Testing Market Microstructure Model in Nigeria

KASIMU Abudu

Lecturer, Department of Banking and Finance, University of Benin, Benin City, Edo State, Nigeria

OSAYI Valentine Igbinedion

Lecturer, Department of Banking and Finance, Federal University, Wukari, Taraba State, Nigeria

Correspondence: Osayi@fuwukari.edu.ng

ABSTRACT

Market microstructure is the area of finance that studies the process by which investors' latent demands are ultimately translated into prices and volumes. It focuses on how prices are formed, i.e., the dynamic process by which prices come to impound information (price formation and price discovery). Using data from the Nigerian capital market from 1992 to 2016 with the aid of cross sectional regression analysis focusing on statistical significance and autocorrelation, the study investigates price formation and price discovery with focus on the bid – ask spread of the returns for UBA as a return data for the market. The analysis from the study revealed that the general price level in the economy influences order formation, price discovery and to some extent the speed with which information are reflected in security prices (BID – ASK Spread). Based on the findings from the empirical analysis, the study concludes that in determining the bid – ask spread of the market, intervening variables such as the riskiness of the security, general price level in the economy are major factor affecting price discovery and order formation (market microstructure).

Key Words: Market Microstructure, Price Discovery, Price Formation, Market Structure and Market Design.

Introduction

Market microstructure is the area of finance that studies the process by which investors' latent demands are ultimately translated into prices and volumes (Madhavan, 2000). It focuses on how prices are formed, i.e., the dynamic process by which prices come to impound information (price formation and price discovery), market structure and design showing the relation between price formation and trading protocols and transparency (information and disclosure), the ability of market participant to observe information about the trading process.

Market microstructure focuses majorly on *Price formation and price discovery*, which look at both static issues such as the determinants of trading costs and dynamic issues such as the process by which prices come to impound information over time; *Market structure and design*, which considers the relation between price formation and trading protocols; and *Information and disclosure*, which emphasize market transparency, that is the ability of market participants to observe information about the trading process and lastly, interaction with other areas of finance such as corporate finance, asset pricing, and international finance. Market microstructure is a branch of finance concerned with the details of how exchange occurs in markets. The application of the theory of market microstructure applies not only to financial markets but also to real markets. Whether financial or real market, market microstructure examines the ways in which the working processes of a market affects determinants of transaction costs, prices, quotes, volume, and trading behaviour.

The central idea in the theory of market microstructure is that asset prices need not equal full-information expectations of value because of a variety of frictions (Madhavan, 2000). Market microstructure is concerned with how the various frictions and departures from symmetric information affect the trading process. It examines the role of market design and structure in influencing price formation and issues of transparency. The major concern of market microstructure concerns the process by which prices come to impound new information. The various pieces of information or market data on trading activities whether by informed traders or liquidity traders can provide traders with the opportunity to understand price movements caused by information that is not in their information set. Given that market

settings affect price adjustment process, using data from the Nigerian capital market, the study investigates how prices are formed in the context of information model.

1. Review of Related Literature

In contrast to the model of efficient markets theory, market microstructure is concerned with how various frictions and departures from symmetric information affect the trading process. Specifically, microstructure relaxes different elements of the random walk model. Microstructure theory focuses on how specific trading mechanisms affect the price formation process. Microstructure focuses on the price-setting problem confronting market intermediaries.

The auctioneer announces a potential trading range, and traders determine their optimal order at that price. If there are imbalances in traders' demands and supplies, a new potential price is suggested, and traders then revise any orders. No trading takes place until a market-clearing price is found since specific market participants play roles far removed from the passive one of the auctioneer (O'Hara, 2001). Demsetz (1968) argued that while a trader willing to wait might trade at the single price envisioned in the Walrasian framework, a trader not wanting to wait could pay a price for immediacy, that is liquidity. This results in two equilibrium prices. Moreover, since the size of the price concession needed to trade immediately depends on the number of traders, the structure of the market could affect the cost of immediacy and thus the market-clearing price.

Market Architecture

This refers to the set of rules governing the trading process, determined by choices regarding market types, price discovery, order forms, protocols (market rules), and transparency (quantity and quality of information).

Market Types

Markets are classified based on the following:

1. **Degree of continuity:** whether trading is allowed at specific point in time or at any point in time while the market is open.
2. **Reliance on market makers:** auction or order driven markets feature trade between public investors without dealer intermediation while in a dealer (or quote - driven) market, a market maker takes the opposite side of every transaction (Madhavan, 2000).

3. **Degree of automation:** whether transaction in the market is based on floor or screen – based electronic systems. The technology of order submissions and protocol governing trading differentiate the types of market.

The functions of dealers are price discovery, the provision of liquidity and continuity and price stabilization.

Order Formation

The basic two order forms are:

1. **Market Orders:** which is the requests to buy or sell a given number of shares immediately at the best available price (usually associated with impatient traders). Market order is the order to buy or sell one round lot at the prevailing price.
2. **Limit Orders:** worst allowable price to transact within a given time limit; not always immediately transacted, limit orders are stored in a queue known as an *order book*

Some of the order types found in security markets are: **Market-at-Close, Fill – or – Kill, Immediate**-or-**Cancel,** allow traders to control the timing, quantity or execution of their trades. By far the most common alternative type of order is a limit order specifying a price and a quantity at which a trade is to transact. Limit orders specify a price either above the current ask or below the current bid and await the movement of prices to become active. If the market is rising, the upward price movement triggers limit orders to sell; if the market is falling, the downward movement triggers limit orders to buy. Limit orders thus provide liquidity to the market.

When there is high frequency of order placement and cancellation, we have a condition of high-frequency trading (HFT) which is a form of algorithmic trading characterized by high turnover and high order-to-trade ratios. HFT is majorly characterized by highly sophisticated algorithms, specialized order types, co-location, very short-term investment horizons, and high cancellation rates for orders. Also when there are limit order to sell (or offer) above the current market price or a buy limit order (or bid) below the current price on a regular and continuous basis to capture the bid-ask spread, then investors are timing the market, hence the concept market timing.

Transparency

Transparency is a crucial consideration in the competition among markets for trading volume, and thus in the prospects for further fragmentation of liquidity (O'Hara, 2001). Economic experiments provide disquieting evidence that transparent markets may be less liquid than markets with weaker reporting requirements. Transparency reduces the information content of specific trades and so reduces dealers' incentive to compete for orders. As a result, bid-ask spreads in transparent markets tend to be wider than those in less transparent markets.

A market is considered transparent when high quantity and quality of information regarding current and past prices, quotes, depths, volumes and the identities of market participants are rapidly available to the public. In this sense 'market transparency refers to the ability of market participants to observe information about the trading process' (O'Hara, 1995).the consideration of market transparency is often viewed from pre-and post-trading dimension. Pre-trading transparency refers to the dissemination of information about the limit-order book, bid and ask quotations, orders flow, identities of market participants, market depth. Post-trading transparency refers to the availability and velocity of dissemination of the information to the public about trading details such as volumes, prices, trader identities and transaction time. Generally, electronic markets that communicate in real time the bids and offers of buyers and sellers and the prices of executed trades are considered highly transparent. On the other hand, the dealer markets often have no publicly visible bids or offers, nor any trade reporting, and are therefore usually considered opaque (Hasbrouck, 2007).

The Design and Structure of the Nigerian Capital Market

Market structure and design focuses on the relationship between price determination and trading rules. In some markets, for instance, assets are traded through dealers who keep an inventory (e.g., new cars), while other markets are dominated by brokers who act as intermediaries (e.g. housing). One of the important questions in microstructure research is how market structure affects trading costs and whether one structure is more efficient than another. Market microstructure relates the behaviour of market participants, whether investors, dealers, regulator/authority, hence microstructure is a critical factor that affects the investment decision as well as investment exit.

Since the inception of the Nigerian stock market, it has adopted using the call-over system in conducting transactions which of course was adjudged effective in the past because of limited

transaction carried out in the exchange. But the increasing transaction in the market necessitated another system of transaction called the change to the Automated Trading System (ATS) in 1999. The different between these two systems are that one is efficient with low transaction but not susceptible to volatility from the market and lack liquidity that can increase the depth and breadth of the market. The other is efficient with large transaction and high liquidity with low volatility influences.

Oladejo (1999) noted that the use of computer assisted markets surveillance techniques, and the ability of the Automated Trading System to provide accurate audit of all transactions greatly facilitate the increasing demands for all stocks in the exchange and ensure integrity of the market operation. Also, the design of the ATS had taken into account, the need for optimum flexibility to allow the exchange surveillance unit to be proactive in ensuring integrity of the markets.

The diagram summarizing the components of market microstructure as put forward by Muath and Zamri (2011) is as shown below:

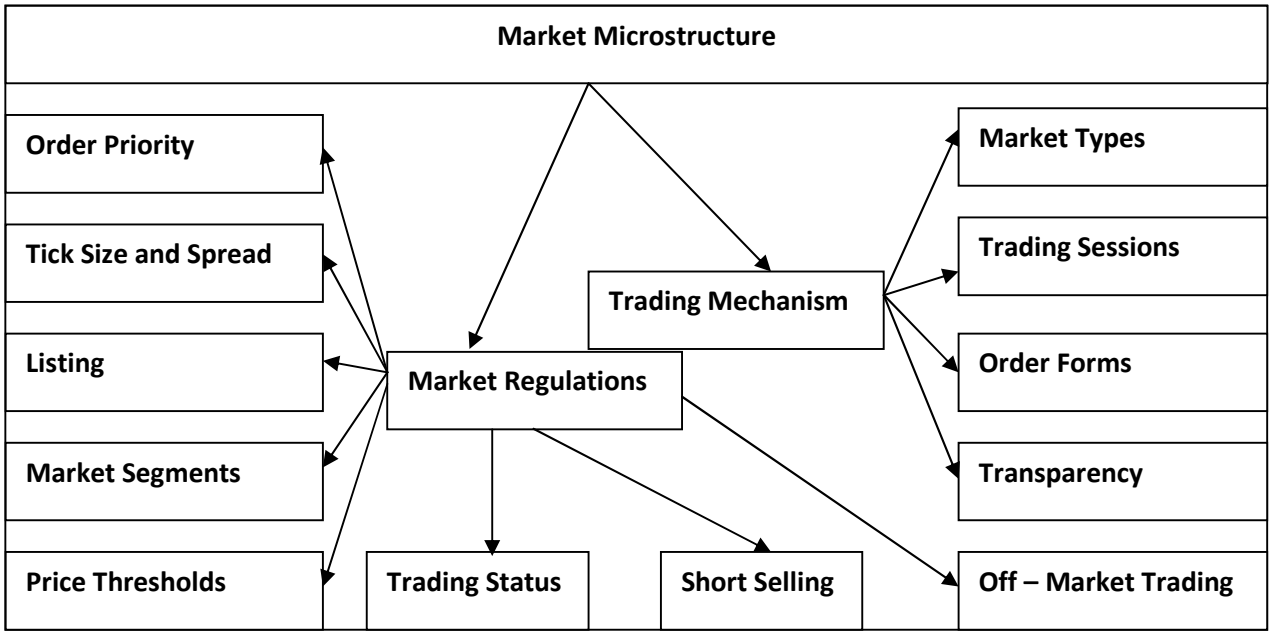

Figure 2.2: Component of Market Microstructure

Source: Adapted from Muath and Zamri (2011: 159)

Theoretical Framework: Models in Market Microstructure

Rolls Model:

This model provides a method to estimate execution costs by using transaction price data. In many markets, quoted spreads are the basis for negotiation and hence may overstate true costs for trades by investors who can extract favourable terms from dealers; for other trades, such as large – black trades, quoted spreads may understate true costs. Given the mean and variance unit quantities are assumed with the convention that x_t +1 for a buyer initiated trade, - 1 for a seller initiated trade, and 0 for a cross at the mid quote. The first set of models borders on how market frictions (trade friction) are reflected in unpredictable pricing errors.

Information – Base Model

Information-based models highlight the role of market parameters such as the size of the market or the ratio of large to small trades in the adjustment of prices. This in turn provides an explanation for the existence of bid-ask spreads even in competitive markets, without reference to explicit transactions or inventory costs. Inventory-based explanations of the bid-ask spreads are problematic because empirical evidence of inventory effects in financial markets is weak.

Prices ultimately converge to their true, full-information value; in the limit markets are strong-form efficient. This is made clear by Fama (1970) where he asserts that weak-form efficiency assumes that security prices fully reflect all security-market information, semi-strong form efficiency assumes that security prices fully reflect all publicly available information, and strong-form efficiency assumes that security prices fully reflect all information from public and private sources. This follows from the Bayesian learning process. It is not entirely clear, however, what market efficiency means in a dynamic setting. Given that some traders have superior information, prices along the adjustment path do not exhibit strong-form efficiency, and indeed there can be very great differences in the speed with which prices move toward full-information levels. Markets with greater volume, for example, adjust faster (in clock time) to information. The time between trades, in particular the tendency for transactions to cluster also appears to affect the adjustment of prices.

The key to extracting information from order flows is Bayesian learning. Each trader has a prior belief about the true value V of an asset. Traders observe some data, say a trade, and then calculate the probability that V equals their prior belief given that these data have been

observed. This conditional probability incorporates the new information that traders learned from observing the data, and is hence their posterior belief about V (see Bayesian learning figure 2.3). The posterior then becomes the new prior, more data are observed, and the updating process continues.

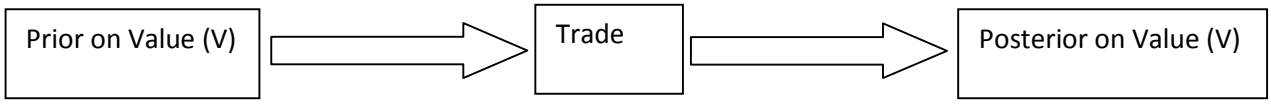

Figure 2.3: Bayesian Learning

Source: O'Hara (2001).

In information-based models, the solution to the learning problem determines the prices set by market makers. The ask price a_t equals the expected value of V given that a trader wishes to buy, and depends on the conditional probability that V is either lower ($V = \overline{V}$) or higher ($V = \underline{V}$) than the market maker's prior belief given that a trader wishes to buy. The bid price b_t is defined similarly given that a trader wishes to sell. An important characteristic of these prices is that they explicitly depend on the probability of a sale or buy (see figure 2.4). If uninformed traders are assumed equally likely to buy or sell whatever the information, good news ($V = \overline{V}$) will result in an excess of buy orders as informed traders decide to buy. Likewise, bad news ($V = \underline{V}$) will result in an excess of sell orders as informed traders decide to sell.

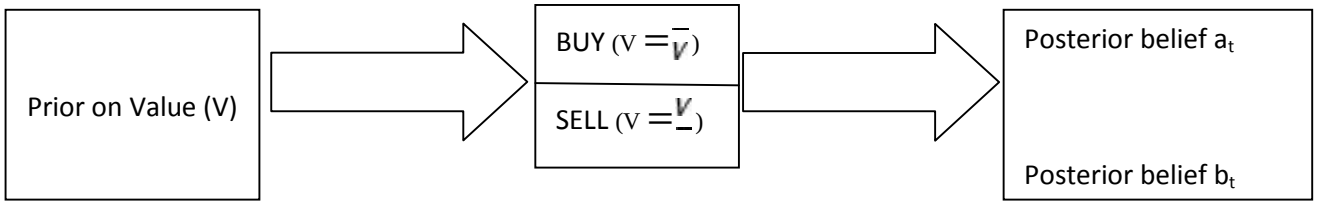

Figure 2.4: Dealer Pricing

Source: O'Hara (2001).

Alternative Trading Structure

This model deals with how private information is impounded in the trading process. It explains how market structure affect the size of trading costs measured by $E[|S_t|]$. It focuses

this alternative modelling of price behaviour focuses on the *learning problem* confronting market intermediaries. Starting with Kyle (1984, 1985), Glosten and Milgrom (1985) and Easley and O'Hara (1987), market structure research has given greater attention to the effect of asymmetric information on market prices. If some traders have superior information about the underlying value of an asset, their trades could reveal what this underlying value is and so affect the behaviour of prices.

Inventory Based Model

This model deals with the behaviour of dealer and security prices. It considers the variation in bid – ask spreads as part of intra – day price dynamics. The model implied that price may depart from expectations of value if the dealer is long or short relative to desired (target) inventory giving rise to transitory price movements during the day and possibly over longer periods.

The inventory based model view the trading process as a matching problem in which the market maker - or price-setting agent - must use prices to balance supply and demand across time. There are several distinct approaches to modelling how prices are set by market makers: Garman (1976) focused on the nature of order flow; Stoll (1978) and Ho and Stoll (1981) examined the optimisation problem facing dealers; and Cohen, Maier, Schwartz and Whitcomb (1981) analysed the effects of multiple providers of immediacy. Common to each of these approaches are uncertainties in order flow, which can result in inventory problems for the market maker and execution problems for traders.

Smidt (1971) argued that market makers actively adjust variation in the bid – ask spread in response to fluctuations in the inventory level. German (1976) modelled the relation between dealer quotes and inventory levels as $I_t = I_0 - \sum_{k-1}^{t-1} x_k$, where I_t = Inventory at time t with the convention that $I_t > 0$ denotes a long position and $I_t < 0$ denote a short position. Inventory models use stochastically dynamic programming, these models envision the market makers facing a series of mini auctions during the day, rather than a stream of trading rounds becomes arbitrarily large, the trading process approximates that of a continuous double auction.

Estimating Intraday Model of Price Formation

Both inventory and information models predict that order flow will affect prices, but for different reasons. In the traditional inventory model, order flows affect dealers' positions and they adjust prices accordingly. In the information model, order flow acts as a signal about future value and causes a revision in beliefs. From the inventory model below Eqn 7 we derive ask and bid which are as given below in:

$p_t^{\text{ask}} = \mathrm{E}[v_t|x_t = 1] - \emptyset(I_t - I^*) + s = v_t + (\frac{\omega}{2}) - \emptyset(I_t - I^*) + s$, and

$p_t^{\text{bid}} = \mathrm{E}[v_t|x_t = -1] - \emptyset(I_t - I^*) - s = v_t - (\frac{\omega}{2}) - \emptyset(I_t - I^*) + s.$

The transaction to transaction price changes is given by $\Delta p_t = (\frac{\omega}{2} + s)\,\Delta x_t - \emptyset\Delta(I_t - I^*) + s.$

The information effect has a permanent effect on prices (trade causes a revision in consensus beliefs) while the inventory effect is transitory. Glosten and Harris (1988) decompose the bid – ask spread into two parts, the part due to informational asymmetries, and the remainder, which can be attributed to inventory carrying costs, market maker risk aversion, and monopoly rents. Glosten and Harris (1988) develop a maximum likelihood technique to overcome the estimation problem caused by unsigned transaction volume data and the discrete nature of prices. They find that the adverse selection component of the bid – ask spread is not economically significant for small trades but increases with trade size. Hasbrouck (1988) uses a vector autoregressive (reduced form) approach to model New York Stock Exchange (NYSE) intraday data on volume and quoted prices, and examines both series for Granger – Sims causality. Hasbrouck finds that the intraday transactions volume and quote revision exhibit strong dependencies in both directions, evidence consistent with both inventory control and asymmetric information model. Keim and Madhavan (1996) shows that the choice of pre – trade benchmark price make a large difference in the estimated price impact. In estimating the impact of trade innovations on quote revisions, the trade innovations from which autocorrelation due to inventory effects has been extracted, continue to have a positive impact on quoted revisions, suggesting the information effect dominates inventory control effect.

Hudak (2005) theoretically opines that the Automated Trading System will enhance automated decision process, discipline, higher consistency in trade result, and automated monitor of trends. He further posits that the automated trading system may not work perfectly using historical data. This is because historical data produce prices of stock based on past

events and trading activity. However, daily price is a function of current market impulse. The buy and sell signals may not be realized due to some other reasons (such as low liquidity, viability etc).To realize the trade, difference in the ATS signalled price and the available realistic information about the firm must move trade in some direction, that is, either up or down. Hudak (2005) is of the opinion that an inefficient stock market exists where ATS signal price and the realistic information about the firm are not positively correlated. He argued that an efficient Stock market is that market in which every security (Stock) price equals to its investment value (Kehinde, Ishmael & Moruf, 2012).

Empirical Review

Amihud and Mendelson (1987) compare and contrast return variances from open – to – open and close – to – close for NYSE stocks. Since both periods span 24 hours, any differences are likely to reflect differences in the trading system, the NYSE opening price being determined in a single – price auction while the closing price is determined in a continuous double – auction. Their evidences between continuous and batch systems exhibited in observable variables such as price efficiency and return volatility. Forster and George (1996) conclude that differences in market structure affect returns. Summarily for market structure there is not a uniform view on what structures offer the greatest liquidity complexity of real – world market structures.

In Murinde (2006) where the study measured market turnover as responsiveness of market capitalization to changes in the number of quoted firms and volume of stock traded found that there is significant positive relationship between stock market size and liquidity and recommended that in order to ensure market efficiency, the stock market must provide a vast information exchange, which efficiently reduces transaction costs (Green, Maggioni & Murinde, 2000). Kehinde, Ishmael and Moruf, (2012) concluded from their study that the activities of strong individuals and institutional investors have not allowed for equitable stock pricing system. It is also revealing that an efficient settlement system and effective surveillance service were achieved with the introduction of the Automated Trading System.

Goldstein and Kavajecz (2000) examined the behaviour of liquidity providers on the NYSE during periods of extreme volatility. They find that following a precipitous drop in equity prices, traders abandoned limit orders in favour of floor brokers. In particular, whereas specialists maintained narrow spreads and normal depth, liquidity drained out of the limit

order book. Similarly, in foreign exchange markets, trading tends to move from electronic order matching markets to dealer markets during periods of market stress. Such dynamics raise the question of whether dealer markets handle information more efficiently than pure limit order markets.

Methodological Review

Hasbrouck (1991a, b) uses vector autoregressive approach to examine the information content of stock trades, finding information effects. Summarily, inventory and asymmetric information are the key factors that cause fluctuation/changes in price movement. Market makers play a major role in price formation. Popovic (2004) states that the growth effect of the automated trading system can be measured by the market liquidity and stock turnover. Market liquidity measures the ease of trade. Stock Market turnover measures the speed and rate of trade. Admati and Pfleiderer (1988, 1989), Foster and Viswanathan (1990), Seppi (1990) and Spiegel and Subrahmanyam (1992) among others have applied a game-theoretic approach to modelling the decisions of uninformed traders. A common outcome with this approach, however, is the occurrence of multiple equilibria. Using cross – sectional regression equation, Demsetz (1968) examined the determinants of the bid-ask spread, in the Demsetz model the spread was the appropriate measure of performance in the provision of marketability services.

Methodology

The study used bank and other capital market data from the Nigerian stock exchange and a variable to cover economy – wide risk. The study period is from 1992 – 2016. The variable used are the bid ask spread using the difference in the price of UBA securities, the inverse in the prices of the securities of UBA, UNION BANK and WEMA BANK, the log of stock market capitalization, the log values of transaction value to capture activities in the stock market, and the riskiness of security resulting from economy – wide fluctuation in prices.

If the spread is not insignificant, there will be serial correlation in returns because of bid-ask bounce of the order of $\sigma(s_t)$. This phenomenon is the basis of the implicit spread estimator of Roll (1984). Roll's model is useful because it provides a method to estimate execution costs by simply using transaction price data. Recent extensions of the model (Stoll, 1989, George, Kaul, & Nimalendran, 1991, Huang & Stoll, 1997, and Madhavan, Richardson, & Roomans,

1997) allow for short-run return predictability arising from autocorrelation in order flows, limit orders, asymmetric information and other microstructure effects.

This study adopts the equation of demsetz as presented in equation 3.1 below:

$s_i = \beta_0 + \beta_1 ln(M)_i + \beta_2(1/pi) + \beta_3\sigma_i + \beta_4 lnV_i + \varepsilon_i$, ---------- (3.1)

Where

s_i = the average (percentage) bid – ask spread modelled as a function of independent variables,

$ln(M_i)$ = log market capitalization (firm size),

$1/p_i$ = price inverse,

σ_i = the riskiness of the security measured by the volatility of past returns,

lnV_i = log of the proxy for activity such as trading volume,

ε_i = the residual or error term.

β_0 to β_4 are coefficient for the independent variables and have positive relationship with the dependent variable.

As used in this study, equation 3.2 is used for the study being modelled after equation 3.1.

$BAS_t = \alpha_0 + \alpha_1 LNMC_{it} + \alpha_2 \sum_{i=3}^{N=3}(\frac{1}{P_i}) + \alpha_5 RISK_{it} + \alpha_6 ACTY_{it} + \varepsilon_i$ ------ (3.2)

$BAS_t = \alpha_0 + \alpha_1 LNMC_{it} + \alpha_2 PUBA_{it} + \alpha_3 PUNION_{it} + \alpha_4 PWEMA_{it} + \alpha_5 RISK_{it} + \alpha_6 ACTY_{it} + \varepsilon_i$ ---------- (3.3)

4.0 Empirical Results and Discussion of Findings

The descriptive statistic as presented in the appendix shows that the data are normally distributed except for trading value which is a proxy of activities in the transaction process in determining the bid ask spread. The mean values for the variables are low except for the riskiness of the security as measured by inflation. This implies that the general price level in the economy influences order formation, price discovery and to some extent the speed with which information are reflected in security prices.

The cross – sectional regression results using return data from UBA, UNION BANK, and WEMA BANK revealed that price adjustment in the market for all the three banks used are statistically significant at 5% level of significance over the years in forming the bid –ask spread, but the LNMC, RISK and ACTY are not statistically significant.

There is no serial correlation in the model specified implying that there may not be problem of short –run return predictability in the market. The absence of serial correlation confirms the statistical significance of the variables in determining variation in the bid – ask spread.

There is no much difference from the cross section weights from the regression results. But the autocorrelation test revealed the presence of autocorrelation in the results, this reflects in the statistical significance of the variables using the t – values. The price inverse of UBA is not significant as compared to when pooled regression method was used though other results remain the same. The model summary performed better in providing explanation for variation in the BID – ASK spread for the securities.

Conclusion

From the empirical analysis of the data, the study concludes that in determining the bid – ask spread of the market, intervening variables such as the riskiness of the security, general price level in the economy are major factor affecting price discovery and order formation (market microstructure). Market microstructure considers majorly the trading mechanisms and regulations in both financial and real assets markets. The trading mechanisms considers market type, price discovery, order forms and degree of transparency, whereas market regulations considers the rules of order priority, tick size and spread, listing, trading unit, price thresholds, trading status, short selling and off-market trading.

References

Admati, A., & Pfleiderer, P. (1988). A theory of intraday patterns: Volume and price variability. *The Review of Financial Studies*, 1, 3-40.

Amihud, Y., & Mendelson, H. (1987), Trading mechanisms and stock returns: An empirical Investigation. *Journal of Finance,* 42, 533-553.

Demsetz, H. (1968). The cost of transacting. *Quarterly Journal of Economics*, 82, 33-53.

Easley, D. & O'Hara, M. (1987). Price, trade size and information in securities markets. *Journal of Financial Economics*, 19, 69-90.

Fama, E. (1970). Efficient capital markets: A review of theory and empirical work. *Journal of Finance*, 25(2), 383-417.

Forster, M., & George, T. (1996). Pricing effects and the NYSE open and close: Evidence from internationally cross-listed stocks. *Journal of Financial Intermediation* 5, 95-126.

Garman, M. (1976). Market microstructure. *Journal of Financial Economics, 3, 257-75.*

Glosten, L. R & Harris, L. (1988). Estimating the components of the bid-ask spread. *Journal of Financial Economics,* 14, 21-142.

Green, C. J., Maggioni, P., & Murinde, V. (2000). Regulatory lessons for emerging stock markets from a century of evidence on transaction cost and share price volatility in the London stock exchange. *Journal of Banking and Finance*, 24, 577-601.

Hasbrouck, J. (2007). *Empirical market microstructure: The Institutions, economics, and econometrics of securities trading*. New York: Oxford University Press.

Hasbrouck, J. (1991b). The summary informativeness of stock trades: An econometric analysis. *Review of Financial Studies,* 4, 571-595.

Hasbrouck, J. (1991a), Measuring the information content of stock trades. *Journal of Finance,* 46, 178-208.

Ho, T. & Stoll, H. (1981). Optimal dealer pricing under transactions and return uncertainty. *Journal of Financial Economics*, 9, 47-73.

Hudak, O. (2005). Automated trading system development and emerging capital market. *Dept. of Corporate finance, Faculty of Finance, Cesta Na Amfiteater* 21 JUNE.

Kyle, A. (1984).Market structure, information, futures markets and price formation. In *International Agricultural Trade: Advanced Readings in Price Formation, Market Structure and Price Instability*, eds G Story, A Schmitz and A Sarris, Westview Press, Boulder, CO.

Kehinde, J. S., Ishmael, O., & Moruf, O. (2012). Microstructure change and the effective trading system: The Nigerian experience. *Global Journal of Management and Business Research*, 12(10), Version 1.0, June, 1 – 4.

