient of growth cannot be overemphasized. African region continues to encourage entrepreneurial activities as early as possible within the region for possible catch up with other regions in the world. For instance, it is quite convincing that historically, African countries have been currently experiencing huge changes. The growth in the gross domestic product (GDP) per capita is one of the highest in the world, which starts from a very low base. The African economies underwent one of the longest uninterrupted episodes of high growth (above 6% on average) ever experienced on the continent during the 2000s.High poverty and unacceptable levels of unemployment are prevalent in most African countries and some of these problems may be addressed through entrepreneurial activity. While entrepreneurship may not be a panacea, it can most certainly form part of the solution (GEM, 2012).

Apart from this, Table 6 further breaks down the motivation for entrepreneurship in all regions into (1) necessity-driven, (2) opportunity-driven (3) improvement-driven and further gives us the motivational index for each region. Table 6 shows that various motivations can drive TEA. In SSA, Opportunity-driven is almost the same with Latin America the same applies to necessity-driven TEA. The highest opportunity-driven is recorded for Europe and America within the year 2010-2014.

This study further seeks to answer question on why the level of entrepreneurial activities varies across region. To answer this, Table 7 shows the driven-factors for entrepreneurship among the people. From Table 7, opportunity is the most driven factor for entrepreneurship in Africa followed by improvement-driven opportunity. Opportunity refers to both the existence and perception of market opportunities available for exploitation. Capacity refers to the motivation of individuals to start new firms and the extent to which individuals have the skills required to pursue entrepreneurial initiatives. However, the African motivational index is the lowest among the regions which are 1.6 and 1.4 for year 2015 and 2016 respectively. It should be noted that motivational index is the ratio between improvement-driven opportunity TEA and necessity driven TEA. While across the regions, opportunity is equally the most motivated factor for entrepreneurial activities with 83.7% for European countries which is the highest. Looking at the necessity-driven factor, it can be concluded that African region maintains the highest necessity-driven factor across the region. The reason for this could be because of the high rate of poverty and unemployment in the region follow by Latin American and Caribbean countries. The lowest is recorded in Europe (12.9% for year 2016; 22.4% for year 2015). The motivational index is very high for Europe. This means that people engage in entrepreneurial activities whenever they discover an opportunity to do so.

In term of gender distribution of TEA between years 2015-2016, Table 8 shows the percentage of male and female distribution of TEA by region. In Africa, most males are being driven by opportunity in order to engage in entrepreneurial activities as depicted in Table 8 with71.8% (for year, 2015) and 69.3% (for year, 2016). Also, most female counterparts are being driven by opportunity as well, but the percentage is below the male counterparts with a little difference of about 10% (for year, 2015) and about 4% (for year, 2016). In term of necessity entrepreneurship, the percentage of female outweighs that of male counterpart. Similar features are observed for other regions especially in Asia & Oceania; Latin American & Caribbean countries. Table 8 also shows that male participation in entrepreneurial activities (% of male TEA) is more than that of female entrepreneurship (% of female TEA). This observation is similar in all regions.

Table 10 shows the Age distribution of Total early stage entrepreneurial activities (TEA) across regions. The percentage of age group that actively engaged in TEA is between 25-34 years of age in Africa, Asia & Oceania, Latin America & Caribbean, Europe and North America. The second age group shares higher percentage is between 35-44 years. While across the regions, between 18-24 years age group maintains the lowest percentage.

Table 11 shows the industrial distribution of entrepreneurial activities across the regions. Highest concentration of entrepreneurial activities is maintained in wholesale/retail sector in all regions in the world ranging from 27% to 50.9%. This is because it requires flexibilities and less capital requirement. The lowest percentage entrepreneurial activities are recorded in consumer services sector while the North America recorded the lowest rate in the agricultural sector.

Perception and societal value of entrepreneurship

Social value serves as a determining factor of individuals to venture into entrepreneurial activities, as literature confirms. Social values can give an idea of what most people consider starting a new business a desirable career choice. It can also describe the ways individuals who are successful at starting a new business enjoy a high level of status and respect in the society. It can also be used to confirm media attention to entrepreneurship by promoting successful ventures. Therefore, the study provides an overview of self-perception towards entrepreneurship and societal value given to an entrepreneur in the society as reported in Table 12, 13, 14 and 15. A larger percentage of people ranging from 57% to77% regard entrepreneurship as a good career choice and high status is given as such within the range of 63% to 77% across region. Meanwhile, African region cherish people that engage in entrepreneurial activities much better than other regions.