Muath, A., & Zamri, A. (2011). Market microstructure: The components of Black – Box. *International Journal of Economics and Finance*, 3(1), February, 152 – 159. Available online at www.ccsenet.org/ijef

Murinde, V. (2006). *Capital markets roles and challenges.* Birmingham: university of Birmingham. Retrieved from www.bham.ac.uk/staffitem.asp?section.

O'Hara, M. (2001). Overview: Market structure issues in market liquidity. *BIS Paper* No. 2. Available at www.bis.org/publ/bppdf/bispap02a.pdf.

O'Hara, M. (1995). *Market microstructure theory.* USA: Blakwell Publishers.

Oladejo, O. (1999). Understanding the automated trading system of Nigeria stock exchange market. *NSE seminar series*, Lagos, September 20.

Seppi, D. (1990). Equilibrium block trading and asymmetric information. *Journal of Finance*, 45, 73-94.

Smidt, S. (1971). Which road to an efficient stock market: Free competition or regulated monopoly? *Financial Analysts Journal*, 27(18-20), 64-69.

Spiegel, M., & Subrahmanyam, A. (1992). Informed speculation and hedging in a non-competitive securities market. *The Review of Financial Studies*, 5, 307-30.

Stoll, H. (1989). Inferring the components of the bid-ask spread: Theory and empirical tests. *Journal of Finance,* 44, 115-134.

APPENDIX: REGRESSION RESULTS

Descriptive Statistic on the BID – ASK Spread

	BAS	C	LNMC	PUBA	PUNION	PWEMA	RISK	ACTY
Mean	0.037000	1.000000	3.501578	0.277787	0.241035	0.471214	21.86850	1.684242
Median	-0.050000	1.000000	3.469798	0.114631	0.083710	0.292490	13.87000	1.765570
Maximum	24.84000	1.000000	4.123675	1.851852	1.388889	1.388889	72.73000	3.375775
Minimum	-12.68000	1.000000	2.495170	0.026323	0.030257	0.069979	5.410000	-0.309804
Std. Dev.	7.509668	0.000000	0.447341	0.460319	0.378736	0.380547	19.34115	1.132338
Skewness	1.339632	NA	-0.679504	2.613925	2.337803	1.166138	1.464408	-0.239473
Kurtosis	6.882080	NA	2.673325	8.446704	7.028523	3.019294	3.767118	1.884175
Jarque-Bera	148.3267	NA	13.02411	379.9800	253.9352	36.26591	61.10958	9.829707
Probability	0.000000	NA	0.001485	0.000000	0.000000	0.000000	0.000000	0.007337
Observations	160	160	160	160	160	160	160	160
Cross sections	8	8	8	8	8	8	8	8

Source: Author's Computation Using EView, 2016.

The Determinants of the BID – ASK Spread

Dependent Variable: BAS

Method: Pooled Least Squares

Date: 08/08/16 Time: 09:53

Sample: 1992 2011

Included observations: 20

Total panel (balanced) observations 160

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNMC	-0.291559	0.717848	-0.406157	0.6852
PUBA	-16.68743	5.713849	-2.920523	0.0040
PUNION	27.05455	8.067814	3.353393	0.0010
PWEMA	-5.657582	2.811556	-2.012260	0.0459
RISK	-0.039379	0.045503	-0.865412	0.3882
ACTY	1.709884	0.926826	1.844881	0.0670
R-squared	0.128537	Mean dependent var		0.037000
Adjusted R-squared	0.100242	S.D. dependent var		7.509668
S.E. of regression	7.123337	Sum squared resid		7814.258
F-statistic	4.542850	Durbin-Watson stat		2.391731
Prob(F-statistic)	0.000683			

Source: Author's Computation Using EView, 2016.

Dependent Variable: BAS

Method: GLS (Cross Section Weights)

Date: 08/08/16 Time: 09:51

Sample: 1992 2011

Included observations: 20

Total panel (balanced) observations 160

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-47.98959	8.358235	-5.741594	0.0000
LNMC	13.69780	2.522545	5.430152	0.0000
PUBA	-6.725390	5.481479	-1.226930	0.2217
PUNION	22.52627	7.383990	3.050691	0.0027
PWEMA	-7.269461	2.573886	-2.824314	0.0054
RISK	0.020818	0.042714	0.487376	0.6267
ACTY	-0.313794	0.914100	-0.343282	0.7319

Weighted Statistics			
R-squared	0.283020	Mean dependent var	0.037000
Adjusted R-squared	0.254903	S.D. dependent var	7.509668
S.E. of regression	6.482271	Sum squared resid	6429.036
F-statistic	10.06583	Durbin-Watson stat	2.838132
Prob(F-statistic)	0.000000		

Unweighted Statistics			
R-squared	0.283020	Mean dependent	0.03700

		var	0
Adjusted R-squared	0.254903	S.D. dependent var	7.509668
S.E. of regression	6.482271	Sum squared resid	6429.036
Durbin-Watson stat	2.838132		

Source: Author's Computation Using EView, 2016.

State Policing: The Missing Link for Attaining Sustainable Social Order in Nigeria

Ameh, Sunday Ojonugwa
Lecturer, Department of Sociology, Federal University Wukari, Taraba State

Adojo, Emmanuel
Lecturer, Department of Sociology, Kogi State University Anyigba

Correspondence: sunday.ameh@fuwukari.edu.ng

Abstract

Those conversant with recent history of Nigeria have compendiums of incidences threatening the cohesion of the nation. Incidence such as: horrendous attacks carried out by herders against natives in Benue, Taraba, etc.; Armed men attacks on civilian population in Zanfara, Sokoto, Kogi and Nasarawa, among others and the gruesome display of democracy, made obvious in the July, 2018 Ekiti election. The unending yearning for cohesive Nigeria attracts the attention of the researcher. The study mirrors the relevance of state policing which implies a system of sub-territorial Police force, having jurisdiction over the relevant sub-national territories (states) as the missing link for rescuing the depleted social order. This study x-rayed the need of state policing in relation to curbing three bedeviling incidences: herders and farmers' conflict, armed men attack on civilians and decay in electoral process. The paper made use of the documentary research method to gather data. The study recommends societal reorientation with emphasis on policy makers and leaders, to see the need for state policing, thus, nipping in the bud vices before maturity.

Keywords: Gruesome democracy, National Cohesion, Social Order, State Police, State Policing and Police

Introduction

The presence of the Police and the art of policing in most cases mirror's collective desire to secure lives, property and in general ensure social order. However, the ever increasing rate of insecurity across the globe, Nigeria inclusive, calls for modification of the art of policing, from unitary to disintegrated system of policing. Okemuyiwa (2016) assert that Nigeria is a federation made up of a central government and 36 States and each State is regulated by laws. However, when it comes to ensuring social order, the Nigeria legal system operate a centralized Police, called the Nigeria Police Force (NPF) Superintended by the Inspector – General of Police (IGP), who in turn, is answerable to the President of the Federal Republic of Nigeria.

Although, this centralized system of policing may have in the past mitigate insecurity, encourages unity and provided opportunity to save cost in securing social order within her territory. The loss of values, authority and social control due to urbanization, industrialization, population growth and social change in general, explains the need for restricting policing style in Nigeria and beyond. Indubitably, Nigeria is currently gnawed by numerous perilous challenges threatening national cohesion. The most notable of these are: horrendous attacks carried out by herders against natives in Benue, Kogi, Nassarawa and Taraba States, among others. Armed men attacks on civilian population in Zanfara and Sokoto, and the gruesome display of democracy, made obvious in the July 2018 Ekiti State gubernatorial election. Where the incumbent governor claimed to be man handled. This indicates lack of control over the formal law enforcement agencies.

Odeh and Umoh (2015) emphasized that the "rising insecurity in Nigeria in recent times has called to question the centralization of policing in the country and advanced the need to decentralize the force, to maintain and control their Police formation". It is important to note that, part II, section 214 of the 1999 constitution, exclusively placed "Police and other government security services on the exclusive legislative list, a huge alteration of the federal principle. According to Punch (2018):

> No other federal system of government attempts such folly. Australia's law enforcement functions are vested in the three tiers: Federal, State and Local Government. Under the law, however, the bulk of general policing is the responsibility of the states, which they share with municipalities. Australian Federal Police has special functions, coordinating with the state and local forces, as well as New Zealand Police in a unique transnational arrangement. In a federal polity, the primary responsibility for law enforcement must necessarily lie with the federating units. In India, a third world diverse polity like ours, general Police duties are undertaken by the 29 states and seven union territories, while the federal law enforcement agencies provide support and deal with specified offences and national security issues (p.1).

The major gain of this submission is the fact that State Policing is considered as trending therapy for decaying social order. Nations in less scary situation, craving for suitable social cohesion saw state policing as a needed model to restoring and (or) improving on the much needed social order. The study critically examines the suitability of State Policing in Nigeria and also strengthens the possible misleading mythologies of State Policing.

Thematic Discourse

The first concept for classification here is the *social order*. At the core of sociological thinking exists the desire to explain the reasons why order exist or not in the society. Hence, sociologists are expected to proffer order and harmony, not only in steady, well organized societies but also in battered, throat slaying and anarchic societies. Sabo (2012) posit that needless to say law and order may collapse in orderly regular ways. Nonetheless, order in respect to regularity and social control may be quite indiscernible to actors, only perceptible to sociologists faced with data on many similar situations.

In sociology, what we refer to as social order is akin to the questions posed by Hobbes (1951) cited in Scott and Marshall (2005), among which are: why should society cohere? Who should be responsible for order and it enforcement? Why do men cooperate with each other in society? Why is there not a continual of war of all man against everyone? As each go about their individual chores and aspirations. And what is wrong with survival of the fittest? Explaining social order simply connotes the explanation of how and why societies cohere (Sabo, 2012; Scott & Marshall, 2005). The problem of order illuminate by Hobbes still lingers today as we are faced with similar variables faced by classical sociologists. Such as: consequences of industrialization, urbanization (the death of community), disruption of primary social relationships, loss of authority on the part of traditional social control agencies and generally, insecurity as well as social change (Scott & Marshall, 2005).

In essence, social order emphasizes the function of collective norms and values in maintaining unity or ensuring a polite society where the law is supreme, civil rights are respected, lives and property are protected, and political power is in the hands of the masses, among others. The next concepts that need clarification here are *Police* and the art of *Policing*. In ancient times, groups, communities, villages and nations organized means for save guarding their lives and valued properties. Though, the art of protecting and ensuring cohesion among individuals and groups within and out of the group exist almost as old as mankind, but the word "Police" according to Ugwuoke (2010); Leha (2013); Igbo (2007) was first used in English in 1950. It was coined from the Latin word *politia* which is the Romanization of the Greek word *Politeria* which like the Nigeria Police Force symbolizes authority to guard a city.

Similarly, the Police symbolizes: protection and enforcement of law as well as promoter of social orderliness. Today, the Police as concisely described by Dandeker (1990) cited in Leha (2014 p.3) connotes "an organization, which functions were to manage and secure internal boundaries and to protect its citizens against internal banditry as well as against internal threat". It is obvious that there is no ambiguity or disagreement when it comes to conceptualizing the word Police. Therefore, same is to be expected for policing. The term policing is derived from the word Police meaning expressing the authority vested on the individual or agency to achieve the stipulated functions of securing lives and property, protecting law and order and enforcing the law. Leha (2013) assert that policing "is the use of military civil force of a national or local government, responsible for the prevention and detection of crime and the maintenance of public order" (p.3).

The Police in Nigeria, though share the same connotation, may differ in purpose at inception. Ahere (1991) argues that the Nigeria Police Force came into being not to fight crime or protect lives and property of the people but to pacify restless indigenous societies in order to entrench colonial political authority and ensure the uninterrupted extraction of economic surplus from Nigeria to Britain. Ahire's argument maybe correct at the time in question, but the 'Nigerianization' (Igbo, 2007) of the Police force in 1960s suggest the desire to right the faulty beginning by spelling out clearly the functions of the force which was clearly transcribed in the Police Act (1990) as cited in Igbo (2007) as:

a. Prevention and protection of crime
b. Apprehension of offenders
c. Protection of life and property
d. Preservation of law and order
e. Due enforcement of laws and regulations with which they are directly charged
f. Performance of such military duties within and without Nigeria as may be required of them under the authority of the Police Act or any other relevant law.

These constitutional responsibilities placed the Police force in a position to contribute immensely to the peaceful co-existence of the nation and ensure suitable social order in Nigeria. However, authors have questioned the actualization of these tasks considering the structure of the Nigeria Police.

The 1999 constitution, section 215(2) explicitly spelt it out, that:

> The Nigeria Police force shall be under the command of the Inspector-General of Police and any contingents of the Nigeria Police force stationed in a state shall be subject to the authority of the Inspector-General of Police, be under the commissioner of that state.

This clearly affirmed that the Police is solely a federal agency control by the centre (Federal Government i.e. IGP to President of the Federal Republic of Nigeria) with little or no regard for local or host state authority. This may explain the foul cry by Governor Peter Ayodele Fayose in the build up to Ekiti 2018 gubernatorial election, where he made a pageant of being rough handled by the men of the NPF. This gap alongside others suggest the need for restructuring of the NPF, in order to de-centralize power and ensure check and balance at all times, consequently, eliminating gross abuse of the nation's power for personal political gains.

The last concept to be clarified here is *State Police/Policing.* A little will be discussed here as the entire work dwells on the recommendation of state policing as the missing link to attaining suitable social order in Nigeria. generally, the debate on whether or not the 36 states plus the Federal capital Territory (FCT) owning their own Police forces, attracted lots of concerns and still does; both from the public and men of authority. While the Federal Government insisted that the nation is still young to have disintegrated Police force, the position of state governors and good proportion of the affected public tilt towards state policing.

The later, considered decentralization of the Nigeria Police force as the solution to the problem of insecurity in Nigeria as such calls for the amendment of the constitution to permit the states to operate her own forces (Ugoji, 2018). Among the leading arguments for state policing is that it is in line with the principles of true federalism on which Nigeria is established. As a federation, power to govern, manage resources and secure persons and property is decentralized with each level of governance fully responsible. Needless to emphasize that it is with reference to this background (the principle of true federalism) that we have "federal and state courts" (Okemuyiwa, 2016). Aremu(2014) provided a succinct description of what constitutes state policing as:

> A territorial policing is a sub-national form of policing in which there are hands of the federating states or regions. Operationally, State Policing is when policing operations and logistics are controlled by other governments other than the national or Federal Government (p.33).

No doubt, the connotation of State Police projects a lofty task to policy makers. However, effort are currently been made to conjure state policing against notable stiff politicking. According to Soniyi (2018) the first reading of the Constitution Alteration Bill for the establishment of State Police and other matters was taken at the senate plenary on 12th July, 2018. The bill seeks to establish alongside the existing federal Police, State Police and State Police commission for component states. While the federal Police will be responsible for the maintenance of public security, preservation of public order and security of lives and property across the nation, and also provide state policing for any state that is unable to operate a State Police until when the state House of Assembly provides one.

The beauty of the bill is that the commissioner of Police will be appointed by the state governors subject to the confirmation of the state house of assembly, hence, responsible to the local authority. This sounds like true federalism where all stakeholders are duly involved and have shared responsibilities.

Why State Policing?

This question will be answered by x-raying the following disadvantages of centralized policing:

a. *Politicizing justice*: also known as delayed response to distressed area or states where the governors are not members of the national ruling party. This implies that resources (personnel and material) are easily mobilized to states that align with the politic of the centre. This may explain the plight of Governor Samuel Ortom of Benue State.
b. *Over-concentration of power in the centre:* in this case the entire Police force are only loyal to the IGP who in-turn report to the president. The power is mostly misused as absolute power tends to corrupt absolutely.
c. *The public eyes (us versus them syndrome)*: this explains to a large extent why the public in most cases do not collaborate with the Police. The see the Police as alien authority or spy to the states. Most state governors when it comes to vital security issues rely more on local vigilante groups and private guards.
d. *Mockery of the rule of law and impunity:* this implies the situation where by people or states are not equal before the law when it comes to administering justice.

e. The Federal Government through unguided discretion may allow misdeed to go unaccounted for if the perpetrators are in line with the Federal Politics. This may in a long run deprive the nation of true democracy, where organs that are ordinary expected to create check and balance or prevent abuse of power tend to align to escape sanction. More so where chief security officers of states indicating that they are not in charge of the state security, they even openly show the violation of their authority by officers of the law, a good example is the situation that plays out before the Ekiti state gubernatorial election in 2018. Obi (2018) affirmed that "…in Ekiti, the Police were said to have beaten and tear-gassed the governor Ayodele Fayose and members of his party… during a PDP champaign" (p.1). Where the governor paraded neck and fractured arm due to officers of the law man-handling of him. Similarly, the open cry of the governor of Zamfara State that he is not in control of the state security and indicated his desire to resign as the chief security officer of the state.

Mythologies of State Policing

There are a number of myths or misleading notions about State Police, most of which are captured in dailies or projected by political office holders in order to retain control. These myths are:

a. *State policing already exist in Nigeria:* it is erroneous to assume or sway people into believing that state policing already exist in Nigeria. Some objectors of State Police erroneously infer that the licensing of private guards could be likened to State Policing.

Ameh (2018) reiterated the submission of the Minister of Power, Works and Housing, Mr. Babatunde Raji Fashola, SAN, who declares that Nigeria now has State Police in his words:

> As far as State Police is concerned, I have written enough and I have said enough. I think that first; it is a good state that there is a new Bill seeking to address it. But the point to also make; and this is part of the commentary and conversation that comes into the public space; we want State Police? No. 'We already have State Police and nobody should deny that. Almost every state government has one law enforcement apparatus or the other. In Lagos, I can tell you about KAI, LASTMA and others… they are for law enforcement. That is what Police do… there are law enforcement agents for sanitation and environmental offences… then you have the Neighbourhood Watch (p.1).

How true is this claim in relation to our established definition of State Police? The fact remains, if it is not called Police it is not Police. Vigilante groups, Neighbourhood Watch, Sanitation officer are not Police but what they are called. In fact, until the 1999 constitution is amended, Nigeria will in law be practicing central policing system. The 1999 constitution, perversely as earlier noted, in section 214, part III of supplemental provisions, vests policing functions in the Federal Government and places "Police and other government security services…" on the Exclusive Legislative list, which is a gross misrepresentation of the federal principle.

b. *Community policing equals state policing:* this is preposterous, though both shares a common background, are miles apart. Leha (2018 p.5) identified three major forms of policing: traditional, Professional and Community policing. This implies that community policing represents a variety of policing. It is a proactive form of policing where Police officers are typically assigned to specific geographical areas called 'Beat' in order to establish ties with various community groups. This is to dice the challenge of Police being seen as outsiders, who are only there to enforce law but as a part of the community. This does not change the fact that the Police in relation to community policing is still a federal security business answerable to the IGP who in turn reports to the president of the federal republic of Nigeria.

c. State policing is a monster: this fallacy is tailored along the common assertion that solution to one social problem may bring into being another social problem. Implying that, the establishment of State Police will bring into being powerful governors, who may in turn suffocate the much needed social order. However, beautifully crafted this assertion might be, according to Ugoji (2018):

> The establishment of State Police, if judiciously prosecuted, will enhance the permeation of democracy and development throughout the nation. The monopoly of policing by the Federal Government has neither helped crime fighting nor improved Police accountability (p.1).

The underlying strength against this misleading assertion is, if decentralization creates monsters, centralization creates a bigger monster. Because, power devolution discourages absolute power and militates against absolute corruption.

In essence, devolution of the Police increases mitigators of absolutism, hence, the more decentralized the Police, the lesser the monsters and the more the presence of regulators for suitable social order.

d. Funding stifles the takeoff of state policing: opponents of state policing believe that the establishment of State Police is not cost effective. Suggesting that funding may be the major factor militating against the commencement of State Police. In line with this, Muazu (2006:90) cited in Agwanwo (2014) suggest that:

> One of the reasons why the establishment of State Police in Nigeria is likely to hit bricks-wall is based funding. At the moment almost all the state governors have been crying of the paucity of fund at the deposal of the state government to meet the development need of their people. Under this unpalatable situation, who will pay the State Police force? And where will the fund come from (p.7)?

This line of argument though may be valid in other context but for the establishment of State Police may not stand, because, the nation is always sorting for ways to solving the steady growing problem of unemployment. This lead to programs such as: N-Power and its' like. State Police create opportunity for stable job creation. It can stand and be funded just like other state based establishment like: state courts, LASMA, state medical board and state sanitation board, among others. Therefore, the problem is not of state funding but of devolution of power.

Theoretical Elucidation

The Balance of Power Theory propounded by David Hume in his essay on the *Balance of power,* is one of the oldest and most enduring concepts in international relation. The theory suggests that national security: safety of persons and property, respect for the rule of law and suitable social order can be attained when military capacity is distributed among constituting state. This prevents the possibility of one strong state dominating others. If powers converge in one, the theory predicts that the one in custody of power will take advantage of its strength by attacking the weaker neighbours. This is very relevant to the study as it provides detailed explanation of the consequences of centralization of policing power and control. To attain suitable national security, policing power should be distributed among constituting state more so that no state unit of authority claims complete over riding power. If not, the end is predictable, the creation of a mighty monster, taking advantage of its superiority to dominate and strange true democracy, impose her will and disrupt cohesion. This could be averted and aggression unattractive if there is a balance of power.

Conclusion and Recommendations

The study x-rayed the need to consider State Police as the nexus for attaining sustainable social order in Nigeria. the justification for this approach anchors on the obvious increase in rampant herders and farmers bloody clashes, sacking of villagers by gun men from their ancestral land, killing and abducting of civilians by gun men, the unending terror by Boko Haram group, the use of the Police for selfish political gains, powerlessness of the state in mitigating security

challenges due to slow responses by the centre mostly to conflicting states and obvious impunity for complying groups, among others. This suggests that centralization of policing power prevent collective involvement of all stakeholders in the pursuit of social order hence, State Police will help to provide reliable check and balance in relation to abuse or misuse of power. The study recommends that:

1. It is apt for government to consider restructuring of the system of security especially policing, by passing into law State Police, hence, provide state government the much needed authority to produce their own Police.
2. To mitigate against creating numerous smaller monsters, the federal Police should exist side by side with that of the state for supervisory role alongside well spelt out functions and jurisdiction that though help check the excesses of State Police it will not deny them the right to oversee state issues.

References

Agwanwo, D. E. (2014).State policing and Police efficiency in Nigeria.*Research on Humanities and Social Sciences,* 4(25), 165-173.

Ahire, P.T. (1991). *Imperial policing: The emergence and role of the Police in colonial Nigeria 1860 – 1960.* Milton Keyness: Open University Press.

Aremu, O. (2014). *Policing and Terrorism: Challenges and issues in intelligence.* Ibadan: Stirling – Horden Publisher.

Fashola, B. R. (2018). Nigeria already operates State Police. *Daily Post,* July 23. Dailypost.ng.

Igbo, E. U. M. (2007). *Introduction to Criminology.*Nsukka: University of Nigeria Press.

Leha, P. I. (2014).*Policing and Leadership in Democratic Nigeria*. Abuja: DSV Global Concepts Nigeria Enterprises.

Obi, N. (2018).The State Police. *Vanguard*, July 15. Retrieved from: https://www.vanguardngr.com/2018/the-state-Police.

Odeh, A. M. &Umoh, N. (2015).State Policing and National Security in Nigeria. *Mediterranean Journal of Social Sciences, 6(1)1, 412-422.*

Sabo, S. K. (2012). Social order in sociology: Its reality and elusiveness. *Sociology Mind, 2(1), 34-40.*

Scott, J., & Marshall, G. (2005).*Oxford dictionary of Sociology.* New York: Oxford University Press.

Soniyi, T. (2018). Bill to create State Police passes first reading in senate. *This Day*, July 13.

The Constitution of the federal republic of Nigeria (1999).

The Punch (July 11, 2018). Editorial: Time running out on state policing. Retrieved from: https://punchng.com/time-runnung -out-on-state-policing/

Ugoji, E. (2018). State Police: A scary but potentially potent therapy. *Vanguard,* Tuesday, July 25 p.1.

Ugwuoke, C. U. (2010). *Criminology: Explaining crime in the Nigerian Context. (2nd ed.).* Nsukka: University of Nigeria Press.

IMPACT OF MICROFINANCE BANKS ON THE SALES VOLUME OF SMALL AND MEDIUM ENTERPRISES IN ILORIN, KWARA STATE

Tajudeen Idera Abdulmajeed[1]; Gbenga Festus Babarinde[2]
Abass Babatunde Kazeem [3]; Matthew Oladapo Gidigbi[4]

[1]Dept. of Banking and Finance, Al-Hikmah University, Ilorin, Kwara State;
[2]Dept. of Banking and Finance, Modibbo Adama University of Technology, Adamawa State
[3]Eagles Path Hotels, Army Barrack Road, Yola, Adamawa State;
[4]Department of Economics, Modibbo Adama University of Technology, Yola, Adamawa State
Corresponding author: liftedfgb@gmail.com

Abstract

Small and medium enterprises (SMEs) globally remain the foundation as well as the building block in the realization of any meaningful and sustainable growth in an economy. The objective of this study was to examine the effect of microfinance banks' services on SMEs performance. Specifically, it assessed the effect of financial and non-financial services of MFBs on SMEs' sales volume in Ilorin metropolis of Kwara State. The population comprised all SMEs in Ilorin metropolis. Questionnaires were administered to all the 113 registered SMEs in the study area, 94 copies questionnaire were retrieved and used for analysis. Probability regression (probit) was used as a tool of analysis. Results revealed that access to credit have positive effect on sales volume while interest rate, advisory service and savings mobilization have negative effect. The study concluded that MFBs positively contributed to SMEs sales volume in Ilorin metropolis. The study hence recommended that small and medium entrepreneurs should source for loans from MFBs to boost their business activities for increased sales volume. In addition, interest on loans should be reviewed downward by MFBs such that SMEs will be able to repay their loans and have some margins on the net returns.

Keywords: Microfinance Banks, SMEs, sales volume

Introduction

Small and Medium Enterprises (SMEs) constitute the driving force in the attainment of industrial growth and development. This is basically due to their great potential in ensuring diversification and expansion of industrial production as well as the attainment of the basic objectives of growth. For sustainable economy, SMEs have been stressed as capable of helping in bringing about positive economic turn around and complementing the effort of the existing medium and large scales industries (Osuagwu, 2001). This is manifested in such ways: as employment generation, rural development, industrialization and better utilization of indigenous resources.

The importance of SMEs in the growth and development of a country has been widely emphasized in the literature in terms of their role in backward integration, production of goods and services, job creation, income generation, reduction in income disparity, poverty alleviation, entrepreneurial development, technological innovation, skill development and acquisition, encouragement of economic self-dependence and vibrant private sector, among others (Onakoya, Fasanya and Abdulrahman, 2013; Ofoegbu, Akanbi & Joseph, 2013; Safiriyu & Njogo, 2012; Aremu & Adeyemi, 2011; Ayozie & Latinwo, 2010). It therefore means that the performance of the SMEs sector seems to be closely related to the performance of the nation. Due to the importance of the SMEs sector, the federal government through Central Bank of Nigeria (CBN) introduced microfinance banks (MFBs). Microfinance banks provide a broad range of financial services such as deposits, loans, payment services, money transfers, insurance to poor, low-income households and their micro-enterprises.

Despite several efforts by the Federal Government of Nigeria and numerous economic contributions of SMEs in Nigeria to ameliorate the plights of indigenous entrepreneurs, more small-scale manufacturing enterprises are shutting down their operations due to liquidity problems (Adeel, Teal, & Baptist, 2006).

In Nigeria, SMEs problems are generally characterized by inadequate capital base, low managerial skills, and high levels of technical inefficiency, which reduce their potential output levels significantly (Aremu and Adeyemi, 2011; Sokoto & Abdullahi, 2013). Although microfinance banks are established primarily to cater for the need of the poor and small and medium businesses who could not have access to credit from deposit money banks, effectiveness of the microfinance banks in this important role still remain a subject of academic debate. This is because the ultimate objective of poverty reduction is not yet achieved due to strict collateral security demands by banks and the high interest rates charged by them are major constraints to accessing credits by SMEs. Therefore there is need to address the lack of access to credit in which the a significant amount of empirical research has been carried out both within and outside the country on the relationship between microfinance and SMEs development (See Kotir & Obeg-odom, 2009; Ogunrinola & Alege, 2007; Pronyk, Hargreaves & Morduch, 2007; Matouv, 2006). It has been observed from the literature, that most of these research works treated microfinance as a solution to poverty. However, this study attempts to investigate the effects of both financial and non-financial services of MFBs on SMEs' sales volume in Ilorin metropolis of Kwara State. The paper used Ilorin metropolis as a microcosm of Kwara State due to high concentration and dominance of SMEs and microfinance banks in that area as well as easy accessibility and proximity to information.

Accordingly, the study intends to provide answer to the following research questions:

i. What is the impact of financial service of MFBs on the SMEs sales volume in Ilorin metropolis?

ii. What is the impact of non-financial services of MFBs on the SMEs sales volume in Ilorin metropolis?

Literature Review

Small and Medium Enterprises

There are no universally accepted small business definitions. Different institutions and nations use different standards to define SMEs (Bowler, Dawood & Page, 2006; Phakisa, 2009). For instance, the World Bank (2006) defined medium enterprises as those that have at most 300 employees and an annual turnover not exceeding 15 million US dollars, while small enterprises are those having fewer than 50 staff members and up to 3 million US dollars turnover. In the same vein, the Nigerian Economic Summit Group, NESG (2002) defined SMEs in Nigeria based on the nature and magnitude of business to include roadside artisans, petty traders, bottled water producers, bakers, local fabricators and their likes. Udechukwu (2003) explained that Nigeria's National Council on Industry defined SMEs in terms of number of employees as those enterprises with between 10 and 300 employees. This study is anchored on the views of Small and Medium Industries Equity Investment Scheme (SMIEIS) of 1998, which defined SMEs in Nigeria as enterprises with a total capital employed of not less than N1.5 million, but not exceeding N200 million (including working capital, but excluding cost of land) and/or with a staff strength of not less than 10 and not more than 300.

Microfinance Banks

Microfinance Banks (MFBs) are financial institutions licensed by the CBN to provide credit, savings and other essential financial services that are needed by the economically active poor, micro, small and medium enterprises who cannot be efficiently served by regular deposit money banks because their activities and volumes are too low to warrant the high cost of services by these big institutions (Ana, 2008). Therefore, the business of carrying out microfinance services without collateral security is what is referred to as microfinance banking. Ana (2008) articulated that MFBs in Nigeria undertake all banking and financial services provision that Mega banks do, but on small scales. The basic instruments used by MFBs include: traditional and enhanced savings accounts, current accounts, fixed deposits, investment accounts; credit or lending

products such as overdrafts, leases, term loans of various terms but mainly short tenured, trading loans, salary advances, LPO financing, etc.; support services including financial advisory services, feasibility reporting particularly for start-up SME's, financial training; micro insurance services; money transfers both locally and internationally in conjunction with their correspondence banks, micro pensions, capacity building, etc.

Theoretical Underpinning

The paper is underpinned by life cycle theory. The theory was propounded in 1981 by Weston and Brigham. They posited that accelerated growth of a small firm could lead to the firm lacking capital. This is because most of the time, small firms are created with just internal funds from the owners. As the firm growths, the amount of owners' equity is no longer capable of sustaining it and the firm would have to resort to external sources of funds in order to survive. Thus, accelerated growth could result in illiquidity and thus the firm would have a decision to make between reducing its growth rate and becoming illiquid and sourcing for external funds. Weston and Brigham concluded by showing that SMEs that grow in size are very likely to have an increase in its debt structure.

Empirical Evidence

Several works have been carried out by researchers on microfinance both in Nigeria and abroad. For example, Xitian (2013) studied the impact of microfinance on the development of small and medium enterprises (SMEs). The study shows that microfinance plays a crucial role in the revenue growth of SMEs. In the same way, the results of Monday and Abiola (2012) investigated the effects of microfinance on micro and small business growth in Nigeria. The paper found strong evidence that access to microfinance does not enhance growth of micro and small enterprises in Nigeria. However, other firm level characteristics such as business size and business location, are found to have positive effect on enterprise growth. Olowe, Moradeyo and Babalola (2013) also studied the impact of microfinance on SMEs growth in Ibadan, Oyo State.

The result showed that financial services obtained from MFBs have positive significant impact on SMEs growth.

Methodology

The study is based the survey research design. The design is considered appropriate in that it facilitates systematic collection, presentation and analysis of data from large of number of subjects for the study. The population comprises all the 113 registered SMEs in Ilorin metropolis, 113 copies of questionnaire were administered to all SMEs' operators. However, only 94 questionnaires were retrieved and this was considered to be adequate for the study. The data used for the study were obtained from primary source using questionnaire. The paper employed both descriptive and inferential statistical tools of analysis. The descriptive statistics include mean, variance and standard deviation while inferential statistics used was regression model. In order to estimate the necessary parameters in models, the choice of ordered probit regression analysis was made using E-Views 8. The justification for this method of estimation is that the data collected were made up of discrete choice variables measured on ordinal five-point Likert Scale.

Table 1: Reliability Statistics

The reliability of the scale as shown in table 1 below was determined using Cronbach's alpha methods, which indicate at 0.754. Cronbach's alpha measures the average of measurable items and its correlation, and if the result is generally above 70%, it is considered to be consistency and reliable. Hence, the instrument was considered reliable enough for administration.

Cronbach's Alpha	Cronbach's Alpha based on standardized items	No of Items
0.754	0.768	17

Source: Authors' computation, 2019

Model Specification

The model employed in the study was based on Simeyo, Martin, Nyamao, Patrick and Odondo (2011), which was specified thus:

SMEs performance = *f* (loan, saving mobilization and managerial training)

SMEs = $\alpha+\beta_1 LS + \beta_2 SM + \beta_3 MT + e_i$

Where: α = constant; LS = access to credit; SM = saving mobilization; TM = managerial training; β_1-β_3 = coefficient of the independent variable; E- error term.

However, the above model was modified and formulated thus:

SMEs Performance = Sales volume

$Y_i = f$(ACC, ADS, SAM, MAT, COS, INT)……..……..…

SMEs sales volume = $\beta_0+\beta_1 ACCi_+ \beta_2 ADSi + \beta_3 SAMi + \beta_4 MATi_+ \beta_5 COSi + \beta_6 INRi+U_i$

Where:

ACC= Access to credit; ADS =Advisory service; SAM = saving Mobilization; MAT =Managerial training; COS=Collateral security; INR = Interest rate; α = Intercept; Ui = error term; β_1–β_8 = Parameters

A priori, it is expected that $\beta_1>0$, $\beta_2>0$, $\beta_3<0$ $\beta_4<0$, $\beta_5>0$, and $\beta_6>0$

In order to estimate the necessary parameters in models, the choice of ordered probit regression analysis was made using E-Views 8. The justification for this method of estimation is that the data collected were made up of discrete choice variables measured on ordinal five-point Likert Scale.

Table 2: Opinion Rating of Small and Medium Enterprise Operators in Ilorin Metropolis

S/N	Operational Questions	N	SA	A	U	D	SD	Mean	Std. Dev
1	Credit obtained from MFBs has improved performance of SMEs	94	45 47.9 %	31 32.9%	3 3.2%	7 7.4%	8 8.5%	3.85	1.31
2	Microfinance banks have	94	-	11	4	23	56	1.85	1.11

	improved our operational performance by organising series of training for SMEs operators on the application of loan		-	11.7%	4.3%	24.5 %	59.6%		
3	Growth and survival of small and medium enterprises is propelled more by microfinance banks than other conventional banks	94	49 52.1 %	14 14.9%	13 13.8 %	10 10.6 %	8 8.5%	3.92	1.26
4	Advisory services of MFB given to SMEs operators contribute to their performance	94	51 %54. 3%	35 37.2%	8 8.5%	- -	- -	2.77	1.45
5	Most of the start-up capital comes from microfinance banks	94	6 6.4%	9 9.6%	13 13.8 %	27 28.7 %	39 41.5%	3.90	1.17
6	Loan secured from the MFBs contributes to the sales and marketing activities of our business	94	57 60.6 %	26 27.7%	11 11.7 %	- -	- -	3.30	1.2 4
7	Loans actually help our company to standardize our product/service to the extent that we achieved substantial market share	94	44 46.8 %	25 26.6%	16 17%	4 4.3%	5 5.3%	3.82	1.13
8	Credit assistance from MFBs has been enhancing SMEs sales adequately	94	45 47.9 %	19 20.2%	9 9.6%	10 10.6 %	9 9.6%	1.82	0.92
9	MFBs demand for collateral beyond the capacity of SMEs	94	57 60.6 %	32 34.0%	5 5.3%	- -	- -	4.50	0.58
1 0	MFBs charge higher interest than obtainable elsewhere	94	41 43.6 %	33 35.1%	- -	2 2.1%	18 19.1%	3.79	1.44
1 1	Inadequate collateral or guarantor status inhibit small and medium enterprise owner's access to credit facilities	94	44 46.8 %	32 34.0%	- -	10 10.6 %	8 8.5%	4.06	1.11
1 2	MFBs prefer non SMEs customers with chance of loan repayment.	94	38 40.4 %	56 59.6%	- -	- -	- -	4.38	0.49

Source: Field Survey, 2019

From table 3 above, we can see that 79% of the respondents agreed that credit obtained from MFBs has improved performance of their businesses. Also, about 82% of the respondents disagreed that microfinance banks have not improved their operational performance due to failure organising trainings for SMEs' operators on the application of loan. About 66% of the respondents further agreed that growth and survival of small and medium enterprise is propelled more by microfinance banks than other conventional banks. 59% opined that advisory services from MFBs given to SMEs operators contribute to their performance. However, about 70% of the respondents confirmed that most of their start-up capital does not come from microfinance banks. 90% of the respondents agreed that high interest rate charged by microfinance banks do affect SMEs profitability. In addition, the survey indicates that 87% of SMEs agreed that loans secured from the MFBs contribute to the sales and marketing activities of their businesses. Furthermore, about 72% of the respondents agreed that loans obtained actually help their companies to standardize their products/services to the extent that they achieved substantial market share. About 67% of the respondents agreed that credit assistance from MFBs has enhanced SMEs savings adequately. 97% of the SMEs disagreed that there are legal constraints attached to obtaining credit from MFBs. About 94% of the respondents agreed that MFBs demand for collaterals beyond the capacity of SMEs. Cumulatively, about 78% of the respondents agreed that MFBs charge higher interest than obtainable from cooperative societies and other informal sources. However, about 80% agreed that inadequate collateral or guarantor status inhibit small and medium enterprise owner's access to credit facilities. 99% of the respondents agreed that MFBs prefer non SMEs customers with higher chance of loan repayment. Finally, about 94% of the respondents agreed that the profitability of the business is based on the nature of the business.

Regression Result

The result of ML - Ordered Probit regression analysis is as presented in Table 3.

Table 3: Regression Result

Variables	**Coefficients**	**Standard Error**	**z-Statistic**	**Prob.**	**dy/dx**
ACC	0.289687	0.106220	2.727229	0.0064	.0483189
INR	-0.255356	0.096761	-3.259122	0.0011	.0526005
COS	0.014630	0.115152	0.127051	0.8989	.0024403
ADS	-0.750345	0.215352	-2.362490	0.0050	.0417568
SAM	-0.015508	0.098727	-0.157077	0.8752	.0025866
MAT	0.061090	0.130464	3.468256	0.0016	.0101897
Pseudo R-squared	0.512831	LR statistic	19.30057	Prob(LR statistic)	0.000685

Source: Authors' computation using E-view 8, 2019

Table 3 above shows the effects financial and non-financial services of MFBs have on the SMEs sales volume in Ilorin metropolis using a multiple regression analysis of probit. The signs and magnitude of the coefficients signify the effects financial and non-financial services of MFBs have on SMEs sales volume. It indicates that access to credit and managerial training are positive and significant while interest rates and advisory service are negative but significant. Three of the variable access to credit, interest rates and managerial training concur with a priori theoretical expectation, where advisory services abnormally conform to a priori expectation. However, the result was found significant which indicate that despite the fact that advisory services will help boost SMEs sale volume in Ilorin, advisory service is an important variable that determines SMEs performance. If accessibility to credit increase by1% there is probability that sales volume will increase by 4.8%. Also, if interest rate reduces by 1% there is probability that sales volume will inverse by 5.2%. If MFBs provide advisory services to SMEs, there is probability that the sales volume will increase by 4.1%. If MFBs organize a series of training to SMEs operators, there is probability that there will be increase in sales volume by 1.0%. The significant coefficients of access to credit (ACC), interest rate (INR) advisory service (ADS), and

managerial training (MAT) variables clearly has a positive significant on sales volume which is indicated by prob (0.0068), (0.0011), (0.0050) and (0.0016) respectively at 5% level of significance. Advisory service (ADS), collateral security (COS), managerial training (MAT) and savings mobilization (SAM) do not have significant impact on SMEs sales volume. Overall, the findings from the study revealed that financial and non-financial services provided by MFBs significantly influence SMEs sales volume in Ilorin metropolis indicated by prob (LR-stat) 0.000685. The result obtained from this research corroborates the studies carried out by Maruthi et al (2011); Abiola, et al (2012); Ranjami, (2012); Chiyah and Forchu, (2012);Ubom, (2003); Simeyo et al (2011); Ofoegbu, et al (2013) and Muritala, et al (2012) who discovered that microfinance is a major determinant of SMEs growth globally. However, findings from this study did not agree with the study of Afolabi (2013) who found an indirect relationship between interest rates charge by MFBs and SMEs growth in Nigeria.

Conclusion and Recommendations

The paper examined the effects of microfinance banks services on small and medium enterprises' sales volume in Ilorin metropolis, Kwara State. Positive and significant relationship has been established between financial and non-financial services provided by MFBs on SMEs' sales volume. The study confirms the positive contributions of microfinance banks via to aid improved access to credit, managerial training, advisory service and growth in the size of business leading to SMEs increased sales volume. It can be concluded that the various services provided by the MFBs to SMEs in Ilorin metropolis has contributed significantly to increase in sales volume.

The study therefore recommends that small and medium entrepreneurs should apply for MFBs loans to boost their business activities. This will lead to an increase in the volume of capital available for business activities and probably lead to high sales volume due to increased financial capacity. Furthermore, the interest on loans should be reviewed downward so that the end-users (SMEs) will be able to service the loans and also have some margin on the net returns. Also,

MFBs should at all times give professional advice to SMEs. Proper professional advice would come from proper appraisal of the loan and this will inform the lending microfinance banks whether the amount the SMEs requested for is too much for the project or less. Seminars and workshops should be organized by the MFBs to educate SMEs operators on their policies and on judicious use of funds.

References

Abiola, B. (2012). Effects of microfinance on micro and small enterprises (SMEs) growth in Nigeria. *Asian Economic and Financial Review, 2* (4), 463-477.

Abiola, B., Iyoha, F., & Joseph, T. (2011). *Microfinance and micro, small and medium enterprises development in Nigeria* (Unpublished article). Covenant University, Ota, Ogun State, Nigeria.

Afolabi, M. O. (2013). Growth effect of small and medium enterprises (SMEs). Financing in Nigeria. *Journal of African Macroeconomic Review, 3*(1), 193-205.

Aremu, M. A., & Adeyemi, S. L. (2011). Small and medium scale enterprise as a strategy for employment generation in Nigeria. *Journal of Sustainable Development. Development. International Research, 4*(1), 200-206.

Adeel, M., Teal, F. & Baptist, S. (2006). *The performance of Nigerian manufacturing firms: Report on the Nigerian manufacturing enterprise survey.* University of Oxford, Centre for the Study of African Economies. United Kingdom: United Nations Industrial Development Organization.

Ana, I. C. (2008). *Understanding microfinance banking*. Lecture on microfinancing, Episode 5. Retrieved from www.ifeomaana.com/UNDERSTANDING%2520MICROFINANCEBANKING.doc

Ayozie, D. O., & Latinwo, H. K. (2010). Entrepreneurial developments and small scale industry contribution to Nigerian national development: A marketing Interface. *Information Management and Business Review.* 1 (2). 349-258.

Bowler, A., Dawood, M. S., & Page, S. (2007). *Entrepreneurship and Small Business Management*. Pretoria: Juta & Co. Ltd.

Chiyah, B. N., & Forchu, N. Z. (2012). *The impact of microfinance institutions in the development of small and medium size businesses (SMEs) in Cameroon. A case study of CamCCUL*. Lunds University, Sweden.

Maruthi, R. P., Smith, G., & Laxmi, K. S. (2011), *Emergency and impact of micro-finance on Indian scenario*. KKIMRC IJRFA

Monday, J. U., & Folasade, B. U. (2013). The role microfinance banks (MFBs) in promoting the production capabilities and development of small-scale manufacturing enterprise in Nigeria. *Journal of Economic Development Research and Investment,5*(10), 43-50.

Muktar, M. (2009). *The role of microfinance banks in the promotion and development of entrepreneurship in semi urban and rural areas*. Retrieved from: www.focusnigeria.com/microfinance-bank.htm.

Muritala, T. A., Awolaja, A. M., & Bako, Y. A (2012). Impact of small and medium enterprises on economic growth and development. *American Journal of Business and Management, 1*(1), 230-256.

Ofoegbu, E. O., Akanbi, P. A., & Joseph, A. I. (2013). Effects of contextual factors on the performance of small and medium scale enterprises in Nigeria: A case study of Ilorin metropolis. *Advances in Management and Applied Economics, 3*(1), 95 – 114.

Olowe, F.T., Moradeyo, O.A., & Babalola, O. A. (2013). Empirical study of the impact of microfinance bank on small and medium growth in Nigeria. *International Journal of Academic Research in Economics and Management Sciences,* 2(6), 116-124.

Onakoya, A. B., Fasanya, I. O., & Abdulrahman, H. D. (2013). Small and medium scale enterprises financing and economic growth in Nigeria. *European Journal of Business and Management, 5*(4), 130 – 136.

Phakisa, B. A. (2012). Challenges faced by SME'S in South Africa: Are marketing skills needed? *International Business & Economics Research Journal, 11*(10), 1107-1116.

Ranjani, K. S. (2012), Regulating microfinance institutions in India: A conceptual framework. *Synergy*, 10(1).

Safiriyu, A.M. & Njogo, B.O. (2012). Impact of small and medium scale enterprises in the generation of employment in Lagos State. *Kuwait Chapter of Arabian Journal of Business and Management Review, 1*(11), 107-151.

Simeyo, O., Martin, L., Nyamo, N. R., Patrick, O. & Odondo, A. J. (2011). *Effect of provision of microfinance on the performance of micr enterprise: A study of youth micro enterprise programe (Y-REP).* Kisu country, Kenya, *5* (20), 8290-8300.

Sokoto, A. A., & Abdullahi, Y. Z. (2013). Strengthening small and medium enterprises (SMEs) as a strategy for poverty reduction in North Western Nigeria. *American Journal of Humanities and Social Sciences, 1*(3), 189 – 201.

Udechukwu, F. N. (2003). *Survey of small and medium scale industries and their potentials in Nigeria.* In CBN Seminar on SMIEIS, 2003.

Xitian, W. (2013). *The impact of microfinance on the development of small and medium enterprises: The case of Taizhou, China*. The Johns Hopkins University, Baltimore, MD, USA.

Weston, J. F., & Brigham, E.F. (1981). *Managerial finance* (7th ed.). Hinsdale: Dryden Press.

World Bank. (2006). *World development indicator database*. Retrieved from: http://worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS.

Effects of Credit Management Techniques on the Performance of Selected Commercial Banks in Nigeria: A Study of First Bank PLC

ORBUNDE Bemshima Benjamin Ph.D
Tony, L. Wuyep
[1]Department of Accounting,
[2]Department of Business Administration,
Bingham University, Karu, Nasarawa State
Correspondence: orbundebemshima@yahoo.com

Abstract

Effective credit management is a basic for an institution in financial sector performance. With declining performance of the institutions due to increasing competition and changing regulatory framework, credit quality is imperative for continued wellbeing of the institutions in terms of financial performance. Deposit money banks (DMBs) in Nigeria create loans from deposits from customers and these loans are major income generating source for majority of the banks. However, this intermediation function of DMBs in Nigeria is associated with enormous risks to both the banks and the deficit units. It is thus imperative for this study to examine the effect of credit management on the profitability of deposit money banks in Nigeria using first bank in FCT, Abuja as a study. Historical research design was adopted. Descriptive study design was adopted for this study; while the questionnaire employed contained closed-ended structured questions in a five-Likert scale format. Regression technique was used for the estimation of data generated through the structured questionnaire. Findings from the study showed that client appraisal have a significant effect on profitability of deposit money banks in Nigeria. More so, the study showed that credit risk control has a significant effect on profitability of deposit money banks in Nigeria; and collection policy has a significant effect on profitability of deposit money banks in Nigeria. Based on these findings, the study recommends that there is need for commercial banks in Nigeria to enhance their client appraisal techniques so as to improve their financial performance. Through client appraisal techniques, the commercial banks in Nigeria will be able to know credit worthiness of clients and thus reduce non-performing loans. There is also need for commercial banks in Nigeria to enhance their credit risk control. This may help in decreasing loan default levels. As regards to credit policy, the bank should also emphasize on collateral and the use of the reminders, insurance policy and the litigation to minimize costs resulting from investing in vulnerable clients and maximize returns.

Keywords: Deposit money banks, Profitability, Credit risk control, client appraisal and collection policy

Introduction

The greatest hazard in business managing a credit is loaning cash and not getting it back as with every single money related foundation. Credit hazard specifically is one of the greatest attentiveness toward banks since a portion of the loaning is unsecured. In order to improve the operational performance and profitability, firms seek ways to improve their performance in operations in a bid to increase profitability. Accordingly, competition has also risen up as new technologies and new firm structures crop up. This has made firms seek new ways of lowering their operational costs to improve their profitability. In the same way, micro finance institutions financial performance is determined in terms of the profitability and their return on investment. Herrmann (2018) contends that firm profitability is usually determined by the organization earnings compared to its sales/owners and assets investment or the value in shares. This leads to common measures of profitability including return on equity (ROE), Income statements, Earnings per share (EPS), Return on total assets (ROA) and Price/Earnings ratio or P/E ratio.

Deposit money banks are exposed to a variety of risks among them; interest rate risk, foreign exchange risk, political risk, market risk, liquidity risk, operational risk and credit risk; and what banks does is to manage these challenges especially the credit aspect. In some instances, deposit money banks and other financial institutions have approved decisions that are not vetted; there have been cases of loan defaults and non-performing loans, massive extension of credit and directed lending. Policies to minimize on the negative effects have focused on mergers in banks, better banking practices but stringent lending, review of laws to be in line with the global standards, well capitalized banks which are expected to be profitable, liquid banks that are able to meet the demands of their depositors, and maintenance of required cash levels with the central bank which means less cash is available for lending. This has led to reduced interest income for the commercial banks and other financial institutions and by extension reduction in profits. Credit risk is the possibility that the actual return on an investment or loan extended will deviate from that, which was expected. Agu, &Ogbuagu (2015) defined credit risk as losses from the refusal or inability of credit customers to pay what is owed in full and on time. The main sources of credit risk include, limited institutional capacity, inappropriate credit policies, volatile interest

rates, poor management, inappropriate laws, low capital and liquidity levels, directed lending, massive licensing of banks, poor loan underwriting, reckless lending, poor credit assessment, laxity in credit assessment, poor lending practices, government interference and inadequate supervision by the central bank. To minimize these risks, it is necessary for the financial system to have; well-capitalized banks, exposure within acceptable limit in order to provide a framework of the understanding the impact of credit management on banks profitability.

Credit management is an essential process for any firm that engages in the business of credit. The process when done in the right manner ensures that the customer pays on services delivered. According to Myers and Berkley (2013) credit management practices are the strategies used by an organization to ensure that the level of credit in the firm is acceptable and it is managed effectively. It is part of financial management that comprises of the analysis of credit, rating of credit, classification and reporting of credit. Nelson (2012) defined credit management as the practices used by an organization to manage the sales they make on credit. It is an essential practice for all the organizations that have credit transactions since some have managed their credit activities so well that they have zero credit risk. Credit management is the strategies one uses to collect and control credit payments from clients. Myers and Berkley (2013) define these practices as the strategies that organizations use to have an acceptable level of credit and to manage this level effectively. It is part of financial management that comprises of the analysis of credit, rating of credit, classification and reporting of credit. When credit management is done right, then the capital with debtors reduces and the possibility of bad debts is also reduced. Edwards (2013) contends that if you are a business and you have not included into your selling price any costs associated with late payment or you have a way of recovering the costs by charging an interest, then your profits is bound to be affected by such costs. Some firms are tempted to provide credit when they think of the possibility of increased business operations. However, businesses have to be certain that there will be more revenue from the high sales that will outweigh the cost of credit to avoid losses.

Credit risk is one of significant risks of banks by the nature of their activities. Through effective management of credit exposure banks not only support the viability and profitability of their own business but also contribute to systemic stability and to an efficient allocation of capital in the economy (Psillaki, Tsolas, & Margaritis, 2010). Banking as a service industry is organized to make profit for the shareholders vide provision of banking services and supply of financial needs to individuals and cooperate bodies. In order to achieve this, banks accept deposits from customers and lend to others. According to Sayer, (2015), banks seek to make themselves as attractive as debtors and as efficient as creditors that they can earn a substantial gross income from the difference between the interest they charge as creditors and the interest they pay as debtors". Developments in the Nigerian economy in the last decade, specifically, from 2008 to date have had considerable impact on the functioning of the banks and other non-financial institutions. The decade witnessed a down - hill trend in the Nigerian economy, occasional dwindling oil revenue and the global financial recession. Banks as a sub-system of national economy is not immune and is having its own share in the form of increasing loan defaults because of the inability of borrowers to redeem their loans, which resulted in banks failure and subsequently banks distress. It is thus imperative for this study to investigate the impact of credit management on the profitability of deposit money banks in Nigeria.

The main objective of this study is to examine the effect of credit management on the profitability of deposit money banks in Nigeria.

The following prepositions were formulated to guide the study:

H01: Client appraisal has no significant effect on profitability of deposit money banks in Nigeria

H02: Credit risk control has no significant effect on profitability of deposit money banks in Nigeria

H03: Collection policy has no significant effect on profitability of deposit money banks in Nigeria

Literature Review

Conceptual Framework

Concept of Credit Management: Credit management is one of the most important activities in any company and cannot be overlooked by any economic enterprise engaged in credit irrespective of its business nature. It is the process to ensure that customers will pay for the products delivered or the services rendered. Myers and Brealey (2013) describe credit management as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. It is an aspect of financial management involving credit analysis, credit rating, credit classification and credit reporting. Nelson (2012) views credit management as simply the means by which an entity manages its credit sales. It is a prerequisite for any entity dealing with credit transactions since it is impossible to have a zero credit or default risk. The higher the amount of accounts receivables and their age, the higher the finance costs incurred to maintain them. If these receivables are not collectible on time and urgent cash needs arise, a firm may result to borrowing and the opportunity cost is the interest expense paid. Nzotta (2014) opined that credit management greatly influences the success or failure of commercial banks and other financial institutions. This is because the failure of deposit banks is influenced to a large extent by the quality of credit decisions and thus the quality of the risky assets. He further notes that, credit management provides a leading indicator of the quality of deposit banks credit portfolio. A key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. In order to minimize exposure to bad debt, over-reserving and bankruptcies, companies must have greater insight into customer financial strength, credit score history and changing payment patterns.

Credit management starts with the sale and does not stop until the full and final payment has been received. It is as important as part of the deal as closing the sale. In fact, a sale is technically not a sale until the money has been collected. It follows that principles of goods lending shall be concerned with ensuring, so far as possible that the borrower will be able to make scheduled payments with interest in full and within the required time period otherwise, the

profit from an interest earned is reduced or even wiped out by the bad debt when the customer eventually defaults. Credit management is concerned primarily with managing debtors and financing debts. The objectives of credit management can be stated as safe guarding the companies‟ investments in debtors and optimizing operational cash flows. Policies and procedures must be applied for granting credit to customers, collecting payment and limiting the risk of non-payments.

Credit management process starts with receiving applications and finishes just when the borrower meets all obligations of repaying the loaned funds. Credit management cannot be a success if the loaned funds will not be received in full. Standards of good loaning state that lending institutions should be worried with guaranteed returns from loans, beyond what many would consider possible that the borrower can make planned instalments without delays or fail. Credit administration is concerned basically with financing obligations and overseeing indebted individuals. The essential destinations of credit administration can be pronounced as protected guarding of the clients' hazard and upgrading operational money streams. Approaches and methodology must be connected while agreeing credit to clients and amid the gathering of instalments.

Concept of Deposit Money Banks Profitability: Profitability is an indicator of banks' capacity to carry risk and/or increase their capital. It indicates banks' competitiveness and measures the quality of management (Adinde, 2014). Profitability is one of the key concepts in our research. This is due to the topic of this research is about the relationship between the profitability and credit management. Clear explanation to the profitability of deposit money banks is crucial for readers to understand the research procedure and meaning. The determinants of commercial banks' profitability can be concluded into two categories, namely those that are management controllable (internal determinants) and those are beyond the control of management (external determinants) (Guru, Staunton, & Balashanmugam, 1999). The internal determinants reflect upon banks' management policy and decision concerning sources and uses of funds management, capital and liquidity management and expenses management. This kind of profitability factors can be examined by financial statements of commercial banks (Guru et al., 1999).

The external factors are environment factors and firm-specific ones (Guru et al., 1999). This research mainly focuses on the analysis of internal determinants because our purpose is to test the effect of credit management to deposit bank's profitability. The determinants reflected upon credit management should be included into internal policy and decisions which can be examined by financial statements. On the other hand, bank's decisions are also affected by external regulation, thus this research also involves the consideration of external factors. The level of profitability is very significant for shareholders of a bank because it shows how effective management has utilized their investments (Devinaga, 2010). In determining the financial strength of a deposit money bank, the level of profitability is predominant. ROA and ROE are used as main profitability measures in most of the organizations including banks and financial institutions. The ROA demonstrates the level of net income produced by the bank and also determines how the assets utilized by banks generate profit over the years. On the other hand, the return on equity (ROE) is the ratio of net income to total equity indicating returns to shareholders on the book value of their investment. It measures the rate of return for ownership interest (shareholders)' equity of common stock owner, it tells how efficient a firm/bank is at generating profits from each unit of shareholder equity, also known as net assets or assets minus liabilities.