Table 12 and 13 show the individual attributes towards entrepreneurship. Perceived opportunities reflect the percentage of individuals who believe there is occasion to start a venture in the next six months in their immediate environment. Perceived capabilities reflect the percentage of individuals who believe they have the required skills, knowledge and experience to start a new venture. The measure of fear of failure (when it comes to starting own venture) *only* applies to those who perceive opportunities.

Entrepreneurial intentions are defined by the percentage of individuals who expect to start a business within the next three years (those already entrepreneurially active are excluded from this measure).Table 15 also shows that individuals ‘entrepreneurial intention is very high in Africa compared to other geographical regions. About 39.3% (2015) and 41.6% (2016) have entrepreneurial intentions in Africa while the lowest is recorded in North America with about 12.9% (2016). In addition, perceived capability is very high in Latin America & Caribbean (62.6%) while the least is recorded for Asia & Oceania.

Environmental factors

Entrepreneurial development normally takes place within a framework of forces that are called environmental factors. These factors could be either external or internal. External factors are uncontrollable by the entrepreneur while internal factors are controllable. A critical issue in the entrepreneurial development and growth is firms' ability to adapt to its strategies to a rapidly changing system environment to which the entrepreneurs' role is critical to the success or failure of such firm within such environment. For the entrepreneur to be successful, he must be able to identify and find a useful niche within the large environment where it takes its risk, make strategic business plan and take/implement decisions. The various institutions and forces which determine the success or failure of the entrepreneur is its habitat also referred to as its eco-system or critical factors affecting the entrepreneurship which is equally dependent on the stability of the environment within which he operates. The stability of environment exists in various degrees. For entrepreneurial development to survive in this varying degree depends on strategic management of the environment (Gerber, 2002).

In this regard, the study is limited to the under listed interrelated macro external environmental forces which impact seriously on entrepreneurial development in developing countries. These are General environmental forces that do not directly touch on the short-run activities of the organization but that can, and often do influence its long-run decision: These external factors are: (i) demographic forces, (ii) economic conditions (iii) social and cultural forces, (iv) political and legal forces, (v) technological innovations. The entrepreneur should understand that both the social (External) and task environment must be monitored to detect the strategic factors that are likely to have strong impacts on corporate success or failure. We present Tables 16 and 17 show the environmental factors and other factors that affect entrepreneurial activity negatively and positively in geographical regions. Table 16 breaks these factors into: finance, government policies towards entrepreneurship programmes such as entrepreneurial education, commercial and legal infrastructure. It also includes market dynamics, physical infrastructure, cultures and social factors.

From the Table, it can be seen that there are insufficient research and development transfer and insufficient entrepreneurial education at school level in Africa and Latin America as reported for year 2015 and 2016 while other factors remain moderate (neither sufficient nor insufficient). In Asia, all the frame work seems to be moderate. Infrastructures remain the major bedrock of entrepreneurship in Europe and North America as demonstrated in Table 16 while it remains moderate in other regions.

The averages included in Table 16 shows some patterns among country-groups. For example, entrepreneurship education at basic levels (primary and secondary school) is rated rather unfavorably in most economies—only a few of them (especially developed region such as North America) stand out. This information is very important for policymakers, as this score shows the extent to which primary and secondary education encourages creativity, self-sufficiency, and personal initiative, provides adequate instruction on entrepreneurial development. Other factors or pre-conditions for entrepreneurship that have relatively low evaluations across regions are national policies related to regulation and R&D transfer.

In contrast, physical infrastructure (roads, utilities, communications, water disposal) tends to obtain the highest evaluations in experts' ratings, with averages close to 6.5 or over 6.5 in all regions except Africa (whose score is still at a much lower level than in other parts of the world). This was granted outstanding evaluations in the North America, Europe and part of Asian countries.

We further seek for why people discontinue businesses across regions as seen in Table 17. The most common reason for discontinuity is because of the unprofitability of business. It shares the largest percentage across the regions followed by personal reasons. The least common reason is retirement. It is about 0.4% (2016) in Africa while in Asia is about 2.9% (2016).

Government policies and reforms in developing countries

In order to enhance the development of entrepreneurial spirits, various governments in developing countries have formulated and introduced various policies to make it easy for business establishment to survive in their regions or countries. They reduce regulatory complexity, cost and strengthen their institutions to further accommodate early entrepreneurial start up. For instance, Benin eliminated the need to notarize company bylaws. Equatorial Guinea made the process of starting a business easier by eliminating the need to obtain a copy of the business founders' criminal records. Ireland made starting a business easier by removing the requirement for a founder to swear before a commissioner of oaths when incorporating a company. Thailand made starting a business easier by creating a single window for registration payment. It has been documented by work Bank (2016) that countries in Middle East & North Africa have the highest reforms in the areas of starting a business. It can be seen that about 49 reforms have been attributed to this regions. The next region with reforms is Europe & Central Asian countries. Their reforms are in the areas of dealing with constructions, getting electricity, registering property, paying tax, enforcing contract and protecting minority interest. East Asia &Pacific region also follows suite, their reforms include getting credits. Sub-Saharan Africa reforms the doing business in the areas of resolving insolvency between business partners while South Asian countries reforms are in the areas of trading across borders.

Conclusions

This study provides overviews of entrepreneurial development across regions with emphasis on developing countries. Despite similarities in the level of entrepreneurial activity, the climate for entrepreneurship is quite different from country to country and region to region. Also, a brief review of the state of entrepreneurship for most of the developing countries in the world using regional analysis was presented. An overview of new firms' creation, environmental factors, perception, societal value of entrepreneurship, and government policies in developing countries in order to enhance entrepreneurial development were presented. The key issues challenging the effort to build entrepreneurial activities in each region are discussed. On overall, the level of entrepreneurial activity is just above the average for all regions and is slightly higher in 2016 than in 2015. An insignificant minority (ranging from 12 percent to 30 percent) of entrepreneurs is motivated by necessity — meaning that the highest proportions are motivated by opportunity perceived in the entrepreneurial process in developing countries. The prevalence of business discontinuity is attributed to non-profitability of business ventures since the larger percentage ranging from 20% to 42% are reported in each region. The ratio of female to male entrepreneurs in developing countries is above average with just one woman to every three men involved in some form of entrepreneurial activities. Government policy is the most important issue facing entrepreneurship. Employment regulation, the tax structure and the lack of a supportive environment for new businesses are all identified as main impediments to entrepreneurial activity. Government policies toward entrepreneurship should reduce the high level of tax evasion and lower the tax, legal and administrative burden on start-ups. Financing remains a major obstacle. This includes a shortage of risk capital available for new ventures, its high cost and the lack of expertise of entrepreneurs in raising external capital and of investors in evaluating new ventures.

In Africa and other developing countries, there is concern about a decline in the quality of education generally and about the lack of skills needed to turn an idea into a viable business in particular. This analysis shows that entrepreneurial education at school stage and post school stage is insufficient (the scores range from 2.2 to4.8, on a scale of 9) across regions. Education is considered important in developing these skills, particularly through specialized skills training, celebration of positive role models and involving more successful entrepreneurs in mentoring. Government awareness of the importance of entrepreneurship has to be increased dramatically. Education and training specifically related to entrepreneurship is critical. Substantial change is required throughout the education system to improve understanding of entrepreneurship and to inspire and guide future entrepreneurs. There are a number of private initiatives in this direction, at the high school and university level, in response to growing interest among younger people in starting their own businesses.

The following conclusions could be drawn:

- Across developing countries around the world, high proportion of the adult population believes that entrepreneurs are given regards and enjoy high status within their societies. This reveals positive attitudes towards entrepreneurship in the societies in developing countries.
- In developing countries, adults see good opportunities for starting a business in their societies as opposed to necessity-driven entrepreneurship, with very little difference across developing countries with regard to opportunity perception.
- Entrepreneurial activity rates of development tend to be highest in the developing countries when compared to developed ones. At a regional level, the development rates are highest in Latin America and the Caribbean and in Africa.
- In terms of gender participation in entrepreneurship, African countries have the highest average female participation rates, as well as the highest rate relative to men. In general, we document in developing countries; eight women were engaged in early-stage entrepreneurship for every ten male entrepreneurs.
- On the part of government policies to improve and ensure friendly environment to enhance entrepreneurial development in developing countries, various reforms need to be put in place by the government.