Empirical Review

Several studies have been conducted on the impact of credit management on the performance of deposit money banks across different countries and in Nigeria. As with any financial institution, the principal risk in bank is lending money and not getting it back. On this note, Kagoyire and Shukla (2016) studied effect of credit management on performance of commercial banks in Rwanda (A case study of Equity Bank Rwanda LTD). The study sought to determine the effect of credit management on the financial performance of commercial banks in Rwanda. The study adopts a descriptive survey design. The target population of study consisted of 57 employees of Equity bank in credit department. The entire population was used; giving a sample size of size of 57 employees. Purposive sampling technique was used where the entire population was included in the study. Primary data was collected using questionnaires which were administered to the respondents. Descriptive and inferential statistics were used to analyse data. The study found that

client appraisal, credit risk control and collection policy had significant effect on financial performance of Equity bank. The study established that there was very strong relationship between financial performance of Equity bank and client appraisal, credit risk control and collection policy. The study also established that client appraisal, credit risk control and collection policy significantly influence financial performance of the bank. Collection policy was found to have a top effect on financial performance and that a stringent policy was more effective in debt recovery than a lenient policy. The study therefore recommends that Equity bank should enhance their collection policy by adapting a more stringent policy to a lenient policy for successful debt recovery.

In corroboration with Kagoyire and Shukla (2016) and Uwuigbe, Olubukunola & Babajide (2015) carried out a study on credit management and bank performance of listed banks in Nigeria. The study aimed to examine the effects of credit management on banks' performance in Nigeria. In achieving the objectives recognized in this study, the audited corporate annual financial statement of the listed banks covering the period 2007-2011 were analysed. A sum total of ten listed banks were selected and analysed for the study by adopting the purposive sampling method. However, in assessing the research postulations, the study adopted the use of both descriptive statistics and econometric analysis, using the linear regression methodology consisting of periodic and cross sectional data in the estimation of the regression equation. Results from the study revealed that while ratio of non-performing loans and bad debt do have a significant negative effect on the performance of banks in Nigeria, on the other hand, relationship between secured and unsecured loan ratio and bank's performance was not significant. Hence, the study recommends that banks management should put in place or institute sound lending framework, adequate credit administration procedure, and an effectual and efficient apparatus to monitor lending function with an established rule. Femi, Marshal, and Ayodele (2015) researched on credit risk management and bank performance in Nigeria. This study investigated the impact of credit risk on banks' performance in Nigeria. A panel estimation of six banks from 2000 to 2013 was done using the random model framework. Result from the study showed that credit risk is negatively and significantly linked to bank performance; measured via return on assets (ROA).

This result suggests that an increased exposure to credit risk reduces bank profitability. It was also found that total loan has positive and significant impact on bank performance. Therefore, to shoot the cyclical nature of non-performing loans and increase their profits, the banks should implement an aggressive deposit mobilization to increase credit availability, and develop a trustworthy credit risk management strategy with adequate penalty for loan payment defaults. In Kenya, Mutisya (2015) studied effect of mitigating credit management on performance of commercial banks in Kenya: A case of Chuka Town. The study aimed at investigating the effect of mitigating credit risk to the performance of commercial banks currently operating in Chuka Town in Tharaka Nithi County. The study was descriptive in nature. The study opted for both primary and secondary forms of data. The secondary data was collected from the documentations accessible from the banks, and the primary data from various banks using questionnaires. Data was analysed using descriptive statistics involving percentages. The study found out that the banks had policies and strategies of mitigating credit risk which has direct impact on their performance with the credit section being acknowledged as the most important sector in the banking section. This is owed to the fact that credit was the major investment that is being undertaken by commercial banks. Although all this are well-known by commercial banks still stress need to be put up for all credit risk policies to be observed carefully as still commercial banks experience risks that lead to heavy losses. Also, it was found that there was a significant relationship between bank performance, and credit risk management (in terms of risk identification, monitoring and credit sanctions).

Beck, Jakubik and Piloi (2013) in a study on Non-Performing Loans (NPLs) in 75 countries argue that over the past decade, the credit quality of loan portfolios across most countries in the world remained relatively stable until the financial crises hit the global economy in 2007-2008. Since then, average bank asset quality deteriorated sharply due to the global economic recession. Yet the deterioration of loan performance was very uneven across countries‖. Beck, Jakubik and Piloi (2013) were interested in explaining these differences in bank asset quality across countries and over time. In their findings they found no the direct impact of share prices on NPLs and

posited that the impact was less obvious. They further argued that to the extent that share prices are correlated with house prices they supposed that their findings could reflect the notion that a drop in the value of collateral for housing loans could negatively affect the loan quality of consumer loans. Mekasha (2011) investigated the credit management and its impact performance on Ethiopian Commercial Banks. The researcher used 10 years panel data from the selected commercial banks for the study to examine the relationship between ROA and loan provision, non-performing loans and total assets. The study revealed that there is a significant relationship between bank performance and credit risk management. Ben-Naceur and Omran (2018) in an attempt to examine the influence of bank regulations, concentration, financial and institutional development on commercial banks' margin and profitability in Middle East and North Africa (MENA) countries from 1989- 2005 have found that bank capitalization and credit risk have positive and significant impact on banks‟ net interest margin, cost efficiency and profitability.

Abiola and Olausi (2014) investigated the impact of credit risk management on the performance of commercial banks in Nigeria. Financial reports of seven commercial banking firms were used to analyze for seven years (2005–2011). Panel regression model was employed for the estimation of the model. In the model, return on equity (ROE) and return on assets (ROA) were used as the performance indicators while non-performing loans (NPL) and capital adequacy ratio (CAR) as credit risk management indicators. The study revealed that credit risk management has a significant impact on the profitability of commercial banks in Nigeria.

Theoretical Framework

Portfolio Theory: Since the 1980s, banks have successfully applied modern portfolio theory (MPT) to market risk. Many banks are now using earnings at risk (EAR) and value at risk (VAR) models to manage their interest rate and market risk exposures. Unfortunately, however, even though credit risk remains the largest risk facing most banks, the practice of MPT to credit risk has lagged (Margrabe, 2007). Under the portfolio theory, traditionally banks have taken an asset-by-asset approach to credit risk management. While each bank's method varies, in general this approach involves periodically evaluating the credit quality of loans and other credit exposures, applying a credit risk rating, and aggregating the results of this analysis to identify a portfolio's

expected losses (Gakure, Ngugi, Ndwiga & Waithaka, 2012). According to Gakure et al (2012) the foundation of the asset-by-asset approach is a sound loan review and internal credit risk rating system. In this approach a loan review and credit risk rating system enable management to identify changes in individual credits, or portfolio trends in a timely manner (Gakure et al, 2012). Based on the results of its problem loan identification, loan review, and credit risk rating system management can make necessary modifications to portfolio strategies or increase the supervision of credits in a timely manner (ibid). While the asset-by-asset approach is a critical component to managing credit risk, it does not provide a complete view of portfolio credit risk, where the term risk refers to the possibility that actual losses exceed expected losses. Therefore, to gain greater insight into credit risk, banks increasingly look to complement the asset-by-asset approach with a quantitative portfolio review using a credit model. Banks increasingly attempt to address the inability of the asset-by-asset approach to measure unexpected losses sufficiently by pursuing a portfolio approach. According to Essendi (2013) the portfolio has a basic assumption that investors often want to maximize returns from their investments for a given level of risk and provides a framework for specifying and measuring investment risk and to develop relationships between risk and expected returns. One weakness with the asset-by-asset approach is that it has difficulty identifying and measuring concentration. Concentration risk refers to additional portfolio risk resulting from increased exposure to a borrower, or to a group of correlated borrowers.

The traditional portfolio approach uses two methods, namely the expert method and the credit scoring models in the expert system; the credit decision is left in the hands of the branch lending officer. His expertise, judgment, and weighting of certain factors are the most important determinants in the decision to grant loans. The traditional approach to the assessment of credit proposition of borrowers is based on the heuristics or intuition of the loan officer. Heuristic decision-making is, however, not necessarily arbitrary or irrational because it is based on years of experience that enable individuals to identify solution quickly without going through an analytical process (Rosli, 2000). The 5Cs of credit are always used by banks to assess the creditworthiness of the potential borrower. The 5Cs of credit refer to Character, Capacity, Conditions, Collateral and Capital (Dev, 2009).

Character assessment is performed to determine the willingness and desire of borrowers to repay debt. Capacity is described as the borrower's capacity to borrower and also his repayment capacity. Economic conditions will also affect the borrower's ability to repay the loan. A bank will normally ask for collateral as security against the loan. Capital requirement of the business indicates the financial net worth of the borrower. The loan officer can examine as many points as possible but must include these five Cs in addition to interest rate. In order to estimate default probability credit scoring models, use statistical and mathematical methods (Togtokh, 2012). Some writers note that the reason for this increased use of the scoring methods is that the methods are relatively cheap, bases on historical data and simple compared to modern approaches. For example, Mester (cited in Togtokh, 2012) revealed widespread use of credit scoring models showing that 97 percent of the banks use credit scoring to approve credit card application, whereas 70 percent of the banks use credit scoring in their small business lending.

Transactions Costs Theory: The theory was proposed by Schwartz (1974), this hypothesis deduces that providers may have a high ground over customary loan specialists in checking the credit value or genuine monetary circumstance of their clients. Providers additionally have a favored capacity to screen and pressure reimbursement of the credit. Every one of these superiorities may give providers a cost favourable position when contrasted and money related organizations. There are three wellsprings of cost preferred standpoint as characterized by Petersen and Rajan (1997); securing of data, controlling of the purchaser and rescuing esteem from existing resources. The main wellspring of cost preferred standpoint can be clarified by the premise that dealers can get data about purchasers at lower cost and speedier since it is acquired in the ordinary course of business. That is, the sum and recurrence of a purchaser's requests may give a provider a thought of the customer's circumstance; the purchaser's dismissal of rebates for early instalment may serve to caution the provider of a debilitating in his credit-value, and dealers generally visit clients more regularly than budgetary organizations.

Methodology

The research was conducted through a historical research design. Historical research design is where the researcher explores, explains and understands past phenomenon from already existing data. This helped the researcher to arrive at conclusions about the effect of credit management on the profitability in order to explain the present and predict and control the future. The study adopted quantitative research approach which answered the "How" questions in the study, thus allowed the measurement of relationships between variables in a systematic and statistical method.

Population and Sampling Techniques: The population of the study are the staff of the 15 banks quoted on the floor of the Nigerian stock exchange as at 2018 (i.e. Access Bank Plc, Diamond Bank Plc, Eco Bank Plc, Fidelity Bank Plc, First Bank of Nig. Plc, First City Monument Bank Plc, Guaranty Trust Bank Plc, Polaris Bank Plc, Stanbic IBTC Bank, Sterling Bank Plc, UBA Plc, Union Bank Plc, Unity Bank Plc, Wema Bank Plc, and Zenith Bank Plc). Purposive sampling technique was used to select the staff of these banks based on the criteria that the banks: have availability of consistent data-set over the period.

Method of Data Collection: The study adopted the questionnaire as the data collection instrument to gather primary data from the field. The instrument will be keyed on five-point Likert scale format ranging from 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=strongly agree. The instrument will be divided into two sections.

Method of Data Analysis: The regression method was adopted to find out the linear relationship between credit management and bank profitability. The justification for the use of regression method is because it measures the relationships existing between two or more variables. It is simple to compute without errors and it helps to illustrate the directional outcome and strength of the variable. It further shows a precise quantitative measurement of the degree of relationship between dependent and independent variables.

This estimation was achieved by the use of STATA statistical software. In-line with the research hypotheses, the following model was formulated:

$$PRF = \beta_0 + \beta_1 CA + \beta_2 CRC + \beta_3 CP + \mu_t ------(1)$$

Where;

β_0 = The intercept

$\beta_1 - \beta_3$ = Parameter estimates or coefficients forClient appraisal, Credit risk control and Collection policy

PRF = Profitability

CA = Client appraisal

CRC = Credit risk control

CP = Collection policy

μ_t = Error term

Results and Discussion

The three hypotheses formulated in this study were tested using the Z-statistics. The Z-statistics is a test of the significance of the variable used in the regression model; it is used to denote whether the impact of the explanatory (exogenous/ independent variables) actually have a significant influence on the dependent variable. The decision rule for accepting or rejecting the null hypothesis for any of these tests was based on the Probability Value (PV). If the PV is less than 5% or 0.05 (that is PV < 0.05), it implies that the regressor in question is statistically significant at 5% level; otherwise, it is not significant at that level.

Table 1: Regression Results

Method	OLS-Approach				
Source	Sum of Square	DF	MSE	No. of obs	15
Model	5.09215396	3	5.09215396	F(1,15)	4.66
Residual	298.013301	12	1.09162381	Prob > F	0.0017
Total	303.105455	15	1.10622429	R-squared	0.7419
				Adj. R-squ.	0.5698
				D.W	1.7454

PRF	Coef.	Std. Err.	Z(PV)	[95% Conf. Interval]	
_Cons	2.124196*	0.222100	9.5641(0.0000)	1.9521442	2.355327
CA	0.365411*	0.112109	3.25941(0.0011)	0.0241543	1.452145
CRC	1.524789*	0.045121	2.21476(0.0035)	1.2548754	1.875412
CP	1.942114*	0.1325419	2.897542(0.0012)	1.7652216	2.578746

Note: *, ** and *** indicate significant values test at 1%, 5% and 10% levels respectively
Source: Researchers Computation, 2019 (STATA 14)

Using the f-statistic, the study sought to investigate the multiple regression model whether it was valid or not. The F statistics was used to determine the model validity. The study found out that the model was valid F (3, 15) = 38.801, P<0.001. Therefore, this implies that all the three predictors (of credit management) variables are good in explaining variation in profitability of deposit money banks. The study also sought to determine the model's goodness of fit statistics. The coefficient of determination as measured by the R^2 (R-square) (63.0%) shows that credit management explain 63.0% of the total variation in profitability of deposit money banks. This implies that the stochastic disturbance error term (ε) covers 37.0%.

Durbin-Watson was used to test for the presence of serial correlation or autocorrelation among the error terms. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.74 (as the acceptable Durbin – Watson range is between 1.50 and 2.50). This shows that the estimates are unbiased and can be relied upon for quality and sound investment and managerial decisions.

Test of Hypotheses One:

H01: Client appraisal has no significant effect on profitability of deposit money banks in Nigeria

Table 1 revealed that Client appraisal has a significant impact on profitability of deposit money banks. This was captured by the value of the Z-statistic (Z) 2.59 and an associated PV of 0.0011 which was found to be less than the 0.05. Therefore, the study rejects the first null hypothesis (H01) and that client appraisal has a significant effect on profitability of deposit money banks in Nigeria

Test of Hypotheses Two:

H02: Credit risk control has no significant effect on profitability of deposit money banks in Nigeria

Table 1 also indicated that Credit risk control has a significant influence on profitability of deposit money banks as captured by the Z-statistic value of 3.17 and it's associated PV of

0.00013 which was found to be less than 0.05. Therefore, the study rejects the second null hypothesis (H02) and concludes that credit risk control hasa significant effect on profitability of deposit money banks in Nigeria

Test of Hypotheses Three:

H03: Collection policy has no significant effect on profitability of deposit money banks in Nigeria

Table 1 further indicated that Collection policy has a significant influence on profitability of deposit money banks as captured by the Z-statistic value of 3.17 and its associated PV of 0.00013 which was found to be less than 0.05. Therefore, the study rejects the third null hypothesis (H03) and concludes that collection policy hasa significant effect on profitability of deposit money banks in Nigeria

Discussion of Findings

Findings from the study showed that client appraisal have a significant effect on profitability of deposit money banks in Nigeria. It established that client appraisal is a viable strategy for credit. This agrees with Abiola and Olausi (2014) whose findings suggests that credit management via client appraisal has a significant impact on the profitability of commercial banks in Nigeria. More so, the study showed that credit risk control has a significant effect on profitability of deposit money banks in Nigeria. This is in agreement with Ben-Naceur and Omran (2018) in who found that bank capitalization and credit risk control have positive and significant impact on banks' net interest margin, cost efficiency and profitability. Above all, the study revealed that collection policy hasa significant effect on profitability of deposit money banks in Nigeria. This is in line with the findings of Kargi (2011) whose findings revealed that credit risk management has a significant impact on the profitability of Nigerian banks.

Conclusion and Recommendation

The main purpose of the study is to investigate the effects of credit management techniques on the performance of selected commercial banks in Nigeria. Client appraisal, credit risk control and collection policy, have been taken into account and the directions of their influence on the performance of loan have been hypothesized. The findings of the study concluded that client

appraisal had positive and significant effect on the bank's performance. Collection policy and Credit risk control had also a positive and significant influence on the performance of the banks. These results are in line with the earlier findings as have been discussed in the literature. Based on the findings, the following recommendations were made: There is need for commercial banks in Nigeria to enhance their client appraisal techniques so as to improve their financial performance. Through client appraisal techniques, the commercial banks in Nigeria will be able to know credit worthiness of clients and thus reduce non-performing loans. There is also need for commercial banks in Nigeria to enhance their credit risk control. This may help in decreasing loan default levels. This may help in improving their financial performance. As regards to credit policy, the bank should also emphasize on collateral and the use of the reminders, insurance policy and the litigation to minimize costs resulting from investing in vulnerable clients and maximize returns.

References

Adinde, J.C. (2014). Effect of risk management on the performance of selected commercial Banks (Master's thesis). *University of Nigeria, Enugu Campus, Enugu State, Nigeria*.

Agu, O. C. & Ogbuagu, M. I. (2015). Lending rate, bad debt and credit management in Nigeria commercial banks: A VAR analysis. *American Journal of Economics, Finance and Management, 1(3), 164-170.*

Beck, R., Jakubik, P. & Piloiu, A. (2013). Non-Performing loans. What matters in addition to the economic cycle? Available at https://www.ecb.europa.eu/pub/

Ben-Naceur, S. & Omran, M (2018). The effects of bank regulations, competition, and financial reforms on MENA banks' profitability. *Economic Research Forum Working Paper* No. 44.

Edward. B (2013). Credit Management (6th ed.) http://www.gowerpublishing.com

Essendi, O., Lillian., U.,& Kisivuli, P. (2013). The Effect of Credit Risk Management On Loans Portfolio among Saccos in Kenya, Unpublished MBA research Project, University of Nairobi

Femi, O. K., Marshal, T. O., and Ayodele, J. O. (2015). Credit risk and bank performance in Nigeria. *IOSR Journal of Economics and Finance, 6*(2), 21-28

Guru, B. K., Staunton, J. & Balashanmugam, B. (1999). Determinants of commercial bank profitability in Malaysia. Finance and banking. *Proceeding of the 12th annual conference of the Australian Finance and banking* (16-17). Sydney, Australia.

Herrmann, A. M. (2018). Choosing and Successfully Sustaining Competitive Strategies in the European Pharmaceutical Industry. MPIfG Discussion Paper 08 /9. Max Planck Institute for the Study of Societies, Cologne.

Kagoyire, A., & Shukla, J. (2016). Effect of credit management on performance of commercial banks in Rwanda (A case study of Equity bank Rwanda LTD). *International Journal of Business and Management Review, 4*(4), 1-12

Margrabe K, (2007). The incidence of secured debt: evidence from the small business community, Journal of Financial and Quantitative Analysis, Vol. 24, 379-94

Mutisya, J. M. (2015). Effect of mitigating credit management on performance of commercial banks in Kenya: A case of Chuka Town. *European Journal of Business and Social Sciences, 4*(7), 113-125

Myers, O., & Brealey, O.P. (2013), Corporate Insurance and the Underinvestment Problem‖, The Journal of Risk and Insurance, 54(1), 45-54.

Nelson, L. (2012). Solving Credit Problem [On-line]. Available http://www.cfo.com (23/04/12)

Nzotta, S.M (2014). Money, Banking & Finance: Theory and Practice. Nigeria: Hudson -Jude Nigeria Publishers.

Psillaki, M., Tsolas, I. & Margaritis, D. (2010). Evaluation of credit risk based on firm performance. *European Journal of Operational Research, 201(3), 873-888.*

Rosli, M. (2000). Influence of heuristics in bank managers lending decisions to small businesses. Banker's Journal Malaysia, Issue No.116, 4th quarter 2000, 34-37

Togtokh, E. (2012). Credit Risk Measurement. The case study of Mongolian Small and Medium sized firms, Master Thesis, Charles University in Prague, Available on https://is.cuni.cz/webapps

Uwuigbe, U., Olubukunola, U. R., & Babajide, O. (2015). Credit management and bank performance of listed banks in Nigeria. Journal of Economics and Sustainable Development, 6 (2), 27-32.

Effect of Government Spending on Economic Growth in Nigeria (1999-2016)

Ayeni, Evans Oluwagbamila
Saman,Udi Polycarp
Sani Kasimu
[1&3]Department of Public Administration
[2]Department of Accounting
Both in Federal University Wukari, Wukari, Taraba State
Correspondence: ayeni@fuwukari.edu.ng

Abstract

Government spending is one of the most critical factors in public expenditure framework. It has been observed that government spending in Nigeria has been on the rise, however, the rising government expenditure may not have been translated to meaningful growth and development, as Nigeria ranks among the poorest nations in the world. This study examined the effect of government spending on Nigerian economic growth (1999-2016). The ex-post facto research design was used while data were generated from Central Bank of Nigeria Statistical Bulletin and World Development Indicator. The hypotheses were tested using multiple linear regression analysis. The study revealed that capital spending has a significant positive effect on gross domestic product per capita in Nigeria. Further finding revealed that, recurrent spending has a significant positive effect on gross domestic product per capita in Nigeria. The study recommended as follows: The federal government of Nigeria should increase its capital expenditure towards the productive sectors of the economy like agriculture, production industries among others. The suggested solution will enhance the growth of Nigeria economy; 2) the federal government of Nigeria should also increase recurrent expenditure like salary as at when due. The suggested solution will enhance economic growth in Nigeria.

Keywords: Government Spending, Capital expenditure, Recurrent expenditure, Economic Growth, Infrastructural development

Introduction

Government spending is the expenses the government incurs in carrying out her programmes. It also involves all the expenses which the public sector incurs for its maintenance for the benefit of the economy. Generally, government expenditure in Nigeria can be categorised into two component parts; namely capital expenditure and recurrent expenditure. Capital expenditure is incurred on the creation or acquisition of fixed assets (new or second-hand) while recurrent expenditure is incurred on the purchase of goods and services, payment of wages and salaries and settlement of depreciation on fixed assets. In the words of Anyanwu (1997), increase in government expenditure on socio-economic activities and infrastructural development is an impetus for economic growth in any country. The implication of the above observation is that, government spending on social services and infrastructure that supports economic activities is germane for economic prosperity.

It is in line with the foregoing that Dar and Amir (2002) pointed out that, in the endogenous growth models, fiscal policy is very crucial in predicting future economic growth. It is a common believe that government plays a significant role in the development of a country and public expenditure is an important instrument for a government to control the economy. Economists have been well aware of its effects in promoting economic growth. The general view is that public expenditure either recurrent or capital expenditure, notably on social and economic infrastructure can be growth - enhancing. That is an increase in government expenditure will yield a positive increase in the growth of the economy by increasing the national income, especially when it is injected in development programmes (Omoke, 2009). For an instant, government expenditure on health and education is capable of raising the productivity of labour and increase the growth of national output (Oni, 2014). Government spending on health and education can be in form of capital expenditure or recurrent expenditure. Capital expenditure can be in the area of building new hospitals or acquiring some hospital equipment. The recurrent expenditure is in the area of overhead cost and payment of salary.

In Nigeria, government expenditures are classified under the headings of administration, social and community services, economic services and transfers. Expenditure on administration includes general administration, defence, internal security and national assembly. Expenditures on social and community services include those on education, health and other social and community services. Expenditures on economic services include those on agriculture, construction, transport and communication and other economic services. Government transfers include public debt servicing, pensions and gratuities, contingencies/subventions, among others (Central Bank of Nigeria, 2016). The apex bank of Nigeria believes that expenditure on economic services is when government spend on productive sector of the economy like, agriculture and infrastructural development that provides an enabling environment for business to strive.

Over the years, the structure and size of the public sector in terms of its expenditure have grown tremendously in many economies. Even in the capitalist countries like the U.S., governments have become more influential, as they provide social services and income supplements as well as managing the economy (Cameron, 1978). In recent times, rising public expenditures have become a major source of policy concern in Nigeria. Recent evidence has shown that government expenditure is useful for economic growth (Akpan & Abang, 2013). However, there appears to be a general consensus that no country may attain meaningful development by jerking up the financing of its recurrent expenditure to the detriment of capital expenditure. Since the policy environment for an effective manipulation of government spending to attain its desired goals is influenced by a number of factors, an understanding of these factors by policy makers is very crucial.

Interestingly, the substantial growth of the size of the government has long been investigated by economists as well as political scientists but with mixed results (Henrekson & Lybeck, 1988). To date, there is no consensus evidence or a-one-size-fit all explanations for the long run effect of government expenditure.

A number of studies have link a rise or fall in public spending to several factors including corruption (Mauro, 1998), political regimes (Persson & Tabellini, 1999), foreign aid (Quattara, 2006), elections (Vergne, 2009), bureaucratic and administrative process (Brauninger, 2005), information asymmetries about incumbent government competence of public good provisioning (Rogoff, 1990), degree of openness (Cameron,1978), rising populations and urbanizations (Shelton, 2007), ethnic fractionalizations, external debt servicing burden (Shonchoy,2010), fiscal illusion (Gemmell, Morrissey & Pinar, 1999) and income (Aregbeyen,2006; Akpan, 2011), amongst others. Whether these or any other factors could rightly be held responsible for the long-term growth of Nigeria's public expenditure remains an empirical question.

On government expenditure, Barro (1990) argued that government consumption spending is expected to be growth retarding. Public spending could be negatively correlated with economic growth due to the inefficiency of the public sector especially in the developing countries where a large proportion of public spending is attributed to non-developmental expenditure like defence and interest payments on the debt as against the economic, social and community services (Husnain et al., 2011).Over the years, in Nigeria and other developing economies, there has been a steady increase in government spending without an appreciable increase in economic growth and development. These have led to several research studies and interest on the role of government spending in the long-term growth of the national economy by economists. Public expenditure on all sectors of the Nigerian economy is expected to lead to economic growth in the sense that capital and recurrent expenditure will boost the productive base of the economy which in turn will lead to growth.

The studies by researchers in Nigeria and other jurisdictions on the role of government expenditure are still inconclusive. Empirical studies on the effect of government spending on economic growth reported results such as positive effect, negative effect and those who could not establish a relationship between government spending and economic growth. For instance, Landau (1983), Engen and Skinner (1991); Folster and Henrekson (2001) obtained negative evidence while Ram (1986), Kormendi and Meguire (1986), Akpan (2011); Wu, Tang and Lin (2010), have found positive evidence.

These mixed results and inconclusive arguments, is as a result of differences in their study periods, test statistics used, sources of their data, study jurisdictions among others, which necessitated this study to close these gaps by providing further empirical evidence on the impacts of government spending on economic growth in Nigeria. In addition to the above, it has been observed that government spending in Nigeria has been on the rise, however, the rising government expenditure may not have been translated to meaningful growth and development, as Nigeria ranks among the poorest nations in the world. A good number of Nigerians have continued to live below the poverty line of less than US$1per day (Okoro, 2013). Despite, the ever increasing rate of government expenditure in recent times by federal government of Nigeria, there seems not to be commensurate growth in the economy. Thus, there is doubt if past government expenditure at the federal level were actually released to finance appropriate expenditure items as budgeted for or maybe the funds are mismanaged. The foregoing doubt informed this study. From the foregoing, the study intends to provide answer to the following research questions:

(i) What is the effect of capital spending on gross domestic product per capita in Nigeria?

(ii) What is the effect of recurrent spending on gross domestic product per capita in Nigeria?.

Hypotheses

The following hypotheses have been formulated in line with the specific objectives as follows:

H_o1: Capital spending has no significant effect on gross domestic product per capita in Nigeria.

H_o2: Recurrent spending has no significant effect on gross domestic product per capita in Nigeria.

Literature Review

Government spending can be defined as any expenditure made by local, regional, and national governments making up a considerable portion of the Gross National Product (GNP). The spending is in the form of future investments, transfer payments and acquisitions. Future investments look into the long-term survival of the country and hence funds are directed toward infrastructural development such as roads, airports and railways (Landau, 1985). Government spending may be current in nature. Current spending on state provided goods and services that are provided on a recurrent basis every week, month and year, such as salaries, and resources for state education and defence. Other government expenditure is aimed at a variety of areas that may be considered important in a developed economy – providing a transport infrastructure, supporting the work of local government and servicing any debts that may have been accumulated in the past. In Nigerian economy, public expenditure can broadly be categorised into capital and recurrent expenditure. The recurrent expenditure is government expenses on administration such as wages, salaries, interest on loans, maintenance among others, whereas expenses on capital projects like roads, airports, health, education, telecommunication, electricity generation among others are referred to as capital expenditure (Obinna, 2003). Economic growth is the positive and sustained increase in aggregate goods and services produced in an economy within a given time period. When measured with the population of a given country, then economic growth can be stated in terms of per capita income in which the aggregate production of goods and services in a given year is divided by the population of the country in the given period.