There are a number of policy implications and recommendations that can be drawn from our discussion. First, to achieve sustainable economic growth, it is crucial to improve the level of research and development; qualified educational system, sound economic policies are important determinants in attracting entrepreneurships and increase economic growth. The decision makers need to improve and increase the budget allocation to research and development that is channeled to increase technological development. Also, we need note that finance plays a vital role in improving and strengthening the positive relationship between entrepreneurship and economic growth; decision makers need to ensure that adequate funds are put in place for entrepreneurial development. Financial support programmes and grants are needed to support firms to develop new products and innovate.

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Table : 5

Types of Entrepreneurial Activities by Region(Figures in %)

	Africa			Asia& Oceania			Latin America& Caribbean			Europe			North America		
	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)
Nascent Entrepreneurship rate	10.5	12.5	-2	5.1	6	-0.9	11.8	12.9	-1.1	5.2	4.8	0.4	9.5	9	0.5
New business Ownership rate	7.7	7.9	-0.2	6.1	7.4	-1.3	7.4	7.5	-0.1	3.4	3.1	0.3	5.5	4.8	0.7
Total Early Stage Entrepreneurial Activity(TEA)	17.6	19.8	-2.2	11	13.1	-2.1	18.8	19.9	-1.1	8.4	7.8	0.6	14.7	13.3	1.4
Entrepreneurial Employee Activity	1	1.1	-0.1	3	2.3	0.7	2.4	1.8	0.6	4.4	4.5	-0.1	6.5	7	-0.5
Established Business Owership rate	11.9	10.1	1.8	8.3	10.4	-2.1	8.4	8.3	0.1	6.9	6.6	0.3	8	8.1	-0.1
Discontinuation of Business(% of TEA)	12.7	8.3	4.4	12.7	4.6	8.1	9.6	5.7	3.9	6.8	2.6	4.2	12	4.3	7.7

source: GEM(2016, 2015)

Table 6: Percentage of Entrepreneurial Motivation for TEA by Region (2010-2014)

	SSA &Asia	*Latin America& East Asia*	*Europe& America*
Early –Stage Entrepreneurial Activity(TEA)	23.26	14.04	8.54
Necessity-driven(%TEA)	28.16	27.25	17.96
Opportunity-Driven(% TEA)	69.27	69.75	77.75
Improvement-Driven Opportunity(% of TEA)	47.03	45.08	54.91
Motivational index	1.67	1.65	3.06

Source: GEM, various years

Table 7 : **Percentage of Entrepreneurial Motivation for TEA by Region**

	Africa			Asia& Oceania			Latin America& Caribbean			Europe		
	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)
Total Early Stage Entrepreneurial Activity(TEA)	17.6	19.8	-2.2	11	13.1	-2.1	18.8	19.9	-1.1	14.7	7.8	6.9
Necessity-Driven (% of TEA)	28.9	30.2	-1.3	23.6	22.5	1.1	26.4	29.6	-3.2	12.9	22.4	-9.5
Opportunity-Driven(% of TEA)	67.5	67.7	-0.2	73	75.7	-2.7	70.9	68.2	2.7	83.7	73.7	10
Improvement-Driven Opportunity(% of TEA)	39.4	44.4	-5	48.6	50.5	-1.9	49	49.3	-0.3	61.1	47.5	13.6
Motivational Index	1.4	1.6	-0.2	2.6	2.6	0	2.5	1.9	0.6	4.9	2.8	2.1

source: GEM(2016, 2015)

Table 8: Gender Distribution of TEA by Region (Figure in %) (2010-2014)

	Africa	*Asia& Oceania*	*Latin America &Caribbean*	*Europe*	*Non-European Union*	*North America*
Male TEA	27.56	14.38	19.25	10.21	7.25	16.38
Female TEA	24.50	11.35	16.11	5.45	4.82	10.56
Male TEA Opportunity	75.39	76.22	78.10	75.29	66.93	81.98
Female TEA Opportunity	66.39	73.64	69.90	69.91	57.59	74.29
Male TEA Necessity	21.73	21.73	18.98	21.32	27.48	12.44
Female TEA Necessity	30.96	24.67	27.04	25.47	33.35	17.83

Source: GEM, various years

Table 9: **Gender Distribution of TEA by Region(Figures in %)**

	Africa			Asia& Oceania			Latin America& Caribbean			Europe			North America		
	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)
Male TEA(% of adult male population)	20.4	22.7	-2.3	13.3	14.8	-1.5	20.7	22.1	-1.4	10.7	10.1	0.6	17.6	15.3	2.3
Female TEA(% of adult female population)	14.9	17	-2.1	8.7	11.7	-3	17	17.8	-0.8	6.1	5.4	0.7	11.9	11.3	0.6
Male TEA Opportunity(% of TEA males)	69.3	71.8	-2.5	72.8	77.5	-4.7	74.2	72.6	1.6	77.6	74.8	2.8	83.4	81.8	1.6
Female TEA Opportunity(% of TEA females)	65.9	61.6	4.3	73.3	74.2	-0.9	67	62.9	4.1	72.9	72.1	0.8	84.2	80.9	3.3
Male TEA Necessity(% of TEA male)	27.1	25.8	1.3	23.6	20.8	2.8	22.8	25.3	-2.5	19.2	21.5	-2.3	12.7	13.8	-1.1
Female TEA Necessity (% of TEA females)	30.1	36.8	-6.7	23.9	23.9	0	30.7	34.9	-4.2	23.8	23.7	0.1	13.1	14.4	-1.3

source: GEM(2016, 2015)

Table 10 : **Age Distribution of TEA by Region(Figures in %)**

	Africa			**Asia& Oceania**			**Latin America& Caribbean**			**Europe**			**North America**		
Age Group	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**
18-24 years	**16.3**	**15**	**1.3**	**8.5**	**10.4**		**15.7**	**17**	**-1.3**	**8.2**	**6.9**	**1.3**	**12.7**	**14.2**	**-1.5**
25-34 years	**20.8**	**24**	**-3.2**	**13.6**	**15.6**		**22.4**	**24**	**-1.6**	**11.3**	**10.4**	**0.9**	**19**	**15.2**	**3.8**
35-44 years	**18.9**	**22.6**	**-3.7**	**12.5**	**15.1**		**22.2**	**22.6**	**-0.4**	**9.7**	**9.5**	**0.2**	**18.1**	**16.3**	**1.8**
45-54 years	**15.6**	**19.9**	**-4.3**	**10.5**	**12.7**		**17.6**	**19**	**-1.4**	**7.6**	**7.1**	**0.5**	**14**	**12.5**	**1.5**
55-64 years	**11.4**	**14.5**	**-3.1**	**7.5**	**9.9**		**12.8**	**13.1**	**-0.3**	**4.8**	**4.2**	**0.6**	**9**	**8.4**	**0.6**

source: GEM(2016, 2015)