Effect of Capital Spending on Gross Domestic Product Per Capital

Government spending could take the form of capital and recurrent expenditure. Akpan (2005) asserted that at the aggregate level capital spending tends to have a more positive growth effect than current spending. Among current items, spending on direct productive sectors has the most positive growth impact. Among capital spending items, spending on social sectors and infrastructure tended to have a positive effect, with the stronger effect for the former.

Aschauer (2000) further argued that investments in transport and communications and in education have the largest impacts on growth, while the effects of investments in agriculture, health, housing, and industry were statistically insignificant. For Africa, the strongest positive effect was for health spending followed by agriculture, while defence spending had a strong negative effect (Aiyedogbon & Ohwofasa, 2012). The general view is that public expenditure capital expenditure, notably on social and economic infrastructure can be growth-enhancing although the financing of such expenditure to provide essential infrastructural facilities including transport, electricity, telecommunications, water and sanitation, waste disposal, education and health can be growth-retarding (Olukayode, 2009). Belgrave and Craigwell (1995) found that there is a positive relationship between capital expenditure, agriculture, housing and community, road, communication and health expenditures on economic growth respectively. However, the effects of education and current expenditure are negative.

Saad and Kalakech (2009) study further found that government spending on education has a positive impact in the short run while expenditure on defence and health are negatively correlated in the long run and insignificant in the short run. The expenditure on agriculture is found to be insignificant in both cases. Loto (2011) inferred that in the short run, expenditures on agricultures and education were negatively related to economic growth. However, expenditures on health, national security, transportation, and communication were positively related to economic growth, though the impacts were not statistically significant. Barro (1990) found that expenditure on investment and productive activities has a positive effect on economic growth, while government consumption spending is growth retarding.

Recurrent expenditure on Gross Domestic Product Per Capital

Similarly, Devajaran et al (1996) found that recurrent expenditure has a positive impact on growth, while capital expenditure exerts a negative impact on growth. The negative effect of capital expenditure on growth in developing countries was attributed to corruption and inefficiency in the use of public funds. Haque and Kim (2003) found that public investment in transportation has dynamic effects on economic growth of 15 developing countries.

A cross-country study by Egert, Kozluk and Araujo (2009) on growth effects of infrastructure, found a strong and significant positive effect on telecommunications and energy generation on economic growth. The study by Hakro (2009) based on panel regression of a sample of 21 Asian countries covering data for a period of 1981 to2005, found a positive relationship between government expenditure and GDP per head growth but insignificant in some cases. Thus, Abu and Abdullahi (2010) asserted that expenditure on infrastructural development reduces the cost of production, increases private sector investment and firms' profitability, thus fostering economic growth. Oni, Aninkan and Akinsanya (2014) reported that total capital spending and total recurrent disbursement are significant determinants of economic growth in Nigeria. Ogundipe and Oluwatobi (2013) found that the components of total government spending induced an adverse (except spending on education and health) and insignificant in explaining the trend of economic growth also, the study shows the prospect of long-run equilibrium convergence between the components of capital outlay and output growth, while the equilibrium convergence between the components of recurrent expenditure and growth of an economy may not be achievable. Mutiu and Olusijibomi (2013) using Gregory-Hansen structural breaks co-integration technique upholds Wagner's law in two models in the long run; and exposed that economic development and growth are the major purpose of government spending, particularly in the arrears of infrastructure and human resources all of which falls under social and community services.

Taiwo and Abayomi (2011) scanned the relationship between current and capital spending in Nigeria using ordinary least square on series from 1970-2008 and they established a significant positive relationship between economic growth and capital and recurrent expenditure. Ekpo (1994) reported that capital expenditures on transportation and communication, agriculture, health and education had a positive impact on economic growth. Ariyo (1996) found that the nature of government expenditure can crowd-in or crowd-out the private sector and Busari (1998) found government capital expenditure to be growth inducing. A disaggregated approach was adopted by Niloy et al. (2003) to investigate the impact of public expenditure on economic growth for 30 developing countries.

They found that government capital expenditure in GDP has a significant positive association with economic growth, but the share of government current expenditure in GDP was shown to be insignificant in explaining economic growth. Fajingbesi and Odusola (1999) observed real government capital expenditure has a significant positive influence on real output and real government recurrent expenditure affects growth only by little. Nurudeen and Usman (2010) result showed that the variables- total capital expenditure, total recurrent expenditure, and government expenditure on education have a negative effect on economic growth. While government expenditure on transport and communication, and health, have a positive impact on economic growth. Appleton and Teal (1998) found out that the share of government capital expenditure in GDP is positively and significantly correlated with economic growth, but current expenditure is insignificant. Muritala and Taiwo (2011) asserted that there is a positive relationship between real GDP and government capital and recurrent expenditure.

Theoretical Framework of Analysis

This study is anchored on the theory of Great depression and Keynesian economic. The theory was propounded in the 1930s by John Maynard Keynes when the economy of virtually all the countries in Europe was in ruins. As the recession persisted Keynes advised for, increase government spending and reduction of interest rate as the way forward, that will help bring life into the economy. Keynes opines that, government intervention has become necessary because we may all be dead before the long run when the market will adjust itself. Government of Britain increased its spending and the economy of Britain came back to life in the 1930s (Amuka, 2014:42).

Great Depression and Keynesian Economics theory is relevant to the study because of the need to develop other sector of the economy in other to prevent unexpected fall of oil price at the international level. This is because Nigeria is a mono economy. Diversification of Nigeria economy from a mono economy to dual economy will create more employment for people in the other sector of the economy, other than the oil sector. Increasing in government spending and

interest rate to other sector will increase the gross domestic product of the country and increase the standard of living.

Methodology

The research design used was ex-post facto study design. Annual time series data in respect of capital expenditure, recurrent expenditure and Nigerian economic growth were targeted for the period of twenty (20) years. The parameters consist of Capital Expenditure (CapExp), Recurrent Expenditure (ReExp), and Gross Domestic Product Per Capita (GDP Per Capita) in Nigeria. Annual time series data for the period of eighteen (18) years (1999 – 2016) were purposively chosen as the sample size of this research. The choice of this period was guided by data availability and the quest to examine the effect of capital and recurrent expenditures on Nigerian economic growth under the current democratic system of government in Nigeria. Data were sourced from the secondary sources. The data were extracted from the Central Bank of Nigeria Statistical Bulletin (2016) and World Development Indicator (2017). Multi-linear regression analysis was used to test, all the null hypotheses formulated. The technique was used because of its effectiveness in estimation, prediction and generation of the effect of independent variables on dependent variable. The analysis of data was done using Statistical Package for Social Sciences (SPSS) version 20.0 software.

Model Specification

The dependent variable of the study is economic growth; proxy by Gross Domestic Product Per Capita (GDP Per Capita), while the independent variable is government spending; proxies by Capital Expenditure (CapExp) and Recurrent Expenditure (ReExp). To achieve all the hypotheses, the multi-linear regression analysis statistical method was used to estimate the model. The multi-linear regression model is presented as follows:

GDP Per Capita*f* (CapExp + ReExp)

$GDP\ PerCapita_t = \beta_o + \beta_1 CapExp_t + \beta_2 ReExp_t + \mu_t$---------- (1)

Where: $GDP\ PerCapita_t$ = an indicator representing Gross Domestic Product Per Capita (Dependent Variable)

β_o = a constant and β_{1-2} = coefficients of independent variables;

$CapExp_t$ = a predictor representing Independent Variable (Capital Expenditure);

$ReExp_t$= a predictor representing Independent Variable (Recurrent Expenditure);

μ_t= Stochastic error term;

t = Time series; and

f = Functional relationship.

Data Presentation

Table 1 presents the data used to examine the effect of government spending on Nigerian economic growth. These data are categorised into Gross Domestic Product Per Capita (GDP Per Capita), Capital Expenditure (Cap_Exp) and Recurrent Expenditure (Re_Exp) in Nigeria, for the period of eighteen (18) years (1999 – 2016).

YEAR	GDP Per Capita (N Thousand)	CapExp (N Billion)	ReExp (N Billion)
1999	188330.5923	498.03	449.66
2000	193442.432	239.45	461.60
2001	196966.426	438.70	579.30
2002	199331.6658	321.38	696.80
2003	214460.7132	241.69	984.30
2004	279563.6551	351.30	1,032.70
2005	281813.2052	519.50	1,223.70
2006	297095.3294	552.39	1,290.20
2007	309138.7265	759.32	1,589.27
2008	319934.3374	960.89	2,117.36
2009	333135.426	1,152.80	2,127.97
2010	349791.642	883.87	3,109.38
2011	357204.0543	918.55	3,314.51
2012	362648.1497	874.83	3,325.16
2013	372130.0412	1,108.39	3,689.06
2014	385227.6188	783.12	3,426.90

2015	385141.964	818.37	3,831.95
2016	369404.085	634.79	4,178.59

Sources: World Development Indicator (2017);
CBN Statistical Bulletin (2016)

Data Analysis and Discussion of Results

The analysis of data was done with the use of Statistical Package for Social Sciences (SPSS) version 20.0 software.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GDP_PerCapita	18	188330.59	385227.62	299708.8924	72125.14100
Cap_Exp	18	239.45	1152.80	669.8539	288.49332
Re_Exp	18	449.66	4178.59	2079.3561	1314.00127
Valid N (listwise)	18				

Source: Researchers' Computation using SPSS Version 20.0

The data for the analysis were extracted from the World Development Indicator and Central Bank of Nigeria Statistical Bulletin for various years (1999-2016). Before the use of multiple regression technique, the descriptive statistics analysis was done on the data to know the central tendency, the mean and the degree of the dispersion of the data, the minimum, maximum and standard deviation. Table 2 shows the mean of the Gross Domestic Product Per Capita of two hundred and ninety nine thousand and seven hundred and eight naira and eighty nine kobo ₦ (299, 708.89) and the standard deviation of seventy two thousand, one hundred, twenty five naira and fourteen kobo (₦ 72, 125.14) for the periods of 1999-2016. The table also shows the mean of the capital expenditure of six hundred and sixty-nine, point eight billion (₦ 669.8539) and the standard deviation of two hundred and eighty-eight, point five billion naira (₦ 288.49332) for the periods of under review. The table further shows the mean of the recurrent expenditure of two trillion, seventy-nine billion, point four naira (₦ 2079.3561) and the standard deviation of one trillion three hundred and fourteen billion naira (₦ 1314.00127) for the periods of under review.

The descriptive statistics further shows that the minimum Gross Domestic Product Per Capita of one hundred and eighty eight thousand, three hundred and thirty naira fifty naira and nine kobo (₦ 188, 330.59) and the maximum Gross Domestic Product Per Capita of three hundred and eighty five thousand, two hundred and twenty seven naira and six two kobo (₦ 385, 227.62). The minimum capital expenditure of two hundred and thirty-nine point fourty five billion (₦ 239.45) and the maximum Capital Expenditure of one trillion, one billion, fifty-two million and point eighty naira (₦ 1152.80). Finally, the minimum Recurrent Expenditure of four hundred and fourty nine point sixty-six billion naira (₦ 449.66) and the maximum Recurrent Expenditure of four trillion, one billion, seventy-eight million and point fifty-nine naira (₦ 4178.59).

Table 3: Model Summary

Model Summary

Model	R	r Square	Adjusted r Square	Std. Error of the Estimate
1	.951[a]	.904	.891	23766.21016

Source: Researcher's Computation using SPSS Version 20.0

The r value of .951 in table 3 indicated a strong possible relationship between the independent variable; proxies by capital expenditure and recurrent expenditure and the dependent variable proxy by gross domestic product per capita. The r Square of .904 indicated that the components of independent variables have a combined effect of 90% on the dependent variable. While the Adjusted r Square of .891 shows the accurate influence of the combined effect of capital expenditure and recurrent expenditure of 89% on gross domestic product per capita.

Table 4: ANOVA Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	79962120212.901	2	39981060106.450	70.784	.000[b]
	Residual	8472491179.921	15	564832745.328		

Total	88434611392.821	17			

Source: Researchers' Computation using SPSS Version 20.0

The F-Statistics of 70.784 and the sig. level of .00 in table 4 indicated that the model is fit and significant at 1% level. This means that the result will be admissible for decision.

Table 5: Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	171163.853	14528.996		11.781	.000		
	Cap_Exp	64.424	28.841	.258	2.234	.041	.480	2.084
	Re_Exp	41.066	6.332	.748	6.485	.000	.480	2.084

Source: Researchers' Computation using SPSS Version 20.0

Table 5 shows the collinearity statistic tolerance values of 0.480 of the variables are consistently smaller than 1, which indicated that there is an absence of multicollinearity. The VIF value of 2.08 in the same vein, reaffirmed the absence of multicollinearity among the variables considered since the value is consistently lower than 10.

Test of Hypotheses

In order to examine the effect of government spending on Nigerian economic growth, the following hypotheses were tested using Multiple Linear Regression analysis.

H_o1: Capital spending has no significant effect on gross domestic product per capita in Nigeria

H_o2: Recurrent spending has no significant effect on gross domestic product per capita in Nigeria

The result of t statistic of 2.234 and the sig. level of .041which is within 5% level of significance in table 5 indicated that capital spending has a significant effect on gross domestic product per capita in Nigeria. Based on this, the null hypothesis one, which says capital spending has no significant effect on gross domestic product per capita in Nigeria, is rejected. The result of t statistic of 6.485 and the sig. level of .000 which is within 1% level of significance in table 5 further indicated that recurrent spending has a significant effect on gross domestic product per capita in Nigeria. Based on this, the null hypothesis two, which says recurrent spending has no significant effect on gross domestic product per capita in Nigeria, is rejected.

Discussion of Findings

The study revealed that capital spending has a significant positive effect on gross domestic product per capita in Nigeria. Holding every other thing constant, ₦1spending on capital expenditure will, in turn, increase gross domestic product per capita by ₦64.424. This finding is in consonance with the findings of other studies like Anyanwu (1997) who found that increase in government expenditure on socio-economic activities and infrastructural development is an impetus for economic growth in any country. Obinna (2003) also found that increase in government expenditure on socio-economic and physical infrastructures encourage economic growth. Oni, Aninkan and Akinsanya (2014) equally found that capital spending influenced growth positively. Kolawole and Odubunmi (2015) found that government capital spending significantly impacted positively on economic growth in Nigeria. However, the finding of this study contradicts the findings of other studies like Nurudeen and Usman (2010) who found that total capital expenditure has a negative effect on economic growth. Not only that, Abu and Abdullah (2010) further found that government total capital expenditure had a negative effect on economic growth.

This study further revealed that recurrent spending has a significant positive effect on gross domestic product per capita in Nigeria. This finding is in agreement with other studies like Oni, Aninkan and Akinsanya (2014) who found that, recurrent spending influenced growth positively. Olukayode (2009) also found that recurrent public expenditure on social and economic infrastructure can be growth-enhancing.While Devajaran et al (1996) found that current expenditure has a positive impact on growth.

Conclusion

The increase in capital expenditure in Nigeria must be sustained and consolidated upon in order to maintain and enhance gross domestic product per capita in Nigeria. This will bring about critical infrastructural development, which will, in turn, bring multiplier effects on the Nigerian economy. The government at various levels must provide and implement capital expenditure to guarantee sustainable economic growth in Nigeria. In addition to the above, recurrent expenditure in Nigeria must be sustained, to further maintain and enhance gross domestic product per capita in Nigeria. This will ensure speedy implementation of the government projects and programmes, which will, in turn, have multiplier effects on the Nigerian economy. The government at various levels must effectively ensure prompt payment of workers' salaries and overheads to ensure sustainable economic growth in Nigeria.

Recommendations

Flowing from the above conclusion, the following recommendations were made:

(1) The federal government of Nigeria should increase its capital expenditure towards the productive sectors of the economy like agriculture, production industries among others. The suggested solution will enhance the growth of Nigeria economy.

(2) The federal government of Nigeria should also increase recurrent expenditure like salary as at when due. The suggested solution will enhance economic growth in Nigeria.

References

Abu, N. & Abdulahi, U. (2010). Government Expenditure and Economic Growth in Nigeria (1970-2008): A Disaggregated Analysis. *Business and Economic Journal, 4(3), 237-330.*

Aiyedogbon, J.O. & Ohwofasa, B.O. (2012). Poverty and Youth Unemployment in Nigeria, 1987 – 2011. *International Journal of Business and Social Sciences, 3(20), 269–279.*

Akpan, U.F.,&Abang. D. E. (2013). Does Government Spending Spur Economic Growth? Evidence from Nigeria. *Journal of Economics and Sustainable Development, 4(9), 36-52.*

Akpan, N.I. (2005). Government Expenditure and Economic Growth in Nigeria: A Disaggregate Approach.*CBN Economic and Financial Review, 43(1): 61–67.*

Akpan, U.F. (2011). Cointegration, Causality and Wagner's Hypothesis: Time Series Evidence for Nigeria (1970-2008). *Journal of Economic Research, 16: 59-84.*

Anyanwu, J.C. (1997). *Nigerian Public Finance.* Joanee. Onitsha, Educational Publishers.

Appleton, S. & Teal, F. (1998). Human Capital Expenditure and Economic Growth. *Economic Research Paper*, No. 39.

Aregbeyen, O. (2006). Cointegration, Causality and Wagner's Law: A Test for Nigeria (1970-

2003). *CBN Economic and Financial Review, 44(2):1-17.*

Aregbeyen, O. (2007). Public Expenditure and Economic Growth. *African Journal of Economic Policy*, Ibadan (Nigeria): University of Ibadan Press 1 (1).

Ariyo, A. (1996). Economic Reform, Fiscal Stance and the Nigerian Private Sector, in: Ariyo, A. (ed) Economic Reform and Macroeconomic Management in Nigeria, Ibadan; Ibadan University Press.

Aschauer, D.A. (2000). Public Capital and Economic Growth: Issues of Quantity, Finance, and Efficiency.*Economic Development and Cultural Chang, 48(2), 391-406.*

Barro, R. (1990). Government Spending in a Simple Model of Endogenous Growth. *Journal of Political Economics, 98: 103-125.*

Belgrave, A. & Craigwell, R. (1995). The Impact of Government Expenditure on Economic Growth in Barbados: A Disaggregate Approach. *Research Department*, Central Bank of Barbados.

Brauninger, T. (2005). A Partisan Model of Government Expenditure, *Public Choice, 125(3/4): 409-429.*

Busari, T.D. (1998). Public Sector and Economic Development, 1980- 1994, in Ariyo A. (ed) Public Sector- Private Sector and Economic Development, Ibadan, centre for public-private cooperation.

Cameron, D.R. (1978). The Expansion of the Public Economy: A Comparative Analysis. *The American Political Science Review, 72(4), 1243-1261*.

Central Bank of Nigeria (2016).Annual Statistical Bulletin. [online], Available: https://www.cbn.gov.ng/documents/Statbulletin.asp, 14/08/2016.

Dar-Atul, A. &AmirKhalkhali, S. (2002). "Government Size, Factor Accumulation and Economic Growth: Evidence from OECD Countries. *Journal of Policy Modeling, 24(7/8): 679-692.*

Devarajan, S. Swaroop, V. & Zou, H. (1996). The Composition of Public Expenditure and Economic Growth. *Journal of Monetary Economics, 37: 313-344.*

Ekpo, A.H. (1994). Public Expenditure and Economic Growth in Nigeria, 1960-1992, Final Report African Research Consortium (AERC), Nairobi, Kenya

Engen, E. & Skinner, J. (1991).Fiscal Policy and Economic Growth. Paper Presented at NBER Conference on Taxation

Fajingbesi, A.A. & Odusola, A.F. (1999). Public Expenditure and Growth: A Paper Presented at a Training Programme on Fiscal Policy Planning Management in Nigeria, Organized by NCEMA, Ibadan, Oyo State. pp.137-179

Folster, S. & Henrekson, M. (2001). Growth Effects of Government Expenditure and Taxation in Rich Countries.*European Economic Review, 45: 1501-1520.*

Gemmell, N. Morrissey, O. & Pinar, A. (1999). Fiscal Illusion and the Demand for Government Expenditures in the UK. *European Journal of Political Economy, 15: 687-704.*

Hakro, N. (2009). Size of Government and growth Rate of Per Capita Income in Selected Asian Countries Developing Economies. *International Research Journal of Finance and Economics, 28: 52-65.*

Haque, M.E. & Kim, D.H. (2003). Public Investment in Transportation and Communication and Growth: A Dynamic Panel Approach. The School of Economics Discussion Paper Series, 0324, the University of Manchester

Henrekson, M. &Lybeck, J.A. (1988). Explaining the Growth of Government in Sweden: A

Disequilibrium Approach.*Public Choice, 57(3): 213-232.*

Kolawole, B.O. &Odubunmi, S.A. (2015). Government Capital Expenditure, Foreign Direct Investment and Economic Growth Relationship in Nigeria, *Mediterranean Journal of Social Sciences,6(43): 444-453.*

Kormendi, R. &Meguire, P. (1986). Government Debt, Government Spending and Private Sector Behaviour: A Reply. *American Economic Review, 76(5): 1180-1187.*

Laudau, D.L. (1983). Government Expenditure and Economic Growth: A Cross Country Study. *Southern Economic Journal, 49: 783-792.*

Landau.D.L. (1985). Government Expenditure and Economic Growth in the Developed Countries.*Public Choice, 12, 459-447.*

Loto, M. A. (2011). Impact of Government Sectoral Expenditure on Economic Growth.*Journal of Economics and international Finance, 3(11), 646-652.*

Mauro, P. (1998). Corruption and the Composition of Government Expenditure, *Journal of Public Economics, 69(2): 263-279.*

Muritala T. &Taiwo A. (2011). Government Expenditure and EconomicGrowth: Empirical Evidence from Nigeria.*European Journal of Business and Management*. 3(a), Accessed from http://mpra.vb.uni-mvenchen.de/37293/, 12/11/2016.

Mutiu, A. O. &Olusijibomi, A. (2013).Public Expenditure and Economic Growth Nexus: Further Evidence from Nigeria. Academic Journal, 5(4), [online], Available: http://www.academicjournals.org/JEIF, (27/06/2016).

Niloy, B. Emranul, H.M. & Osborn, D.R. (2003). Public Expenditure and Economic Growth: A Disaggregated Analysis for Developing Countries,

Accessed: www.socialsciences.manchester.ac.uk/cgber/dpcgbr.30.pdf, 17/12/2016.

Nurudeen, A. & Usman, A. (2010). Government Expenditure and Economic Growth in Nigeria, 1970-2008: A Disaggregated Analysis. *Business Economic Journal,* 4: 1-11.

Obinna, O. E. (2003). *Public Finance.* Nsukka: Ap and P Press Ltd.

Ogundipe, O. (2013). Government Spending and Economic Growth in Nigeria; Evidence from Disaggregated Analysis. An unpublished article.

Okoro, A. S. (2013). Government Spending and Economic Growth in Nigeria (1980-2011). *Global Journal of Management and Business Research Economics and Commerce, 13(5): 21-29.*

Olukayode, M. E. (2009). Does Government Spending Spur Economic Growth in Nigeria? MPRA paper No. 17941.

Omoke, P. (2009). Government Expenditure and National Income: A CausalityTest for Nigeria. *European Journal of Economic and Political Studies,* 2: 1-11.

Oni, L. B. (2014). Analysis of the Growth Impact of Health Expenditure in Nigeria. *IOSR Journal of Economics and Finance, 3(1): 77-84.*

Oni, L.B., Aninkan, O.O. & Akinsanya, T.A. (2014). Joint Effects of Capital and Recurrent Expenditures in Nigeria's Economic Growth. *European Journal of Globalization and Development Research, 9(1): 530-543.*

Persson, T. & Tabellini, G. (1999). The Size and Scope of Government: Comparative Politics with Rational Politicians, *European Economic Review, 43(4/6): 699-735.*

Quattara, B. (2006). Foreign Aid and Government Fiscal Behaviour in Developing Countries: Panel Data Evidence.*Economic Modelling,* 23: 506-514.

Ram, R. (1986). Government Size and Economic Growth: A New Framework and some

Evidence from Cross-Section and Time Series Data. *American Economic Review*. 76: 191-203.

Rogoff, K. (1990). Equilibrium Political Budget Cycles.*American Economic Review*, 80: 21-36.

Saad, W. & Kalkechi, K. (2009). The Nature of Government Expenditure and its Impact on Sustainable Economic Growth. *Middle Eastern Finance and Economics, 1(4), 39-47.*

Shelton, C.A. (2007). The Size and Composition of Government Expenditure. *Journal of Public Economics, 91: 2230-2260.*

Shonchoy, A. S. (2010). Determinants of Government Consumption Expenditure in Developing Countries: A Panel Data Analysis. *Institute of Developing Economies (IDE) Discussion Paper*, No. 266, Japan.

Taiwo, M. &Abayomi, T. (2011). Government Expenditure and Economic Development: Empirical Evidence from Nigeria. *European Journal of Business and Management*. *5(3), 115-129.*

Vergne, C. (2009). Democracy, Elections and Allocation of Public Expenditures in Developing Countries. *European Journal of Political Economy, 25: 63-77.*

Wu, S., Tang, J. & Lin, E. (2010). The Impact of Government Expenditure on Economic Growth: How Sensitive to the Level of Development?.*Journal of Policy Modeling, 32: 804-817.*

FUNCTIONAL AND COMMODITY APPROACHES TO AGRICULTURAL PRODUCE MARKETING

Avanenge Faajir[1]
Atsor Christopher Terna[2]
[1]Department of Business Management
[2]Centre for Food Technology and Research (CEFTER), Both in Benue State University Makurdi, Nigeria
Corresponding author: afaajir@gmail.com

Abstract

The purpose of production of agricultural products is not complete without marketing. Marketing showcases the areas where agricultural products are coming from and links the producers with consumers of the products. It creates time utility through storage, form utility by processing and place utility through transportation. To achieve this, different approaches are employed by all stakeholders in the production and distribution chain. This paper highlights the functional and commodity approaches to agricultural produce marketing and identifies the peculiar characteristics of agricultural commodities that make their marketing unique. The different roles played by middlemen in the marketing chain are also elucidated.

Keywords: Functional Approach, Commodity, Agricultural Produce, Marketing

Introduction

The term agricultural marketing is composed of two words: agriculture and marketing. Agriculture, defined from its root words "Ager" (land) and "Cultural" (cultivation) means tilling the land for the production of crops (Uturu, 2002). The concept of agriculture in modern perspective however include: Cultivation of the land for the production of crops and rearing of farm animals for the production of food and raw materials, partial processing of farm products, preservation and storage of farm products, and marketing of agricultural products (Nchuchuwe and Adejuwon 2012). Originally, the term market is derived from the Latin words *mar-ket*, which means contact point. A market is a contact place of buying and selling. Marketing is the process through which producers and consumers are brought into contact formally or informally for the exchange of goods and services involving the performance of marketing activities. Dixie (1989) defines marketing as "The series of services involved in moving a product (or commodity) from the point of production to the point of consumption." Kotler (2003) sees marketing as a process of exchange between individuals and or organisations that brings satisfaction to the two parties in terms of attainments of goals and objectives in the case of the other. Agricultural marketing can therefore be defined as the commercial function involved in transferring agricultural products consisting of farm, horticultural and other allied products from producers to consumers.

Agricultural marketing has also been defined from both the micro and macro view points by Olukosi et al. (2012). From the micro view point, they define agricultural marketing as the performance of business activities which direct the forward flow of goods and services to consumers in order to accomplish the producer's objectives. According to them the macro view point of marketing is a "big picture" view. It examines the total system of economic activities concerned with the flow of agricultural products from producers to final consumers; the kinds of institutions and the price making mechanisms that guide those flows; the interactions among consumers, agribusiness firms, farmers, and even governments that determine the levels of expenditures; and the sharing of those expenditures as income to market participants.

Marketing of produce and livestock emanating from the agricultural sector is of equal importance as the sector itself (Mba, 2015). Marketing of agricultural products becomes imperative as individuals within a society become more specialised in their economic activities. They come to rely upon others to supply at least some of the products and services which they need. As the economy develops the number and types of exchanges expand, there is a concomitant need for increasingly specialised marketing services such as physical distribution, storage, grading, and market information gathering. The number of participants also increases with many of the specialised services being provided by intermediaries between the seller and ultimate buyer. Few buyers and sellers are in direct contact with one another and communication between them is channeled through a complex marketing system. Rosson (1974) conceives agricultural and food marketing systems as consisting of 4 main sub-systems; production, distribution, consumption and regulatory. Farmers, herders, fishermen etc make up the production sub-system; traders, wholesale marketers and retailers the distribution sub-system; central, regional and local government make up the regulatory sub-system while consumers form the consumption sub-system It is in the light of this increasing complexity that different approaches are employed in agricultural produce marketing.