Table 11 : **Industrial Distribution of TEA by Region(Figures in %)**

	Africa			**Asia& Oceania**			**Latin America& Caribbean**			**Europe**			**North America**		
Industrial Distribution	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**
Agric	**12.9**	**13.9**	**-1**	**5.8**	**7.9**	**-2.1**	**3.8**	**3.3**	**0.5**	**6.4**	**7.8**	**-1.4**	**2.9**	**2.5**	**0.4**
Mining	**4.9**	**6.3**	**-1.4**	**4.5**	**3.8**	**0.7**	**3.6**	**4.6**	**-1**	**7.5**	**7.5**	**0**	**7.5**	**8.3**	**-0.8**
Manufacturing	**12**	**9.2**	**2.8**	**7**	**7.2**	**-0.2**	**8.7**	**9.4**	**-0.7**	**8.2**	**8.2**	**0**	**5**	**6.1**	**-1.1**
Transport	**4.3**	**3.4**	**0.9**	**2.8**	**2.2**	**0.6**	**3**	**3.6**	**-0.6**	**3.8**	**3.2**	**0.6**	**4.1**	**2.3**	**1.8**
Wholesale/Retail	**50.9**	**50**	**0.9**	**53.8**	**54.9**	**-1.1**	**57.6**	**54.6**	**3**	**28**	**2.6**	**25.4**	**27**	**25.8**	**1.2**
ICT	**1**	**1.2**	**-0.2**	**2.9**	**2.1**	**0.8**	**2.3**	**1.9**	**0.4**	**5.6**	**6.2**	**-0.6**	**9.1**	**5.7**	**3.4**
Finance	**1.3**	**0.9**	**0.4**	**3.1**	**2.5**	**0.6**	**1.4**	**1.2**	**0.2**	**4.1**	**3.2**	**0.9**	**5.7**	**5.7**	**0**
Prof. Services	**1.9**	**2.1**	**-0.2**	**4.7**	**4.5**	**0.2**	**3.5**	**4.7**	**-1.2**	**11**	**11.8**	**-0.8**	**11.6**	**13.7**	**-2.1**
Admin. Serv	**2.4**	**2.1**	**0.3**	**3.4**	**2.3**	**1.1**	**3.3**	**2.9**	**0.4**	**4.7**	**4.7**	**0**	**5.9**	**3.6**	**2.3**
Health, Edu, Govt etc	**8.4**	**9.5**	**-1.1**	**10.4**	**11.9**	**-1.5**	**10.6**	**11.4**	**-0.8**	**16.5**	**17.3**	**-0.8**	**15.3**	**21**	**-5.7**
Consumer services	**1**	**1.4**	**-0.4**	**1.7**	**0.8**	**0.9**	**2.3**	2.4	**-0.1**	**4.2**	3.6	**0.6**	**6.1**	4.4	**1.7**

source: GEM(2016, 2015)

Table 12: Societal value of Entrepreneurship by Region (Figure in %) (2010-2014)

	SSA & Asia	*Latin America ,East Asia & MENA*	*Europe & America*
Career choice	67.78	68.05	55.07
High status	76.08	66.09	68.22
Media attention	72.28	63.82	60.32

Source: GEM, various years

Table 13:	Societal values of Entrepreneurship by Region(Figures in %)														
	Africa			Asia& Oceania			Latin America& Caribbean			Europe			North America		
	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)	2016	2015	diff(+/-)
Career choice	**74.6**	**70.6**	**4**	**65.2**	**61.9**	**3.3**	63.7	**64.1**	-0.4	57.2	55.9	1.3	64.6	N/A	N/A
High status	76.7	72.2	**4.5**	72.7	70.5	**2.2**	63.2	64.6	-1.4	66.1	66	0.1	74	N/A	N/A
Media attention	64.9	62.8	**2.1**	**68.3**	69.2	**-0.9**	**61**	64	-3	**54.5**	55.1	-0.6	72.5	N/A	N/A

source: GEM(2016, 2015)

Table 14: Self-perceived Entrepreneurship by Region (Figure in %) (2010-2014)

	SSA & Asia	*Latin America ,East Asia & MENA*	*Europe & America*
Perceived opportunities	54.63	42.39	38.85
Perceived capabilities	64.70	54.89	42.02
Fear of failure	31.42	31.65	37.79
Entrepreneurial intention	40.19	22.77	12.34

Source: GEM, various years

Table 15 :	**Self-perceived entrepreneurial opportunities, capabilities, fear of failure and intentions by region***														
	Africa			**Asia& Oceania**			**Latin America& Caribbean**			**Europe**			**North America**		
	2016	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**
percieved opportunities	**51.8**	**52.1**	**-0.3**	**42.8**	**41.6**	**1.2**	**46.2**	**47.2**	**-1**	**36.2**	**36.7**	**-0.5**	**58.1**	**49.9**	**8.2**
Perceived capabilities	**58.8**	**63.6**	**-4.8**	**47.1**	**46.9**	**0.2**	**62.6**	**60.4**	**2.2**	**43.5**	**43.1**	**0.4**	**54.6**	**53.1**	**1.5**
Fear of failure	**26.5**	**27.2**	**-0.7**	**39.1**	**41.5**	**-2.4**	**27.5**	**27.8**	**-0.3**	**40.1**	**39.1**	**1**	**36.2**	**34.4**	**1.8**
Entrepreneurial intention	**41.6**	**39.3**	**2.3**	**24.3**	**21.6**	**2.7**	**31.9**	**29.9**	**2**	**11.9**	**12.8**	**-0.9**	**12.9**	**12**	**0.9**

source: GEM(2016, 2015) *(Figures in %)

Table : 16 **Entreprenuerial Framework Condition (score, 1=highly insufficient, 9= highly sufficient)**

	Africa			Asia& Oceania			Latin America& Caribbean			Europe			North America		
Conditions	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**
Entrepreneurial Finance	3.6	3.8	-0.2	4.6	4.6	0	3.4	3.4	0	4.4	4.4	0	4.2	5.3	-1.1
Govt policies: Support &relevance	4.4	3.9	0.5	4.7	4.6	0.1	3.8	3.7	0.1	4	4.2	-0.2	4.2	4.5	-0.3
Govt policies: taxes& bureaucracy	4.1	3.7	0.4	4.3	4	0.3	3.3	3.3	0	4	4	0	4	4.9	-0.9
Govt entrepreneurship programs	4	3.8	0.2	4.4	4.1	0.3	4	4.1	-0.1	4.5	4.5	0	4.3	4.5	-0.2
Entrep. education at school	2.2	2.4	-0.2	3.4	3.4	0	2.7	2.5	0.2	3.3	3.5	-0.2	3.1	3.8	-0.7
Entrep. education at post school	4.1	4	0.1	4.6	4.7	-0.1	4.8	4.8	0	4.6	4.6	0	4.6	4.8	-0.2
R&D Transfer	2.9	3.1	-0.2	4	4.1	-0.1	3.4	3.4	0	4.1	4.1	0	3.9	4.2	-0.3
Commercial& legal infrastructure	4.8	4.9	-0.1	4.8	4.7	0.1	4.5	4.5	0	5.2	5.3	-0.1	4.9	5.9	-1
Internal market dynamics	4.5	4.7	-0.2	5.5	5.9	-0.4	4.4	4.2	0.2	4.9	4.9	0	4.9	4.7	0.2
Entry regulations	3.7	3.7	0	4.2	4.1	0.1	3.9	3.8	0.1	4.5	4.5	0	4.2	4.6	-0.4
Physical infrastructures	6.2	5.9	0.3	6.5	6.3	0.2	6.2	6.2	0	6.8	6.4	0.4	6.5	7	-0.5
cultural and social norms	4.2	4.1	0.1	5.2	5.3	-0.1	4.9	4.7	0.2	4.3	4.4	-0.1	4.7	6.4	-1.7

source: GEM(2016, 2015)

Table 17: **Types of Reasons for Discontinuity by Region(Figures in %)**

	Africa			Asia& Oceania			Latin America& Caribbean			Europe			North America		
	2016	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**	**2016**	**2015**	**diff(+/-)**
Sold the business	1.6	3.4	-1.8	9.3	3.1	6.2	5.7	5.3	0.4	4.8	3.9	0.9	14.7	8.7	6
unprofitable	41	34.8	6.2	35.6	33	2.6	40.9	34	6.9	33.1	33.7	-0.6	20.2	25.2	-5
problems with finance	17.2	20.1	-2.9	12.2	16.3	-4.1	12.8	13	-0.2	10.7	10.1	0.6	8.6	4.3	4.3
Another Opportunity	7.7	7.9	-0.2	10.7	12.9	-2.2	8.3	10.2	-1.9	12	11.4	0.6	13.5	14.3	-0.8
Exit	4.1	3.3	0.8	2.9	3.9	-1	3	2.8	0.2	5.4	4.2	1.2	3.6	5.3	-1.7
Retirement	0.4	1.6	-1.2	3.5	3.6	-0.1	1	0.6	0.4	6	5.2	0.8	7.9	3.7	4.2
Personal Reason	17.8	20.6	-2.8	18	21.1	-3.1	20	22.7	-2.7	16.7	17.9	-1.2	18.5	26.5	-8
Incident	5.3	5.5	-0.2	3.9	3.2	0.7	2.1	2.5	-0.4	2.5	2.6	-0.1	3.2	3.9	-0.7
Bureacracy	4.7	2.7	2	2.9	2.2	0.7	5.7	7.8	-2.1	8.7	11	-2.3	10.2	8.2	2

source: GEM(2016, 2015)