The Functional Approach

This approach classifies the activities that occur in the marketing process into functions. A marketing function may be defined as a major specialized activity performed in accomplishing the marketing process. Kohls and Uhl (1990) have classified the functions involved in agricultural and food marketing processes under three sets namely:

- **Exchange Functions** (Buying, Selling)
- **Physical Functions** (Storage, Transportation, Processing)
- **Facilitating Functions** (Standardisation, Financing, Risk bearing and Market Intelligence)

Exchange functions: **Buying and Selling**

Buying and selling are the two sides of the same transaction. This implies an agreement on the price, a transfer of title and ownership, provision of time and place of delivery and method of payment. Between the farmer and the final consumer, a product may be bought and sold once or many times. If the transaction occurs once or a few times such a product is said to have a long marketing chain where the exchange function is not well developed, buyers and sellers bargain before agreeing on a common value for the commodity or service. In a well developed marketing system, values of commodities are fixed as price tags. The usefulness of these price tags depends on the honesty and integrity of the seller. A detailed discussion of the role of price in marketing is presented in later units.

Physical functions

Storage: An inherent characteristic of agricultural production is that it is seasonal whilst demand is generally continuous throughout the year hence the need for storage to allow a smooth, and uninterrupted flow of product into the market. Storage is the act of keeping or holding large supply of produce from the period of production until when needed by the consumers (Adegbija, 2017). In agriculture, and especially in developing countries, supply often exceeds demand in the immediate post-harvest period. The glut reduces producer prices and wastage rates can be extremely high. For much of the reminder of the period before the next harvest, the product can be in short supply with traders and consumers having to pay premium prices to secure whatever scarce supplies are to be had. The storage function is one of balancing supply and demand.

Both producers and consumers gain from a marketing system that can make produce available when it is needed. A farmer, merchant, co-operative, marketing board or retailer who stores a product provides a service. That service costs money and there are risks in the form of wastage and slumps in market demand, prices, so the provider of storage is entitled to a reward in the form of profit.

Transportation: The transport function is chiefly moving the product where it is produced or is available to where it is needed. Transportation adds to the commodity the utility of place which is the satisfaction a consumer derives as a result of having the product he wants in the place where he wants it. Place utility of a commodity is the value it acquires or the satisfaction it gives as a result of a change of location. Transportation could be by road, rail, ship or air. Adequate performance of this function requires consideration of alternative routes and types of transportation, with a view to achieving timeliness, maintaining produce quality and minimising costs. Produce harvested by small-holder farmers from various locations must be brought together at convenient points in concentrated forms for ease of transport and storage.

Processing: Most agricultural produce is not in a form suitable for direct delivery to the consumer when it is first harvested until it is processed or changed in some way before it is used. The objectives of processing are quality enhancement, preservation and product differentiation. Processing adds to the product the utility of form or utility of transportation Rather it needs to be changed in some way before it can be used. Kohls and Uhl observe that:

"The processing function is sometimes not included in a list of marketing functions because it is essentially a form changing activity." However, it is for this very reason that processing ought to be included as a marketing function. The form changing activity is one of that adds value to the product. Changing green coffee beans into roasted beans, cassava into 'gari' or livestock feed, palm fruit bunches into palm oil or sugarcane into sugar cubes or granules increases the value of the product because the converted product has greater utility to the buyer.

Facilitating functions

The facilitating functions include product standardisation, financing, risk bearing and market intelligence. Facilitating functions are those activities which enable the exchange process to take place. Marketing, in simple terms, is the act of supplying products to someone in exchange for something perceived to be of equal or greater value, (usually, but not always, a given sum of

money). Facilitating functions are not a direct part of either the exchange of title or the physical movement of produce.

Standardisation: Standardisation is concerned with the establishment and maintenance of uniform measurements of produce quality and/or quantity. This function simplifies buying and selling as well as reducing marketing costs by enabling buyers to specify precisely what they want and suppliers to communicate what they are able and willing to supply with respect to both quantity and quality of product. In the absence of standard weights and measures trade either becomes more expensive to conduct or impossible altogether. Among the most notable advantages of uniform standards, are:

- Price quotations are more meaningful
- The sale of commodities by sample or description becomes possible
- Small lots of commodities, produced by a large number of small producers, can be assembled into economic loads if these supplies are similar in grade or quality
- Faced with a range of graded produce the buyer is able to choose the quality of product he/she is able and willing to purchase.

Financing: In almost any production system there are inevitable lags between investing in the necessary raw materials (e.g. machinery, seeds, fertilizers, packaging, flavourings, stocks etc.) and receiving the payment for the sale of produce. During these lag periods some individual or institution must finance the investment. The question of where the funding of the investment is to come from, at all points between production and consumption, is one that marketing must address. Marketing is also concerned with the financing of the enterprise itself. Here again some creative solutions can be developed. Where internal financing is insufficient for the purposes in view, an enterprise in a developing country can look to several alternatives including:

- Development banks
- Commercial banks
- Shares issues
- Credit co-operatives and/or credit unions

Where these sources of finance are considered inappropriate, or are simply not available to a particular enterprise, a strategic alliance in the form of a joint venture could be the answer. Whatever the source of finance under consideration marketing has a role to play in evaluating the appropriateness of that source as well as identifying it in the first place.

Risk bearing: In both the production and marketing of produce the possibility of incurring losses is always present. Physical risks include the destruction or deterioration of the produce through fire, excessive heat or cold, pests, floods, earthquakes etc. Market risks are those of adverse changes in the value of the produce between the processes of production and consumption. A change in consumer tastes can reduce the attractiveness of the produce and is, therefore, also a risk. All of these risks are borne by marketing organisations, companies and individuals.

Market intelligence: As far as is possible marketing decisions should be based on sound information. Up-to-date information on prices and other market factors enables farmers to negotiate with traders and also facilitates spatial distribution of products from rural areas to towns and between markets (Aparajita, 2010). The process of collecting, interpreting, and disseminating information relevant to marketing decisions is known as market intelligence. The role of market intelligence is to reduce the level of risk in decision making. Through market intelligence the seller finds out what the customer needs and wants. The alternative is to find out through sales, or the lack of them. Marketing research helps establish what products are right for the market, which channels of distribution are most appropriate, how best to promote products and what prices are acceptable to the market. As with other marketing functions, intelligence gathering can be carried out by the seller or another party such as a government agency, the ministry of agriculture and food, or some other specialist organisation.

Commodity (or product) Approach

Agricultural products are industrial and household natural products which originate from farms, ranches, orchards, fields, vineyards and in the waters of oceans, lakes and rivers which have not undergone any serious manufacturing and processing (Ejionueme and Nebo, 2014).

The first task of agricultural produce marketing is to identify the source of the commodities that consumers need. This is followed by conveying them to where the consumers can have access to the products. A study by Nebo and Ejionueme (2017) has shown that production, distribution and pricing of agricultural commodities are the major challenges to agricultural marketing in Nigeria. The marketing of agricultural commodities is very unique because of the special characteristics of most of the agricultural products. Gana et, al, (2011) listed the following as some of the characteristics;

Seasonality: Agricultural products are seasonal, whereas demand for them is fairly stable throughout the year. It is the function of marketing to ensure that the seasonal agricultural products are available throughout the year.

Bulkiness: Agricultural products are very bulky due to their high waters content. For them to attract high values they have to be processed to reduce the water content (changing the form utility) before they are marketed. Examples of bulky agricultural products are cassava, yam and plantain.

Perishability: Agricultural products are highly perishable. Vegetables cannot stay for more than two days after being harvested before consumption except they are frozen or dried. This characteristic increases the marketing cost because they must get to the final consumer as quickly as possible. The problem is compounded by the inefficient storage facilities in the country due to incessant power failure to operate the available cold rooms and refrigeration.

Production in the Hands of Peasant Farmers: Small-scale farmers handle over 70 percent of agricultural productions in Nigeria. This group of farmers operates smallholding that are scattered over appreciable long distances. The surpluses from these farms cannot easily be assembled because of the deplorable state of the feeder roads and networks in the rural areas of the country. Also, the transportation system is very expensive in the rural areas due to high cost of vehicle maintenance and state of the rural road networks.

The commodity approach of marketing agricultural produce encompasses the following aspects:

- Source and condition of agricultural commodities. This refers to the geographical location of the agricultural commodities or the different stages of the marketing system. Condition of supply refers to the form of the product which may either be in its raw or processed form.
- Storage of agricultural commodities refers to the logistical, technical and economic consideration during the storage of agricultural commodities.
- Transportation and standardization of agricultural commodities. Transportation is the physical movement of the commodities from point of production or purchase to point of sale or consumption. Standardization is the process of ensuring that requisite quantitative and qualitative standards are met.
- Demand for agricultural commodities. This refers to the preference of consumers of agricultural commodities in their various forms.
- The role of middlemen.

The role of Middlemen

Middlemen are those individuals or business concerns who specialize in performing the various marketing functions involved in the purchase and sale of goods as they are moved from producers to consumers. A middleman is an independent business concern/entity that operates as a link between producers and ultimate consumers or industrial users. Middlemen play very important roles in the marketing of agricultural products. They serve as purchasing agents for consumers, and sale specialists for suppliers. Middlemen provide financial services to suppliers and consumers. The storage service of middlemen, their bulk-breaking activities (dividing large shipments into smaller quantities for sale), and the market information they provide are of benefit to suppliers and customers alike. They provide the economies of balanced inventories - the use of middlemen, allows for one-stop buying. A consumer can go to one retailer‘s store and purchase all the items/goods needed, rather than visiting separate producers of these goods before purchasing them. They provide the economies of partial and temporal conveniences - middlemen

create space and time utilities for consumers. They are often located within or very close to the buyers, so that buyers purchase goods needed at their own convenience (Gana et al. 2011). Outside purchasing and sales of goods, middlemen also ensure the transfer of goods and title to goods to end users. There is no limitation as to the way in which they are organized for doing business. They may operate as individual proprietors, partnerships, or cooperative or non cooperative corporations.

Kohls and Uhl, (1990) classified middlemen of particular interest in agricultural marketing in four groups including:

1. Merchant middlemen (Retailers, Wholesalers)
2. Agent middlemen (Brokers, Commission men)
3. Speculative middlemen
4. Processors and manufacturers

Merchant middlemen

Merchant middlemen normally take title to, and therefore own, the product they handle. They buy and sell for their own gain and derive their income from the margins arising from the sales (i.e. difference between buying price and selling price). Unlike other classes of middlemen they know what the buying and selling price in going to be. They are not risk takers. Merchant middlemen include rural buyers, wholesalers, and retailers.

1. **Rural Buyers:** This group of middlemen undertakes the initial task of assembling produce from farms or local rural markets. They may be farmers who collect the produce of other cultivators. They may be landlords, village shopkeepers, wholesale merchants, processors, cooperatives or government procurement agencies. The rural buyer may either act on commission or purchase on his own account. He may furnish credit to the farmers. He will probably arrange for the transport of his purchase to a central wholesaling or processing point. He relieves the producers of further marketing responsibilities.

2. **Wholesalers:** A wholesaler is any merchant who does not sell to ultimate consumer in any significant amount. He takes the product from farms or rural buyers and sells to retailers, to other wholesalers in the domestic and foreign markets arc to processors and manufacturers, Wholesalers need a lot of capital to be able to have in stock large assortments of goods. He can sell to other wholesalers or to industrial users or retailers. Wholesalers include local buyers or country assemblers who buy goods in producing areas directly from farmers and ship the products to the larger cities where they are sold to other wholesalers and processors, full-time wholesalers located in the large urban centre who handle many different products or those who specialise in handling a limited number of products. They may be cash-and-carry wholesalers or service wholesalers who will extend credit and offer delivery and other services.
3. **Retailers:** A retailer is any merchant middleman who buys goods/services for resale directly to ultimate consumers. Represent the most numerous types of agencies involved in the marketing process. In terms of undertaking marketing functions their role in no easier compared to wholesalers. In fact a retailer may have to do all the functions of marketing i.e. his job is complex. Retailer is the producers' representative to the consumer.

Agent middlemen

All agent middlemen of marketing don't own what they handle i.e. not take title to the goods. They derive their income from the fees they are paid by their clients or commissions given. Agent middlemen in reality sell services to their principals, not physical goods to customers. There are three categories of agent middlemen:

- **Brokers.** The function of this group is to provide an intimate knowledge of supplies, requirements and prices in various markets. The term "broker" is restricted to agents who do not take title to or physically handle goods. The actual transfer of ownership takes place between the original buyer and seller, with the broker acting as a counsellor and intermediary in return for a fee. They are not given any physical control over the product.

They ordinarily follow directions from their principals and usually have little power over terms of sale or revenue collection. They bring seller and potential buyer together.

- **Commission agents**. Commission agents specialize in buying for people and take charge of the goods on their behalf. They are encouraged to behave well to their clients by being paid a percentage of the price obtained. Commission agents do not normally bear marketing risks since they are operating for their principals. Commission agents have powers to take decisions on behalf of their principals.
- **Auctioneers.** They do not own what is handled and may be involved in a number of activities. They have places for physical display, space where participants meet, announce the date of auction, facilitate in price formation. During the bidding process the main role of auctioneer is to announce the price offered by various participants such that it is heard and the highest bidder gets the good subject to the price being equal or greater than reserved minimum price. Prices closely conform to a competitive market price. .

Speculative middlemen

These are middlemen who take title to goods / products with a major purpose of profiting from price movement. They are specialized risk takers who make purchase and sales at same marketing level e.g. buying grain and selling grain i.e. have no vertical integration. They are also called traders, scalpers and spreaders. Speculative Middlemen are interested in short term price fluctuations. Speculators derive their income from short term price fluctuations in goods they handle. Speculative middlemen play important role in marketing process in ensuring that commodities are available from time to time. Their activities are desirable especially if their expectations are met.

Processors and manufactures

Their role in marketing is to undertake some action on the products in order to change their form. Form changing is basically a marketing service. Manufactures and processors may take active role in other institutional aspects of marketing e.g. may act as own buying agents in the producing areas, wholesaling of finished products and promotion. Processing and manufacturing are only part of activities they get involved in.

Problems of marketing agricultural produce.

Whichever approach is adopted for marketing agricultural produce, it is confronted with several problems. Gana et. al. (2011) and Adegbija (2017) identified the following as some of the problems:

- Lack of storage facilities.
- Inefficient handling, packaging and processing facilities.
- Lack of uniform weights and measures.
- Inadequate means of transportation.
- Forced sales by farmers due to the perishable nature of produce.
- Large number of middlemen and their exploitative tendencies.
- Lack of market information.
- Adulteration of produce.
- Unstable prices.
- Lack of market information e.g. of current or future prices, demand and supply etc.

Conclusion

Marketing of agricultural produce helps in supplying food crops and livestock in the form, place, and time the consumers want them as well as raw materials needed by agro-based industries. It also locates where there are surpluses of produce and brings them to where there are shortages. Marketing is an indicator of consumer preferences through the prices they are prepared to pay and this also affects the production decisions of farmers, as they are likely to produce commodities that have high demand. It is therefore important for relevant government agencies to identify the challenges confronting agricultural marketing and take appropriate steps to address them to ensure smooth marketing operations.

References

Adegbija D. (2017). Problems of Agricultural Marketing in Nigeria. Retrieved on 10th May, 2019

Aparajita G. (2010). Information, Direct Access to Farmers, and Rural Market Performance in Central India. Retrieved on 10th May 2019

Dixie, G. (1989), *Horticultural Marketing: A Resource and Training Manual For Extension Officers*, FAO Agricultural Services Bulletin, Food and Agricultural Organization of the United Nations, Rome, pp. 1–5.

Ejionueme, N.G. & Nebo, G.N (2014). *Perspective in Food Marketing System*, Enugu: Immaculate Publications Ltd.

Gana, M. A., Agbebaku, H. U & Katagum, Bilkisu (2011) MKT 305:Agricultural Marketing. National Open University of Nigeria.

Kohls, R.L. & Uhl, J.N. (1990) *Marketing of Agricultural Products, 6th edition, New York,* Macmillan Publishing Company pp. 18–21.

Kottler, P. (2003) Marketing Management 11th Ed. New Jersey, U.S.A: Prentice-Hall.

Mba, I. B. (2015) Empirical Survey of Agricultural Marketing Practice in Central Nigeria. *Journal of Business and Management (IOSR-JBM), 17(9), 89-95.*

Nchuchuwe, F. F. & Adejuwon, K. D. (2012). The Challenges of Agriculture and Rural Development in Africa: The Case of Nigeria. *International Journal of Academic Research in Progressive Education and Development, 1(3), 1-15.*

Nebo, G. N. & Ejionueme, N. (2017). Adopting Agricultural Marketing Approach for Improving Agricultural Sector Performance in Nigeria. Journal of Business and Management (IOSR-JBM), 19(4), 4-17.

Olukosi, J.O., S.U. Isitor & M. O. Ode (2012). Introduction to Agricultural Marketing: Principles and Applications. Living Books Series, GU Publications, Abuja FCT, Nigeria.

Rosson, P. (1974). Changing Traditional Distribution Systems: Fish Marketing In Tanzania. *Journal of Physical Distribution, 4(5), 305–316.*

Uturu, C.O (2002), *Agricultural Marketing*, Nkpor-Onitsha: Baset Printing and Publishing Ltd.

Strategic Management and Entrepreneurial Growth in Nasarawa State

AnokeAmechi Fabian
Onu Anthonia Nkechi

[1&2]Department Business Administration, Faculty of Administration, Nasarawa State University, Keffi Nasarawa State Nigeria

Correspondence: anoproject1@gmail.com

Abstract

Adoption of strategic management practices conceptually enables entrepreneurs to understand their strategic position and identifying how to make strategic choices for the future and manage strategy in action. Employing strategic management is critical to entrepreneurial performance. Strategic management demands efficient systems to counter unpredictable events that can sustain their operations and minimize the risks involve. This paper examines the impact of strategic management on the entrepreneurial growth in Nasarawa State using biserial correlation method of analysis and causal comparative research design. Findings from the study showed that strategic resource management has a significant effect on entrepreneurial growth in Nasarawa state. This implies that through strategic resource management business profit of entrepreneurs has been significantly enhanced in the state. It was also observed from the findings that strategic innovativeness has also contributed to entrepreneurial growth. With these entrepreneurs are equipped with the right business skills to grow their customer base. Lastly, it was discovered that strategic planning is significantly related to entrepreneurial business expansion in Nasarawa state. This implies that entrepreneurs strategically plan and maintain a clear vision and mission of where they want their business to be in the nearest future. It was discovered in this study that some entrepreneurs do not adopt strategic management practices. This necessitates the recommendation that further studies should be conducted to find out why some entrepreneurs do not adopt strategic management. It was also recommended that the entrepreneurial center and business schools in Nigeria should incorporate strategic management principles into their curricula. This will engender sound managerial know-how and boost the performance and competitiveness of firms in Nasarawa state and Nigeria in general.

Keywords: Strategic management, Entrepreneurial growth, Strategic innovativeness, Strategic planning

Introduction

The world today has an increasing need for the enhancement of businesses due to the inconsistency of the business world. It is noted that businesses always seek different ways to ensure growth in opportunities and strategies. Strategic management is based on developing new ways of thinking that is needed by the issues facing the field of business. To compete successfully in ever changing business environment, organizations continually need to improve their performance by reducing cost, innovating products and processes and improving quality, productivity and speed to market. To Lamb (1984) Strategic management is an ongoing process that evaluates and controls business, assesses its competitors and set goals and strategies to meet all existing and potential competitors. Strategic management can depend upon the size of an organization, and the proclivity to change of its business environment. Therefore, a global transnational organization may employ a more structured strategic management model, due to its size, scope of operations, and need to encompass stakeholder views and requirement. It becomes more glaring that adoption of superior strategic management practices provides entrepreneurs with new tools for survival, growth and maintaining a sustainable competitive advantage. Entrepreneurs use strategic planning as a tool to cushion them from the unstable business environments in order to ensure their survival and growth (Huang, 2006).

Entrepreneurial enterprises have been identified as the panacea for the economic development of many developing countries including Nigeria. It is believed that interest on entrepreneurial enterprises would contribute to creation of jobs, reduction in income disparity, production of goods and services in the economy, as well as providing a fertile ground for skill development and acquisition, serve as a mechanism for backward integration and a vehicle for technological innovation and development especially in modifying and perfecting emerging technological breakthroughs. Entrepreneurial enterprises contribute to improved living standards, bring about substantial local capital formation and achieve high level of productivity and capability. Entrepreneurial enterprises are recognized as the principal means of achieving equitable and sustainable industrial diversification and dispersal. Previous studies (Ogujiuba, Fadila and Stiegher, 2013) agree that entrepreneurial enterprises account for well over half of the total share of employment sales and value added entrepreneurial enterprises constitute the most viable and veritable vehicle for self -sustaining industrial development, as they possess the capability to grow an indigenous enterprise culture more than any other strategy.

Theoretical and empirical evidence supports the argument that adoption of superior strategies leads to improved organization performance. However, most studies have dealt with large firms and put diverse conditions for the benefits of strategic management to be felt (Lawal, Omone & Oludayo. 2012). The main challenge lies with entrepreneurs' who may not have the resources and capacity to implement strategic management practices. In Nigeria, various studied have been done on strategic management practices. However, not many studies have been done on the impact of strategic management and how it relates to the growth of entrepreneurship in Nigeria. This is therefore the problem this study intends to fix.

Research questions:
Q1. Has adoption of Strategic resource management increased business profitability of entrepreneurs in Nasarawa State?

Q2. Has strategic innovativeness increased customer base of entrepreneurs in Nasarawa State?

Q3. How has strategic planning affected business expansion of entrepreneurs in Nasarawa State?

Hypothesis
H01: Strategic Resource Management has no significant effect on business profitability of entrepreneurs in Nasarawa State.

H02: Strategic Innovativeness has no significant effect on the growth of customer base of entrepreneurs in Nasarawa State.

H03: Strategic Planning has no significant effect on business expansion of entrepreneurs in Nasarawa State.

Literature Review

Concept of Strategic Management

According to Madhok (2014), strategic management is primarily concerned with the actions organizations taken to achieve competitive advantage and create value for the organization and its stakeholders. Strategic management can also be defined as the systemic process identifying internal and external factors of an organization to define better objectives, formulate, evaluate and implement strategies to achieve the objective. The basis of strategic management is the notion that strategy creates an alignment between the enterprises internal strengths and weaknesses on the one hand and its opportunities and threats (SWOT) in its external environment on the other (Andrews, 1987). Sandberg (1992) lists an enterprises resources, processes, strategy and field of industry as the primary variables of strategic management.

Strategic management deals with how enterprises develop sustainable competitive advantages resulting in the creation of value (Ramachandran, Mukherji, & Sud, 2006). An underlying basis of the Austrian school in strategic management (Schumpeter, 1993) is the temporary nature of such competitive advantages. Accordingly, strategic management can be regarded as setting the context for entrepreneurial behaviour, i.e. the exploitation of opportunities (Ireland, 2001).According to Ansoff & McDonnell (2010), strategic management is concerned with broad, long-term future of an organization and the way it will prepare for change to the extent that change is perceived as being a necessary prerequisite of future continued success. Strategic

decisions and plans are thus subject to greater uncertainty than either administrative or operational decisions. Strategic management provides overall direction to the enterprise and involves specifying the organizations objectives, developing long-term policies and plans designed to achieve these objectives, and then allocating resources to implement the plans. Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision making in the context of complex environments and competitive dynamics (Ghemawat, 2002). The concept "strategic management" is not static in nature; the models often include a feedback loop to monitor execution and inform the next round of planning (Lamb, 1984; and Hill & Gareth, 2012). More so, it assists firms to make effective decisions and strategies by staying alert to the threats and opportunities in an uncertain and dynamic environment. Furthermore, strategic management involves the related concepts of strategic planning and strategic thinking. Strategic planning is analytical in nature and refers to formalized procedures to produce the data and analyses used as inputs for strategic thinking, which synthesizes the data resulting in the strategy.

Concept of Entrepreneurship

The concept of entrepreneurship as an organized knowledge came into being about hundred years ago. Though the economists from Adam Smith to Marshall were talking about it but didn't assigning the name entrepreneurship. They used the terms as employer, the master, the merchant and the undertaker for carrying out different entrepreneurial activities now comprising of entrepreneurship. It was Eantillon, who first brought out the term entrepreneur (Murthy 1989) and entrepreneurship was recognized in economic literature. Considerable attention has been focused on the definition of the term "entrepreneur". Schumpeter(1959) considered the entrepreneur as an innovator. He writes that Entrepreneurship is the "carrying out of new combination we call enterprise"; the individuals whose function is to carry them out we call entrepreneurs. The new combination focuses on five aspects (Schumpeter 1934): The introduction of new goals, new methods of production, opening up of new markets, new sources of supply of raw material and new industrial organizations. Say (1994) uses the term entrepreneur to refer to someone who creates and then, perhaps, operates a new business firm, whether or not there is anything innovative in those acts. Baumol (1993) sees the "Schumpeter" type as an innovating entrepreneur and the "Say" type as the firm-organizing entrepreneur. People, who get ideas for creating a new business, bring that business into existence and then carry on the work of the enterprise, are entrepreneurs.Precisely, an entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. Even a small business unit is an entrepreneur and his activities are the entrepreneurhip.

The definition of Entrepreneurship is as diverse as the different functions of the Entrepreneur. Baumol (1993) and subsequently Dejardin (2000), stress that entrepreneurial activities can also range from being productive to society at large to searching for surplus profits with negative consequences, all depending on the structure of incentives and possibilities. Accordingly, the entrepreneur is then viewed as a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate supply

and aggregate demand, or as one who owns and operates a business (Tyson, Petrin, Rogers, 1994).

Concept of Strategic Entrepreneurship

Business environment changes rapidly in today's world. This environment becomes more complicated day by day and organizations/companies must adapt to this change. Changing business world require new perspectives in order to be competitive. Today's complex environment can be defined with such concepts as hyper-competition power, innovativeness, speed, aggression, adaptability and flexibility. These concepts also reflect the field of entrepreneurship. Therefore, today's companies have to be flexible, strategic and entrepreneurial. Regarding this matter, many scientists in the literature discuss the consolidation of entrepreneurship and strategic management, and believe that entrepreneurship and strategic management are related to creating wealth and they should consolidate. In this sense, we come across with the strategic entrepreneurship approach which is a new field for business and management literature. Strategic entrepreneurship is based on the integration of entrepreneurship and strategic management (Genç, 2012).

Strategic entrepreneurship explains entrepreneurial activity with a strategic perspective which emphasizes the importance of managing the entrepreneurial sources or activities strategically in order to get the competition advantage (Tantau, 2008). Entrepreneurial action is defined as "strategic actions realized with an entrepreneurial mentality". Strategic entrepreneurship can be defined as "the fact that entrepreneurial and strategic perspectives complement each other in application of the actions designed for creating wealth" (Karadal, 2013).Both academic fields, i.e. entrepreneurship and strategic management focus on utilizing the opportunities and adapting to the change. Accordingly, one of the most distinct connections between entrepreneurship and strategic management is opportunities. Opportunities rank at the center of both entrepreneurship and strategic management.

Empirical Literature

Strategic management is an important aspect of management that elicits research interest among scholars and practitioners. This can be attributed to the universal application of aspect of management discipline to other aspects such as entrepreneurship. One of the recent conceptual studies in Nigeria (Ujunwa & Modebe, 2012) advocated for the adoption of strategic management approach in ensuring adequate resources management and allocation to all entrepreneurial ventures. This is postulated because of the perceived pivotal role strategic management play towards the development of entrepreneurship. The strategic measure they reviewed ranged from effective regulation to achieving favourable competitive edge. They posited that these strategies will not only promote the efficiency entrepreneurship decisions but will leverage the role of strategic management in promoting entrepreneurship growth.

Askarany and Yazdifar (2012), investigating the diffusion of six proposed strategic management tools of the past few decades through the lens of organizational change theory, examined the relationship between the adoption of these techniques and corporate entrepreneurship performance in both manufacturing and non-manufacturing organizations in New Zealand. The findings suggest a significant association between the diffusion of these relatively new strategic

management tools and entrepreneurial performance. Gichunge (2010) examined the effect of formal strategic management on entrepreneurs in medium sized manufacturing enterprises in Nairobi, Kenya. It examined the extent to which formal strategic management is adopted by entrepreneurs in Kenya and investigated the effect of various administrative/legal factors on the extent to which formal strategic management are adopted. Results showed that the entrepreneurs have adopted formal strategic management.

Gultekin (2014) researched on the relationship between entrepreneurship and strategic management. He postulated a conceptual model for a new paradigm of strategic entrepreneurship which was defined as the simultaneous combination of an entrepreneurial action associated with an opportunity seeking behavior and a strategic action associated with a competitive advantage-seeking behavior to create value. The new model is empirically tested with a descriptive study on businesses quoted Borsa Istanbul BIST-100 Index without any sampling procedure. Kutllovci, Shala & Troni (2012) examined the relationship between strategic management and entrepreneurial growth in Kosovo in terms of empirical analyses that include various strategic planning elements. It was however concluded that entrepreneurs in Kosovo are using strategic plans as an orientation document for long-term development of their businesses, which means that they had clear vision and mission of where they wanted to reach in a forthcoming period that usually includes parameters 3-5 coming years.

Theoretical Framework
Resource Based Theory

Resource based view was propounded by (Wernerfelt, 1984) to advance the idea that strategy of a firm is a function of the complement of the resources held. It argues that a company will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy. Therefore strategic management practices will depend on firm's resources. The theory describes a firm in terms of the resources that firm integrates. Frequently, the term resource is limited to those attributes that enhance efficiency and effectiveness of the firm (Wernerfelt, 1984). The implication of the theory to the study is that strategic management practices ondifferent SMEs will depend on the resources the SMEs has which more often than not is affected by SMEs size, legal formation and industry. Consequently, SME performance will depend on the strategic management practices adopted.

Ansoff Strategic Success Theory

Ansoff strategic success formula of strategic management was proposed by Ansoff (1984) and advanced by Ansoff and Mcdonnel (1990). Ansoff strategic success formula advocates that great firm performance is assured when the responsiveness of an organization's strategy matches the turbulence in the environment and also the organization's capabilities match the aggressiveness of its strategy. The theory states that organization's performance potential is optimum when the following three conditions are met; aggressiveness of the organization's strategic behaviour matches the turbulence of its environment; responsiveness of the organization's capability matches the aggressiveness of its strategy; and the components of the organization's capability must be supportive of each other. Ansoff tool of strategic diagnosis is a systematic approach used

to determining the changes that have to be made to a firm's strategy and its internal capability in order to assure the organization's success in its future environment. This diagnostic procedure is derived from the strategic success hypothesis. The purpose is for managers to have tools to effectively encounter the relentless changes and turbulence of their environment (Ansoff and McDonnell, 1990). The implication of this theory to the study is that strategic management practices affect organization performance but when all the conditions on adoption of the strategies are met.

The contingency theory

The contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. Therefore, in this study, besides the systems perspective, contingency approach and the other main strategic management theories mentioned above, the resource-based theory or view (RBV) of the firm's competitive advantage in particular will be the underlying theoretical foundation applied and fundamental basis of the variables and their ensuring relationships that are being studied. This is because of the nature of the Nigeria polity that exposes all firms to high cost of doing business in terms of internal power generation and high level corruption. As a result of this, this study will focus especially on the internal attributes (i.e. resources, capabilities and systems) of the organization towards attaining competitive advantage. Hence, it justifies the adoption of RBV as the main research tenet.

Research Methodology

Research design adopted for this study is the ex-post facto research design. The ex-post facto involves collecting and analyzing data about variables retrospectively or about variables which are already in place without manipulating any of them. In this study, the researcher used more of causal comparative research. Here the researcher does not have control over the outcome of the study but is just able to draw inferences about respondents and the population they were drawn from. The population of the study consists of entrepreneurs across all levels who have successfully engaged in entrepreneurial activities in Nasarawa State. The entrepreneurs were selected based on the criteria that they started and/or expanded their businesses with the help of strategic management practices in Nasarawa State.

Stratified sampling was primarily used to ensure that different groups of the population are adequately represented in the sample so as to increase the population's level of accuracy when estimating the parameters. The stratum is made up of four categories of industries which have in the past few years experienced significant transformation and these includes: Business and Finance industry, Manufacturing industry, Services industry and Agricultural industry operating in Nasarawa State. The strata are formed based on members' that shared different attributes or characteristics. A sample from each stratum is taken in a number that is proportional to the stratum's size when compared to the population.

These subsets of the strata are then pooled to form the sample. The above reasons formed the basis for the use of stratified sampling for this study.

Table 1: Population from Selected Businesses Categories.

S/N	Categories of Industry	Population
1	Business and Finance Industry	352
2	Manufacturing Industry	216
3	Services Industry	190
4	Agricultural Industry	356
	Total	**1,114**

Source: Field Survey, 2019

Smith (1984) sample technique was used to estimate a sample size out of the study population. The Smith formula is given by:

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

Where:

N = Population size
3 = Constant
e = Margin of error (5%)

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

Substituting into the formula we have:

$$n = \frac{1{,}114}{3 + 1{,}114(0.05)^2}$$

$$n = \frac{1{,}114}{3 + 1{,}114(0.0025)}$$

$$n = \frac{1{,}114}{5.785}$$

$$n = 192$$

Proportional allocation formula was applied to each stratum to ensure even-spread as captured in Table 2.

Table 2: Sample of Selected Businesses Categoriesin Nasarawa state.

S/N	Categories of Institutions	Population	Sample
1	Business and Finance Industry	352	$\frac{352*192}{1,114}=60$
2	Manufacturing Industry	216	$\frac{216*192}{1,114}=37$
3	Services Industry	190	$\frac{190*192}{1,114}=33$
4	Agricultural Industry	356	$\frac{356*192}{1,114}=62$
	Total	**1,114**	**192**

Source: Field Survey, 2019

Data for the study were collected by research assistants using a questionnaire and most of the questions were defined in simple format to arouse respondent interest to read carefully and answer each question to ensure easy completion. The respondents were asked to indicate their degree of agreement or disagreement based on a 5-point Likert scale that ranged from strongly agree (5) to strongly disagree (1).

Table 3: Result of Reliability Test

Variable	Alpha
Business profit	0.7323
Customer base	0.6643
Business expansion	0.7022
Strategic Resource Management	0.6957
Strategic Innovativeness	0.7247
Strategic Planning	0.7117
Test to scale	**0.8547**

Source: Field Survey, 2019

In the case of this study, the levels of alpha are well above the 0.60 typically accepted level, demonstrating a high level of internal consistency. As shown in Table 3 the alpha levels for the different indicators averaged alpha coefficient of 0.8547 is greater than 0.60, fully supporting the reliability of the constructs. Ordinary least square (OLS) regression method was adopted to find out the linear relationship between strategic management and entrepreneurial growth in Nasarawa state. The justification for the use of binary regression method is because it measures the relationships existing between two or more variables. It is simple to compute without errors and it helps to illustrate the directional outcome and strength of the variable. It further shows a precise quantitative measurement of the degree of relationship between dependent and independent variables.

Following the research hypothesis, the following model was formulated:

$$BP = \ddot{}_0 + \ddot{}_1 SRM + «_t \quad ----------1$$

$$CB = \ddot{}_0 + \ddot{}_2 SI + «_t \quad ----------2$$

$$BE = \ddot{}_0 + \ddot{}_3 SP + «_t \quad ----------3$$

Where;

BP	=	Business Expansion
CB	=	Customer Base
BE	=	Business Expansion
SRM	=	Strategic Resource Management
SI	=	Strategic Innovativeness
SP	=	Strategic Planning
$«_t$	=	Error term
$\ddot{}_1$	=	Slope coefficients of strategic resource management, strategic innovativeness, strategic planning.
$\ddot{}_0$	=	Intercept parameter estimate

Results and Discussion

In line with the research, the three hypotheses formulated in this study were approached with the aid of t-statistics contained in the regression results. The level of significance for the study is 5%, for a two-tailed test.

i. If the probability (Sig) > 0.05 we accept the null hypothesis and reject the alternative hypothesis.
ii. If the probability (Sig) < 0.05 we accept the alternative hypothesis and reject the null hypothesis.

$H0_1$: Strategic Resource Management has no significant effect on business profitability of entrepreneurs in Nasarawa.

Table 4: Regression Model Result 1

Variable	Coefficient	t-value	Prob.
C	2.37553	2.259744	0.00325
SRM	2.154171	2.568741	0.00151
R-squared:	0.70531	Mean dependent var:	2.23322
Adjusted R-squared	0.67411	Durbin-Watson stat:	1.94476
F-statistic	4.22145	S.D. dependent var:	1.78732
Prob(F-statistic):	0.00233		

Source: Authors Computation Using Minitab-8

From the regression result in Table 4, it was observed that the calculated t-value for strategic resource management is 2.56 and with p- value of 0.001. Since the p-value is less than 0.05 (0.001 < 0.05) it thus falls in the rejection region and hence, we reject the first null hypothesis **($H0_1$)**. The conclusion here is that strategic resource management has significantly affected business profitability of entrepreneurs' in Nasarawa State.

The F-statistic which is used to examine the overall significance of regression model showed that the result is significant, it is significant at the 5.0 per cent level. That is, the F-statistic P-value of 0.0023 is less than 0.05. The R-square which was used to measure the goodness of fit of the estimated model, indicates that the model is reasonably fit in prediction of variability. The R^2 (R-square) value of 0.70531 shows that strategic management has a good impact on business profitability of entrepreneurs in Nasarawa state. It indicates that about 70.05 per cent of the variation in entrepreneurial business profitability in Nasarawa state is explained by strategic resource management, while the remaining unaccounted variation of 0.305 percent is captured by the error term.

Durbin Watson (DW) statistic was used to test for the presence of autocorrelation among the error terms. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.94476. This shows that the estimates are unbiased and can be relied upon for policy making decisions.

H02: Strategic Innovativeness has no significant effect on the growth of customer base of entrepreneurs in Nasarawa state.

Table 5: Regression Model Result 2

Variable	Coefficient	t-value	Prob.
C	2.245711	2.259744	0.00325
SI	2.015411	2.354211	0.02411
R-squared:	0.67910	Mean dependent var:	2.23322
Adjusted R-squared	0.70211	Durbin-Watson stat:	1.76431
F-statistic	4.22145	S.D. dependent var:	1.65768
Prob(F-statistic):	0.00219		

Source: Authors Computation Using Minitab-8

More so, from the regression result in Table 4 the calculated t-value for strategic innovativeness is 2.35 and with an associated p-value of 0.02 since the p-value is less than 0.05, we reject the second null hypothesis **($H0_2$)**. The conclusion here is that strategic innovativeness has significantly affected the customer base of entrepreneurs in Nasarawa state.

The test for overall significance of regression model showed that the result is significant. As seen from the table above, the F-statistic P-value of 0.0021 and it is less than 0.05. The model is reasonably fit for prediction since the value of $R^2$is 0.67. The R^2 (R-square) value of 0.67 shows that strategic innovativeness has a good impact on the customer base of entrepreneurs in Nasarawa state. It indicates that about 67.91 per cent of the variation in entrepreneurial customer base in Nasarawa state is explained by strategic innovativeness, while the remaining unaccounted variation of 32.07 percent is captured by the error term.

Durbin Watson (DW) statistic was used to test for the presence of autocorrelation among the error terms. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.76431. This shows that the estimates are unbiased and can be relied upon for policy making decisions.

H03: Strategic Planning has no significant effect on business expansion of entrepreneurs in Nasarawa state

Table 6: Regression Model Result 3

Variable	Coefficient	t-value	Prob.
C	2.565713	2.259744	0.00325
SP	2.387781	1.992122	0.04251
R-squared:	0.65541	Mean dependent var:	2.23322
Adjusted R-squared	0.62611	Durbin-Watson stat:	1.84431
F-statistic	4.45145	S.D. dependent var:	1.75332
Prob(F-statistic):	0.00413		

Source: Authors Computation Using Minitab-8

The calculated t-value for Strategic Planning was found to be 1.99 and also by rule of thumb, the tabulated value is ±1.96 under 95% confidence interval levels. Since the p-value for strategic planning was found to be less than 0.05 (that is; 0.04 < 0.05), we thus, reject the third null hypotheses ($H0_3$) and conclude that strategic planning has a significant effect on business expansion of entrepreneurs in Nasarawa state. The test for overall significance of regression model is significant as seen from the table above, the F-statistic P-value of 0.0041 and it is less than 0.05. The model is reasonably fit for prediction since the value of $R^2$is 0.65. The R^2 (R-square) value of 0.65 shows that strategic planning has a good impact on business expansion of entrepreneurs in Nasarawa state. It indicates that about 65.54 per cent of the variation in entrepreneurial business expansion in Nasarawa state is explained by strategic planning, while the remaining unaccounted variation of 34.46 percent is captured by the error term.

Durbin Watson (DW) statistic was used to test for the presence of autocorrelation among the error terms. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.84431. This shows that the estimates are unbiased and can be relied upon for policy making decisions.

Discussion of findings

From the study, it was observed that strategic resource management play a significant role in growth of business profit of entrepreneurs in Nasarawa state. This research finding implies that entrepreneurs have consciously adopted strategic resource management in their entrepreneurial quest for profitability and growth. This is as a result of the understanding that resources are scare hence prudent utilization to maximize profit. This research finding corresponds with the findings of Ujunwa &Modebe, (2012). They observed that strategic management plays a pivotal role towards the development of entrepreneurship. The strategic measure they reviewed ranged from effective regulation to achieving favourable competitive edge. They posited that these strategies will not only promote the efficiency entrepreneurship decisions but will leverage the role of strategic management in promoting entrepreneurship growth through profit maximization.

This research findings showed that strategic innovativeness is significant towards the growth of customer base of entrepreneurship in Nasarawa state.

This is significantly so because the strategic innovativeness of these entrepreneurs arms them with cutting edge competitive advantage thereby ensuring that their entrepreneurial activities grows and maintain relevance to the current customer and business world requirement. The power of entrepreneur whose main function in modern societies is to continuously realize innovations is evaluated with his/her skill of making innovation and converting these innovations into concrete product, products that are effective in filling the between the customers and the needs. Kutllovci, Shala & Troni (2012) examined the relationship between strategic management and entrepreneurial growth in Kosovo in terms of empirical analyses that include various strategic planning elements. It was concluded that entrepreneurs in Kosovo are using strategic plan as an orientation document for long-term development of their businesses, which means that they had a clear vision and mission of where they wanted to reach in a forthcoming period. This research finding is in consonance with what was discovered in the study. It was discovered that strategic planning is significantly related to entrepreneurial growth and business expansion in Nasarawa state. This implies that entrepreneurs strategically plan and maintain a clear vision and mission of where they want their business to be in the nearest future. Gichunge (2010) examined the effect of formal strategic management on entrepreneurs in medium sized manufacturing enterprises in Nairobi, Kenya. Gichunge discovered that strategic entrepreneurial leadership, strategic resources management, strategic innovativeness, growth, average market value and organizational learning, all of which is sub- dimensions of the new strategic entrepreneurship model, are all in positive correlation with each. Gichunge research findings also correspond with all the research findings obtained in the study.

Conclusion and Recommendations

Strategic entrepreneurship defining entrepreneurial activity from a strategic perspective helps companies raise their performances and develop sustainable competition advantage via increasing profitability or market share. Therefore, both new enterprises and long-established companies desiring to get today's and tomorrow's competition advantage must learn how to integrate entrepreneurship with strategic management, and must apply strategic entrepreneurship ideally. It is evident that strategic management has contributed and continues to contribute towards entrepreneurial growth in the state. In as much as it is important to state that strategic management is a veritable tool for improving the competitiveness, performance levels, and structural development of all relevant industry in Nigeria, it is equally important to note that not all entrepreneurs has successfully adopted strategic management in their respective businesses. In conclusion, it can therefore be said that strategic management has a significant effect on entrepreneurial growth in Nasarawa state.

Based on the findings, the following recommendations were made:

i. To develop a concrete strategic entrepreneurial and innovative thinking, the study suggests more effort towards educating entrepreneurs on the need and importance of adopting strategic management towards entrepreneurial growth.
ii. The entrepreneurial center and business schools in Nigeria should incorporate strategic management principles into their curricula. This will engender sound managerial know-how and boost the performance and competitiveness of firms in Nasarawa state and Nigeria in general.

iii. Further studies should be carried out in Nigeria to investigate the causes of non-adoption of strategic management by some entrepreneurs in Nasarawa State in particular and Nigeria in general. The causes of this when known and curbed, small and median scale industries in Nigerian might become more competitive in boosting the development of Nigerian economy.

References

Ansoff, I., & McDonnel, J., (1990). *Implanting Strategic Management.* London: Prentice Hall.

Ansoff, I., (1984). *Implementing Strategic Management*. London: Prentice-Hall

Andrews, K.R., (1987). *The Concept of Corporate Strategy*. Dow Jones-Irwin, Homewood.

Askarany, D. and Yazdifar, H. (2012). Strategic Management Tools and Organisational Performance,MondayAugust6,2012http://aaahq.org/AM2012/abstract.cfm?submissionID =576 [7]

Baumol, W. J. (1993) Formal Entrepreneurship Theory in Economic: Existence and Bonds. *Journal of Business Venturing* 8,197-210

Brown, S. L., & Eisenhardt, K. M. (1998). *Competing on the Edge*. Boston, MA: Harvard BusinessSchool Press.

Dejardin M. (2000), "Entrepreneurship and Economic Growth: An Obvious Conjuction?"

Indiana University, Bloomington

Drucker, P., (1985). I*nnovation and Entrepreneurship.* Butterworth-Heinemann: Oxford Economy, MIT Sloan Management Review, Spring.

Genc (2012). The Response of the entrepreneurship To The Changing Business Environment: Strategic Entrepreneurship",*International Journal of Economics and Administrative Studies*, 5(9), 2012, 71-84.

Ghemawat, P. (2002). Competition and business strategy in historical perspective.*Business history review*, *76*(01), 37-74.

Gichunge, E.M. (2010). The Effect of Formal Strategic Management on Organisational Performance: A study of selected Mediumized Manufacturing Enterprises inNairobi, Kenya

Hill, C. and, Garet. J. (2012).*Strategic Management Cases: An Integrated Approach*. Cengage Learning.

Huang, J., (2006). Strategic planning and dysfunction: the dark side of mandating a formal planning system. *Soochow Journal of Political Science*, 22: 47-71.

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2001). *Strategic management: Competitiveness andGlobalization* (4 ed.). Cincinatti: South-Western College Publishing.

Hitt, M. A., Ireland, R., Camp, M., & Sexton, D. (2002). Strategic entrepreneurship: Integrating

entrepreneurial and strategic management perspectives. In M. A. Hitt, R. Ireland, M. Camp & D.Sexton (Eds.), *Strategic Entrepreneurship: Creating a new mindset* (1-13). Oxford: Blackwell.

Ireland, R. (2001). Integrating entrepreneurship and strategic management action to create firm wealth. *Academy of Management Executive, 15*(1), 49-63.

Johnson, G., Scholes, K., & Whittington, R., (2008). *Exploring corporate strategy*. London: Prentice-Hall, 8th edition.

Kutllovci, V. and Shala, B. T. (2012).Business Strategy, the key determinants of SME growth in Kosovo.*International Journal of Advances in Management and Economics*, ISSN: 2278-3369 www.managementjournal.info

Lamb, B., (1984). *Competitive strategic management*. Englewood Cliffs, New Jersey, NJ: Prentice-Hall

Lawal, F., Omone, E., & Oludayo, O., (2012). The effect of strategic issue management on organizational performance. *Transnational Journal of Science and Technology.*

Meyer, G. D., & Heppard, K. A. (2000). Entrepreneurial Strategies – The dominant logic of

entrepreneurship. In G. D. Meyer & K. A. Heppard (Eds.), *Entrepreneurship as strategy -*

competing on the entrepreneurial edge (pp. 1-22). London: Sage.

McGrath, R. G., & MacMillan, I. (2000). *The entrepreneurial mindset*. Boston: Harvard BusinessSchool Press.

Mukherji, S., & Sud, M. (2006). Strategic Entrepreneurship in a GlobalisingEconomy: Evidence from Emerging Economies. *IIMB Management Review, 28*(3), 291-302.

Murthy, N. (1989a) Entrepreneurship in Small Towns, In Samuddin (ed) Entrepreneurship Development in India, Mittal Publication, Delhi, 4.

Pearce, A., & Robinson, B., (2007). *Strategic management: formulation, implementation and control.* Chicago, IL: Richard D. Irwin Inc, 10th edition.

Pillania, K., (2008). Strategic Issues in Knowledge Management in Small and Medium Enterprises. *Knowledge Management Research & Practice,* pp 334-338.

Ramachandran, J., Mukherji, S., & Sud, M. (2006). Strategic Entrepreneurship in a Globalising

Economy: Evidence from Emerging Economies. *IIMB Management Review, 28*(3), 291-302.

Raduan, C. R., Jegak, U., Haslinda, A. and Alimin, I.I. (2009). Management, Strategic Management Theories andthe Linkage with Organisational Competitive Advantage from the Resource-Based View. *European Journal of Social Sciences,* 11(3), 402- 418. [5]

Sandberg, W. R. (1992). Strategic management's potential contributions to a theory ofentrepreneurship. *Entrepreneurship: Theory & Practice, 16*(3), 73-90.

Say, J. B. (1994) A Treatise of Political Economy or the Production, Distribution and Consumption of Wealth

Schumpeter, J. A. (1993). *The theory of economic development*. New Brunswick, London:Transaction Publishers

Schumpeter, J. 1934. *The theory of economic development.* Cambridge, ma:Harvard University Press.

Schumpeter, J. A. (1959): The Theory of Economic Development. Harvard University Press, Cambridge, Massachusetts.

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research.

Academy of Management Review, 25(1), 217-226.

Tantau, Dumitru (2008), "Common Dimensions For Entrepreneurship and Strategy: The Need For Strategic Entrepreneurship",Management&Marketing (The Official Journal of the Society for Business Excellence), Journal No:1, 2008,http://www.managementmarketing.ro/pdf/articole/94.pdf., (02.02.2015), 73-80

Ujunwa, A. and Modebe. G. (2012). Adopting strategic management approach in the capital market development: the Nigerian Case. International journal of Economics and Finance. Vol4.no1 2012

Wang, C., Walker, A., & Redmond, J., (2007). Explaining the lack of strategic planning in SMEs: the importance of owner motivation. *International Journal of Organizational Behaviour,* 12(1): 1-16.

Wernerfelt, B., (1984). A resource-based view of the firm. *Strategic Management Journal*, 2, pp. 171-80.

Gultekin Altundas (2014). The relationship between entrepreneurship and strategic management: a new model and test of strategic entrepreneurship. Research Journal of Business and Management – (RJBM), ISSN: 2148-6689

Impact of Advertising on Consumer Buying Behaviour: A Study of Keffi Metropolis

Joyce Igwebuike
Department of Business Administration, Nasarawa State University, Keffi Nigeria
joyceigwebuike@yahoo.com

ABSTRACT
This paper investigates the impact of advertising on consumer buying behaviour using Keffi metropolis as a case study. The study adopted a descriptive research design, and consequently used the Kruskal-Wallis (KW) analysis to test the hypothesis raised for the study. The study first revealed that online advertisement had no significant impact on consumer buying behaviour. The implication of this finding is that most customers don't trust online adverts as they believe more on the trial of the products physically. It was also discovered from the study that Newspaper advertisement has a significant influence on consumer buying behaviour. This shows that frequent advertisement via newspaper enhances consumer awareness on a particular product offered for sales. Surveys show that newspaper advertisements provide great impact on purchasing behavior of consumers. In addition, television and radio adverts were found to have a significant impact on consumer buying behaviour. The study thus recommends that business organizations in Nigeria must ensure that they understand the buying behavior of consumers in order to discover when they would buy and how they buy. This will act as a guide towards formulating an advertisement message that will arouse the curiosity of consumers and eventually persuades them to buy. It is also recommended that advertisers should consistently review their newspaper adverts over time to create the link between the brand and the testifier. Lastly, timing is another important issue; the various organizations must take in to consideration. This is because consumers have a particular time they watch television and listen to radio.

Keywords: Online advertisement, Newspaper advertisement, Television and radio adverts, Consumer buying behaviour

Introduction

In today's dynamic world, it is almost impossible for producers and marketers to deliver message and information to buyers without the use of advertisement. This is due to the fact that business world has been flooded with mass media such as television, advertising, films, videos, billboards, magazines, movies, music, newspaper, and internet. Certainly, this may be because of the globalization and accessibility of hundreds of channels for the viewers of this modern era. Nowadays, due to globalized economy, this made available a bulk of marketing stimuli to the modern consumers and of all marketing weapons, advertising is renowned for its long-lasting impact on viewer's mind, as its exposure is much broader (Bijmolt, Claassen, & Brus, 2008).

Thus, advertisement can be defined as "any paid form of non-personal communication of ideas or products on the electronic media to end user" (Bogdanovic, 2013). It has been identified to be a subset of promotion mix which is one of the 4P's in the marketing mix i.e. product, price, place and promotion. As a promotional strategy, advertising serves as a major tool in creating product awareness in the mind of a potential consumer to take eventual purchase decision. According to Abideen& Saleem (2011) advertisement through television, radio, online and newspaper are best ways to promote products and services in front of millions of consumers" Advertisement influences the buying behavior of the consumers with effective and efficient manner.

As the primary mission of advertiser is to reach prospective customers and influence their awareness, attitudes and buying behavior. They spend a lot of money to keep individual's interest in their products. They need to understand what makes potential customers behave the way they would like. It also appears that advertising may have the potential to contribute to brand choice among consumers. Consumer behavior as defined by Irwin (2012) is the study of individuals, groups or organizations and the processes they use to select, secure, used and dispose of product or services or ideas to satisfy needs and the impact that these processes have on the consumer behavior and the society.

Consumer buying behavior is also seen as the study of individuals, groups and the processes of decision making, selection, usage and dispose of products to satisfy needs (Jain, 2014). The consumers mostly respond to those advertisements which are emotionally attached, because positive emotional appeals provide a strong brand cue and excite category-based processing.
Most of the time, the consumers buying behavior is influenced by liking or disliking of the consumers towards the advertisement of the product advertised. The advertisements, through all the mediums persuade audiences which may sway individuals' attitude, behavior, lifestyle, personality, and in the long run, even the culture of the country.

However, the impact of advertising in determining consumer behaviour and purchase decision has been undermined by many firms in Nigeria over the years. Some firms spend huge amounts of money advertising their products and still claim about indifference in their sales volume. Advertising is seen to be costly; often its effects are uncertain, and sometimes it takes a while before it makes any impact on consumers' buying behavior. It is for these reasons that many companies think it appropriate, occasionally to reduce expenditures on advertising or to entirely eliminate it. On the other hand, some companies sometimes consider it unnecessary to advertise when their brands are already enjoying great success without advertisement. Such behavior implicitly fails to consider the fact that advertising is not just a current expense or mere exercise but an investment. To this end, one wonders if actually the advertising approach used by most brand advertisers can and do influence consumer patronage of the advertised brand. Hence, the paper examined the impact of advertising on consumer buying behaviour using Keffi metropolis as a study area.

Research questions

i. What impact does online advertisement has on consumer buying behavior?
ii. To what extent does newspaper advertisements influenced consumer buying behavior?
iii. What impact do television and radio adverts have on consumer buying behavior?

Study hypothesis

H_{01}: Online advertisement has no significant impact on consumer buying behaviour

H_{02}: Newspaper advertisement has no significant influence on consumer buying behaviour

H_{03}: Television and radio adverts has no significant impact on consumer buying behaviour

Theoretical Choices

Cognitive-Dissonance Theory

The theory of cognitive dissonance according to Attschul & Sindair (1981) posits a human phenomenon used by psychologists to express psychological discomforts or a state of disequilibrium amongst one's cognition (values, beliefs, attitudes and knowledge) resulting from the inflow of conflicting message, objects, events or experiences. Stone & Cooper (2000) propose that dissonance begins when people exhibit behaviour and then access such behaviour against some meaningful criterion of judgment or when an action measured against relevant criterion poses a threat to oneself. Leon Festinger since 40 years published the original theory of cognitive dissonance, and scholars have continually debated to refine complement and/or extend its arousal and reduction in at least three perspectives. First cognitions represent standards or expectancies that facilitated dissonance arousal (Duval & Widdund, 1977). Second, cognitions function as resources for dissonance reduction which may be irrational and sometimes maladaptive behavior and third, cognitions are irrelevant to the process of dissonance arousal and reduction (Copper & Fazio, 1984). Scholars affirmed that at least empirical supports for the prediction of the role played by cognition in dissonance process in each perspective exist (Steele, Spencer & Lynch, 1993; Stone & Cooper, 2000) although; no consensus exists among scholars as to how self-relevant thoughts mediate the arousal and reduction of dissonance. The theory of cognitive dissonance seems to have wider applications and empirical fertility and enjoys practical fascination to both the social psychologists and consumer behaviour scientists. The social psychologists have been motivated by controversies to enrich theory while the consumer behaviour scientists have been attracted by the theory flexibility and unique insights into post purchase behaviour. Fertinger (1957) and his followers note that relations exist between relevant cognitions of man. Any two or more cognitive elements (e.g values, attitudes, beliefs, or

knowledge may be at consonant, dissonant or irrelevant to one another. Assuming we de-emphasize the issue of relevance and score all beliefs or attributes as relevant, then a satisfactory relationship between cognitive elements is characterized by fitting or consonant relations. Psychological tension resulting from non-fitting of or contradiction amongst cognitive element connotes dissonance relations. The classic dissonance paradigm of (Spence, Joseph & Steele, 1993) suggests that if attention is drawn to threats inherent in a given behaviour ever body tries to affirm by deflecting or diminishing the threat and if people do no focus on their self-resources following dissonance, they tend to rationalize or dismiss the dissonance relations.

Cultivation theory

The key theory for this study is cultivation theory. The theory was propounded by Gerbner and Cross (1976), and it states that mass media (Television) is responsible for shaping or cultivating rears conception of social reality. It further explained that the information and ideas people receive on a daily basis are the foundation for their own personal outlook of life further-more the theory has to do with the idea that mass media has the power to shape our perception of reality and the world around us by affecting our attitudes and certain ways of thinking (Horsky& Simon, 2013). The theory assumes that the mass media (Television) is responsible for shaping or cultivating viewers conceptions of survey data from audience research (to access any influence of such images on the attitudes of viewers through the use of questionnaire) it is also through the use of mass media that Milo product advertisers are able to influence their consumer buying behavior positively.

Literature Review

The American Marketing Association defines advertising as a form of non- personal presentation and promotion of ideas, goods, and services usually paid by an identified sponsor. Advertising is non-personal because it is directed toward a large group of anonymous people. Second, advertising is typically paid for. This fact differentiates advertising from publicity, which is not usually purchased. Third, for obvious reasons, the sponsor of the ad is identified. In fact, in most instances identifying the sponsor is the prime purpose behind the advertisement.

Perhaps the only reason in which the identity of the advertiser may not be self-evident is political advertising (Dominick, 2010). The Advertising Practitioners Council of Nigeria (APCON) writing in 'The Nigeria Code of Advertising Practice (2015) defines advertising as a form of communication through media about products, services, or ideas, paid for by an identified sponsor. The above definition exposes that advertisement must be paid for by an identified sponsor and that the aim of advertising is to disseminate information and ideas about goods or services and to persuade people to take action by patronizing the goods and services advertised. Daramola (2013), suggest that the objective of advertising is to induce immediate action, to create liking and preference for a product or organization, and to create awareness about a product or service. Some advertisements also seek to build a respected corporate identity for a company, product, and brand name or make all familiar to the public (Agwu, 2012).

According to Ogbechie (2017), advertising is the act of conveying the most persuasive product or service message at the right time, in the right place, to the right person, at the lower cost. Its aim is to foster favorable attitudes to a product or service by presenting the advantages defined by product positioning consumer benefits. Furthermore, Terence (2017) defined advertising as a paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future. The word "paid" in these definitions distinguished advertising from public relations that secures unpaid space or time in media due to the news value of the public relations content. The expression "mediated communication" is designed to distinguish advertising, which typically is conveyed via print and electronic media, from person-to-person forms of communication including personal selling and word of mouth. Finally, the definition emphasizes that advertising's purpose is to influence action, either presently or in the future (Terence, 2017). Many business firms as well as not-for-profit organizations have faith in advertising (Kenneth & Donald, 2010). In general, advertising is valued because it is recognized as performing critical communication functions such as: informing; influencing, reminding and increasing salience, adding value and assisting other company efforts.

Kotler (1997) in their submission defined advertising as any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. While Ferrel (2011) saw advertising as a paid form of non-personal communication that is transmitted through mass media such as television, radio, newspapers, magazines, direct mail, public transport vehicles, bill boards, and outdoor displays. Summarily, advertising is paid for, it is a commercial transaction and it is that which distinguishes it from publicity. It is non-personal in the sense that advertising messages, visual, spoken, or written are directed at a mass audience, and not directly at the individual as in the case in personal selling. Advertising are identifiable with their sponsor or originator which is not always the case with publicity or propaganda. Advertising, in addition, is classified by various types namely national advertising, retail/local advertising, direct-response advertising, primary and selective demand advertising, and industrial advertising. Advertising that is done by a company on nationwide basis or in most regions of the country and targeted to the ultimate consumer market, is known as national advertising. The companies that sponsor these ads are generally referred to as national advertisers. Another prevalent type of advertising directed at the consumer market is classified as retail or local advertising. This type of advertising is done by major retailers or smaller local merchants to encourage consumers to shop at a specific store or use a local service such as a bank, fitness club, or restaurant. Direct-response advertising is a method of direct marketing whereby a product is promoted through an ad that lets the customers purchase directly from the manufacturers. On the other hand, primary and selective demand advertising is designed to stimulate and create demand for the general or a particular product class or manufacturer's brands or entire industry while industrial advertising targets individuals who buy or influence the purchase of industrial goods or other services (Belch & Belch, 2013).

Consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure and dispose of products, services, experiences, or ideas to satisfy needs. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the decision-making processes of buyers, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an

attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. Achumba (2016) defined consumer behavior as the activities of people engaged in actual or potentials use of market items whether products, services, information or ideas. Advertising Practitioners Council of Nigeria (2010) noted that without consumers there will be no marketing process. It is the consumer who ultimately makes the final decision on the products and brands to be purchased and it is the consumer's behavior that determines the success or failure of the marketing company. Engle (2015) also defined consumer behavior as the act of individuals who make decisions to spend their available resources (money, time, effort) on consumption of related items. It includes the study of what consumers buy, why they buy it, where they buy it and how often they buy it.

Furthermore, Osuagwu and Achumba (2014) pointed out that consumer behavior is the behavior customers or consumers display in searching for, buying, using evaluation and disposing of products, services and ideas which they expect will satisfy their needs and wants. Based on the above statement, this makes consumer behavior a study of how individuals make decisions to spend their resources on consumption related items and their evaluation of such purchases decision. Furthermore, Kolter (1997) postulated that the aim of marketing is to meet and satisfy target customers" needs and wants. Thus, the field of consumer behavior studies how individuals, groups and organizations select, buy, use and dispose goods, services, ideas, or experiences to satisfy their needs and desires.

Empirical Review

There are few studies illustrated the impact of advertisements on buying behavior of consumers. Bolatito (2012) analyzed that how advertisement effectiveness play role in brand selection and how consumers give preference to a particular brand in telecommunication industry study used different firms of Nigeria. The researcher used quality, availability, advertising and price variables affecting on brand preference. Findings showed that consumers prefer MTN telecom firm due to its spending on ads as well as availability. Both females and males are equally influenced by advertisements in that research. In a study conducted by Source Dynamic Logic

through a survey conducted in 2009 on the consumer behavior to the different types of advertisements for products including Television, Online and Magazines, revealed that advertisements have modified the consumer behavior in such a way so that they only go for brand favorability despite of ad awareness in every type of media. Surveys show that magazine advertisements provide great impact on purchasing behavior of consumers. Most people go for purchasing according to the product value shown in advertisements despite the cost of the product as they spend a lot more than the actual value only due to the influence of advertisements. Ayanwale, Alimi and Ayanbimipe (2015) also conducted a study on the effects of advertisement on Bournvita food drinks. The intent of the study was to know how consumers make their purchases after watching advertisements and to what extent their intentions are influenced by advertisements. The results revealed that mostly people show likeness towards Bournvita due to its advertisements and buys them to drink. Naveen (2011), using mean and standard deviation, in their study of advertising and consumer buying behaviour with special reference to Nestle Limited, India found that, advertising and sales promotion together with the image of a company influence the consumer buying decision. They added that, the quality and price of a product also influences a consumer's purchase of a good.

Bin (2013) found in their study of female buying behaviour of cosmetic products in New Delhi and NCR that, as income of females increase, their purchase of cosmetic products also increases. They also, added that, this increase in expenses on cosmetic product is made possible by the advertisement made on them. Ansari and Jolouldar (2001) investigate that television advertisements influence positively on customers. In this study interesting findings came up through regression analysis. They used AIDA model for conducting their research. They concluded that television advertisement has positive impact on Avishan's company. They also revealed that customer's satisfaction was increased up to 56 percent due to television advertisement. They predicted optimistic effect of television advertisement on attention towards advertisement, interest in favor of purchasing, desire intended for purchasing, action towards purchasing and consumers satisfaction towards the purchased product (Ansari & Joloudar, 2011). In India advertising is a billionaire industry. It is considered one of the fastest growing industries as well. Bishnoi and Ruchi (2009) noted the influence of male and female teenagers of Haryana

(District in India) to know the impact of television advertisement on them. For this purpose, they used multistage sampling method; they took four districts of Haryana including some urban areas near to them. They distributed '1000' questionnaires among the respondents. Where '866' questionnaires were best suited for the analysis. They found that there is no major difference in liking the television advertisement between male and female youngsters. They concluded that rural people get influenced by TV advertisement more than urban people and also the involvement of selecting the product is higher in them. Whereas urban don't want to purchase the advertised product if they do not actually need it. But they like the advertisement of the particular product or service which they are already using.

Methodology

This study used the descriptive survey design. A descriptive survey describes the state of affairs of an occurrence as it exists. A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables (Mugenda and Mugenda, 1999). It involves systematic and comprehensive study of a particular community, group or organization with a view of analyzing a social problem and presentation of recommendations for its solution (Ahuja, 2001). The population of this study is made up of selected 755 customers who patronize finished products in Keffi metropolis. For purposes of this study the researcher used stratified sample as the method of selecting the sample, this is because a total study gives an excellent description of the population. The Smith (1984) formula was used in the determination of the sample size for the study out of the 755-population size. The sample was based on the formula:

$$n = \frac{N}{3 + N(e)^2}$$

Where;

n = sample size;

N = population size;

e= Level of precision required;

Substituting into the formula,

$$n = \frac{755}{3+755(0.05)^2}$$

$$n = \frac{755}{3+755(0.0025)}$$

$$n = \frac{755}{3+1.887}$$

$$n = 154$$

A self-administered questionnaire was used in gathering the data. A five-point Likert scale of agree to disagree (that is, agreed, Disagree, undecided, strongly agreed and Strongly Disagreed) was used to measure the extent to which the various respondents agreed or disagreed with the issues raised. Before processing the responses, the completed questionnaires were sorted, checked and edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The estimation was carried out using the Kruskal-Wallis (KW) test statistic.

The KW test statistic is given by:

$$K = \frac{12}{N(N+1)} \sum_{i=1}^{g} n_i \left(\overline{T}_i - \frac{N+1}{2} \right)^2$$

Where:

n_i is the number of observations in group i; T_{ij} is the rank (among all observations) of observation j from group I; N is the total number of observations across all groups and $\overline{T} = \frac{1}{2}(N+1)$ is the average of all the T_{ij}.

Results

In line with the statistical research, the three hypotheses formulated in this study were approached with the aid of KW test-statistics. The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV). If the PV is less than 5% or 0.05 (that is PV < 0.05), it implies that the variable in question is statistically significant at 5% level; otherwise, it is not significant at that level.

Test of Hypotheses One:

H_{01}: Online advertisement has no significant impact on consumer buying behaviour

Table 1: Kruskal Wallis Result on online advertisement and consumer buying behaviour

Kruskal Wallis (KW) Test Statistic			
	Value	Df	Probability Value (PV)
Kruskal Wallis (KW) Test Value	2.245[a]	4	0.2417
Likelihood Ratio	1.124	4	0.3159
Linear-by-Linear Association	1.193	1	0.2124
N of Valid Cases	154		

Source: Author's SPSS, 24 Computation (2018)

In the Kruskal Wallis result presented above, the Kruskal Wallis test value was found to be 2.245, with an associated Probability Value of 0.2417. Since the Probability Value of 0.2417 is greater than the alpha value of 0.05 (under 5% confidence level), we thus accept the first null hypothesis and conclude that online advertisement has no significant impact on consumer buying behaviour

Test of Hypotheses Two:

H_{02}: Newspaper advertisement has no significant influence on consumer buying behaviour

Table 2:Kruskal Wallis Result on Newspaper advertisement and consumer buying behaviour

Kruskal Wallis (KW) Test Statistic			
	Value	Df	Probability Value (PV)
Kruskal Wallis (KW) Test Value	7.114[a]	4	0.0004
Likelihood Ratio	4.465	4	0.0021
Linear-by-Linear Association	3.166	1	0.0000
N of Valid Cases	154		

Source: Author's SPSS, 24 Computation (2018)

From Kruskal Wallis result in Table 2, the calculated Kruskal Wallis (KW) value for the effect of Trust on customer satisfaction with insurance services is 7.11; with an associated p-value of 0.0004. Since the p-value (of 0.004) is less than 0.05 used as the level of significance, we reject the null hypothesis (H02) and conclude that Newspaper advertisement has a significant influence on consumer buying behavior.

Test of Hypotheses Three:

H_{03}: Television and radio adverts has no significant impact on consumer buying behaviour

Table 4: Kruskal Wallis Result on Television and radio adverts and consumer buying behaviour

Kruskal Wallis (KW) Test Statistic			
	Value	Df	Probability Value (PV)
Kruskal Wallis (KW) Test Value	5.359[a]	4	0.0011
Likelihood Ratio	4.114	4	0.0033
Linear-by-Linear Association	3.747	1	0.0047
N of Valid Cases	154		

Source: Author's SPSS, 24 Computation (2018)

Lastly, from the Kruskal Wallis result presented above, the Kruskal Wallis test value was found to be 5.359, with an associated Probability Value of 0.012. The Probability Value of 0.0011 is less than the alpha value of 0.05 (under 5% confidence level), we thus reject the third null hypothesis and conclude that television and radio adverts have a significant impact on consumer buying behaviour.

Discussion of Findings

Findings from the study revealed that online advertisement has no significant impact on consumer buying behaviour. The implication of these findings is that most customers don't trust online adverts as they believe more on the trial of the products. This is in line with the findings of Bin-Junaid (2013) whose results revealed that consumers do not build the positive or negative perception by just watching online adverts of a product, and they will try to use those products at least one time while building any perception in their mind. However, it was discovered from the study that Newspaper advertisement has a significant influence on consumer buying behaviour. It shows that frequent advertisement via newspaper enhances consumer awareness on a particular product offered for sales. Surveys show that newspaper advertisements provide great impact on purchasing behavior of consumers. Most people go for purchasing according to the product value shown in advertisements despite the cost of the product as they spend a lot more than the actual value only due to the influence of advertisements. This is in agreement with findings of IkpefanAtuma, and Bede (2014) whose results showed that in Nigeria, advertising has helped so many companies to increase their sales volume by promoting their products and services.

Consumers appreciate products that are advertised than those ones that they do not have much information on. Globally, advertising play and active impact on consumer buying behavior.

In addition, television and radio adverts were found to have a significant impact on consumer buying behaviour. This is in agreement with Ayanwale, Alimi and Ayanbimipe (2015) whose results revealed that mostly people show likeness towards bournvita product due to its advertisements and buys them to drink. More so, Naveen (2011), found that, advertising and sales promotion together with the image of a company influence the consumer buying decision. They added that, the quality and price of a product also influences a consumer's purchase of a good. Bin (2013) found in their study of female buying behaviour of cosmetic products in New Delhi and NCR that, as income of females increase, their purchase of cosmetic products also increases. They also, added that, this increase in expenses on cosmetic product is made possible by the advertisement made on them. Ansari and Jolouldar (2011) came up with the findings that television advertisement has positive impact on Avishan's company. They also revealed that customer's satisfaction was increased up to 56 percent due to television advertisement. They predicted optimistic effect of television advertisement on attention towards advertisement, interest in favor of purchasing, desire intended for purchasing, action towards purchasing and consumers satisfaction towards the purchased product.

Conclusion and Recommendations

Consumer behavior and advertising are dynamic fields, in terms of practice and scientific training. Advertisements use modern techniques and were primarily informative. Advertising research styles have involved and advanced, partly through the influence of improved technology and access to advanced theories and methods. Consumers appreciate products that are advertised than those ones that they do not have much information on. Globally, advertising play an active impact on consumer buying behavior. More so, the advertisements must equally be run continuously in order to elicit such curiosity that will motivate consumers to try the product.

Thus, it can be concluded from the study that advertisement through Newspaper, television and radio adverts has a significant impact on consumer behaviour while online advertisement does not. Based on these findings, the following recommendations are made:

i. Business organizations must ensure that they understand the buying behavior of consumers in order to discover when they buy and how they buy. This will act as a guide towards formulating an online advertisement message that will arouse the curiosity of consumers and eventually persuades them to buy.

ii. It is also recommended that advertisers should consistently review their newspaper adverts over time to create the link between the brand and the testifier. Advertisers should not channel all their resources into the newspaper advertisements of products but should also strive to improve product quality, price and packaging over time.

iii. Timing is another important issue as the various organizations must take in to consideration. This is because consumers have a particular time they watch television and listen to radio. Considering the target audience, firms should consider and be aware of appropriate time the advert is on air in order to elicit desired response.

References

Abideen, Z.-U., & Saleem, S. (2011). Effective advertising and its influence on consumer buying behavior. *European Journal of Business and Management, 3*(3), 55-65.

Achumba, A. (2016). *The Dynamic of Consumer Behaviour*. Macmillan publishers Limited, Lagos

Advertising Practitioners Council of Nigeria [APCON], (2010). Advertising Annual Lagos.

Advertising Practitioners Council of Nigeria [APCON], (2015). The Nigerian Code of Advertising Practice, Advertising Annual Lagos

Agwu, E. (2012). Generations X and Y‟s adoption of internet and internet banking in Nigeria: a qualitative study. *International Journal of Online Marketing, 2(4), 68-81.*

Ahuja, H.L. (2001). *Basic Small Management*. *Prince Hall Incorp, New Jersey*.

Ansari, M. E. & Joloudar, Y. E. (2011). An Investigation of TV Advertisement Effects on Customers. *International Journal of Marketing Studies , 175-181.*

Ayanwale, A., Alimi, T. & Ayanbimipe, M.A. (2015). The Influence of Advertising on Consumer Brand preference. *Journal of Social Science 10(1) , 9-16.*

Belch, O. & Belch, K.L. (2013). Advertising and Aggregate Consumption Function. *American Economic Review, 12 (4), 642-55.*

Bijmolt, T. H. A., Claassen, W., & Brus, B. (2008). Children's Understanding of TV Advertising: Effect of Age, Gender, and Parental Influence. *Journal of Consumer Policy, 21: 171-194.*

Bin-Junaid, A (2013). A Study on the Purchase Behavior and Cosmetic ConsumptionPattern among Young Females in Delhi and NCR. *Journal of Social and Development Sciences, 4(5). 205-211.*

Bishnoi, O.L& Ruchi, P.L. (2009). Conceptual Review of the Effects of Advertising on Consumer Buying Behaviour. *International Review of Social Sciences, 2(11), 123-132.*

Bogdanovic, V. (2013). *Russian cultural identity and advertisement.* uniwien.

Bolatito, O. (2012). Effects of advertising on consumer preference for telecommunication in Nigera. *New Media and Mass Communication, 2(2), 1-5.*

Daramola, I., (2013). *Introduction to Mass Communication.* Rothan Press Limited. Lagos.

Dominick, O. (2010). *Advertising and the Market Process: A Modern Economic View*. San Francisco, CA: Pacific Research Institute for Public Policy

Duval, O.,& Widdund, W.(1977). *Consumer behaviour and the practice of marketing*. Columbus: Charles E. Merrill Publishing Co.

Engle, K. (2015). Consumer Behavior New York: Holt Rimebank and Winstional Communications, 14th Edition, Pearson Education, Inc., Upper Saddle river, New Jersey.

Ferrel, P. (2011). *Marketing: Concept and Strategies.* Houghton Mifflin Company. London.

Fertinger, M. (1957). *Bewildered shoppers spoilt for choice*. The Sydney MorningHerald. Sydney

Horsky D. & Simon L.S. (2013). Advertising and the Diffusion of New Products. *Marketing Science, 2 (1), 1-17.*

Jain, S. (2014). Impact of advertisement on the consumer behaviour a case study of some selected FMCG products in union territory of chandigarh.

Kenneth E. C. & Donald, B. (2010), Integrated Advertising Promotion and Marketing

Kolter, P. (1997). *Marketing Management Analysis Planning: Implementation and Control*. Practice Hall international, Inc. New Jersey

Mugenda, M. (1999). *Business and Economic Research Methods.* Don-Vinton Limited. Delhi

Naveen, L.K. (2011). Children's Understanding of TV Advertising: Effect of Age, Gender, and Parental Influence. *Journal of Consumer Policy, 21: 171-194.*

Ogbechie, I. (2017). *Advertising in Nigeria: Some Fundamental Issues*. Amanda Publication, Lagos

Osuagwu, O. & Achumba, M. (2014). *Marketing: Basic Concepts and Decision, 5th Edition.* Boston Houghton Moffin Company

Sindair, C. (1981). Marketing: Basic Concepts and Decision, 5th Edition. Boston Houghton Moffin Company

Spence, M., Joseph, O., & Steele, M.(1993). *Consumer Behavior, 8th edition*. Pearson PrenticeHall, New Jersey

Stone, O., & Cooper., M. (2000). Impact of Package Elements on Consumer Purchase. Kauno Technologijos Universitetas, Lietuva, ekonomikairvadyba

BEFORE THE ARAB SPRING AND DEMOCARCY IN EGYPT: REVERSING THE PAST IN THE PRESENT AFRICAN STATES

KWELLE, NDAMELE
Department of Political Science, Federal University Wukari
Taraba State, Nigeria
E-mail: ndamelekwelle@gmail.com

Abstract

Early 2011 experienced overthrow of undemocratic regimes and diverse political changes in the North Africa and the Middle East through the pro-democracy Arab Spring. This paper seeks to show the indispensability of the practice of democratic ideals in governance and how lack of these democratic norms synthesized the factors that were at the centre of the grievances for the Arab Spring in Egypt. Descriptive statistics was used in the analysis of the data obtained from secondary sources in this paper while a blend of relative deprivation theory and frustration-aggression theory was used as the theoretical framework. The paper concludes that the Arab Spring in Egypt reminds us that democracy can be achieved by the conscious civic engagement of citizens, and will always give the encouragement to make demands or seek for changes that African citizens require of the leaders in their social, economic and political well-being. It recommends inter alia, that the African Charter on Democracy, Elections and Governance should be ratified, domesticated and implemented across governments in countries of Africa to commit them adhere to the shared values and standards of democracy, elections and governance as well as rule of law and human rights, in order to promote democracy in the continent.

Keywords: Before the Arab Spring; Democracy in Egypt; Reversing the past; Present African States.

Introduction

The term Arab Spring denotes a period of democratization in the Middle East. Accordingly, Gordon (2010) explains that:

> The short-lived Arab Spring in the Middle East, lasting from roughly 2004 through the end of 2006, was a period of great hope for change in the region, including elections in Algeria, a new constitution in Qatar with direct election of a consultative Assembly, a call for multi-party elections in Egypt, and the cedar revolution in Lebanon. All of this occurred at the time the United States (U.S.) was ousting Saddam Hussein and replacing his regime with more representative one. (p.1)

It was used by different experts in journalism and blogging enterprise who expected democratization from the notable trend in the Arab after the war in Iraq (Krauthamer, 2005). However, the revolutions that commenced from 18 December 2010 in Tunisia – after the self-immolation of Mohamed Bouazizi, and across the Arab world later, capture this paper on what the Arab Spring represents. Many literatures on Arab Spring revolution agree that it has been caused by displeasure over issues such as authoritarianism, human rights violations, political corruption, wide gap in income levels, economic recession, extreme poverty. Other issues include demographic structural factors like an enormous number of informed but displeased youth within the citizens of those nations, excessive wealth in possessions of absolute leaders in power for long number of years, revelations by Wikileaks Diplomatic Cables bordering on political corruption, youth refusal to subscribe to status quo, and the self–immolation of Bouaziz, Mohamed (Lesch, 2011; Jamoul, 2012; Murphy, 2012; Manfreda, 2014; Salem,2013; Sarihan, 2012; Mueller, 2011; Storck,2011; Zubaida,2012; and Siegle et al., 2011 among others).

The protests which began on 18 December 2010 and continued thereafter in some parts of North Africa and the Middle East brought about the dethronement of Tunisia President

Zine El Abidine Ben Ali on 14 January 2011 and Egyptian President Hosni Mubarak on 11 February 2011 respectively. The forty years rule of Gaddafi was brought to an abrupt end during six months of civil war orchestrated by these popular protests in Libya. Other countries calling for democracy and freedom during this period include: Algeria, Djibouti, Mauritania, Morocco, Somalia and Sudan. While revolt in Syria led to a far-reaching civil war, protests were also recorded in Iran, Iraq, Jordan, Lebanon, Turkey, Yemen, Oman, Kuwait and Saudi Arabia, all calling for diverse political concessions or outright democracy. Noting the seemingly similarities of level of poverty, under-development, conflicts and poor governance in most African countries, no doubt, this paper hopes to examine the grievances that underlay the Arab spring in Egypt and envision present African states that should be characterized with justice, equity, fair-play, quality standard of living, respect for human rights and rule of law, peace, development and order built on democratic ideals.

Theoretical perspectives

This paper is based on the combination of relative deprivation theory (Gurr, 1970) and frustration-aggression theory (Dollard, Miller, Doob, Mowrer & Sears, 1939). These theories are centered on psychological analysis of collective violence. They suggest that individuals become aggressive when they feel something or someone is blocking them from fulfilling a strong and perceived as fair economic desire (De Goor, Rupesinghe & Sciarone, 1996, p.20). Ted Gurr has endeavored to show the relationship between the probability of collective violence and the level of relative deprivation. Relative deprivation is perceived discrepancy between value expectations and value capabilities (Gurr, 1970, p.37). He arrived at the judgment, that, the most basic, although definitely

not the only factor, must be searched in an increasing discrepancy between what people expect and what they themselves consider to be able to achieve or to really possess. It is rational to think that people can be frustrated and aggressive, if in their own judgment they feel less valued. This also relates to the more all-round frustration-aggression approach, which contends that persons may begin to be aggressive if they feel frustrated.

Dollard et al (1939) postulate that frustration leads to aggression and when the root of the frustration cannot be confronted, the aggression shifts over to an individual not responsible for it. An aggression is defined as an action with the intent to harm, and can be physical or non-physical (Mbah, 2014, p.127). On the other hand, frustration is the condition which exists when a goal-response suffers interference. The failure to obtain the desired or expected goal leads to aggressive behaviour. To the principal hypothesis, Dollard et al (1939) state that the occurrence of aggressive behaviour always presupposes the existence of frustration and contrariwise, that the existence of frustration always leads to some form of aggression (Mbah, 2014, p.127). In putting these combined theories together in line with this paper, the grievances of the citizens of Egypt before the Arab Spring centered on restricted public accountability (government corruption); restricted democratic participation and rights of the citizens (human rights violation, lack of dignity and freedom) and disparity in the sustainable economic opportunity to the human development culminating in the absence of jobs (Houissa, 2014; Levey, 2011; Green, 2011). All this placed in context, this paper argues that the undemocratic and authoritarian practices of Mubarak's administration fostered the negative socio-economic and political variables that led to the Arab Spring in Egypt in 2011.

The Arab Spring and Ideas on Revolution

Social scientists have long argued the causes of revolution (Tiruneh, 2014). Still, there seems to be no consensus. According to Karl Marx (1859), revolutions were the outcome of a conflict between social classes. Marx states that the organization of society directly depends on modes of production, in other words, the various socio-economic systems through which people organize themselves namely feudalism, capitalism and communism. Class struggle was the direct consequence of a sudden transition from one mode of production to another. Thus, in his A Contribution to the Critique of Political Economy (1859), Marx explains in Gauba (2003) that:

> At a certain stage of their development, the material production forces of society come in conflict with existing relations of production…within which they have been at work hitherto; from forms of development of the productive forces these relations turn into their fetters… Then begins an epoch of social revolution (p.468)

Therefore, Marx asserts that the French revolution was an outcome of change to capitalism as mode of production from feudalism. Marx believes that society would surely advance towards a classless and stateless system of socialism which will transform into communism, because class struggle was the main cause of revolutions and conflicts.

Some scholars believe that revolutions may be caused by modernization, globalization or nationalism. In this regard, Skocpol (1979) asserts, while global commerce is essential to any nation's economic condition, it may result to a forced modernization, and even to a sudden shift in the mode of production, all which are principal political, social and economic causes of revolutions. In her perspective, Arendt (1977) describes revolutionary experience as a kind of restoration, whereby the insurgents attempt to

restore liberties and privileges which were lost as a result of the government's temporary lapse into despotism. Nwanegbo and Odigbo (2012) explain that:

> The French revolution of 1789, Chinese revolution of 1949 and the Russian Bolshevik revolution of 1917 have presented the occurrence of revolution mainly as the "downfall of the dominant class" through large uprising and its replacement with a new regime willing and capable of establishing new socio-economic and political order. (p.134)

Thus, Welch and Taintor as cited in (Nwanegbo and Odigbo, 2012) state four preconditions that may result to revolution as:

a. A general feeling of dissatisfaction to the situation of being (relative deprivation);
b. Concentrating the sense of dissatisfaction over governmental establishments;
c. Delay, incapability and indistinctiveness of political authority through oppositions to reformations or unwise application of force;
d. Combining pains of economic and political denials with concurrence to a tale or philosophy of transformation.

All these factors were conspicuous in Egypt, Tunisia and Libya but in different proportions or variations before the uprising, and are still there and in almost parts of the African continent. Ravallion & Chen (2008), in reconsidering the level of poverty from 1981 in their World Bank report, show that "1.4 billion people (one in four) in the developing world were living below US$1.25 a day in 2005, down from 1.9 billion (one in two) in 1981". Thus, they write:

> In Sub-Saharan Africa, the $1.25 a day rate was 50 percent in 2005 – the same as it was in 1981, after rising then falling during the period. The number of poor has almost doubled, from 200 million in 1981 to about 380 million in 2005. If the trend persists, a third world's poor will live in Africa by 2015. Average consumption among poor people in Sub-Saharan African stood at a meager 70 cents a day in 2005. Given that poverty is so deep in Africa, even higher growth will be needed than for other regions to have the same impact on poverty.

Governance and Crisis in Africa

Nearly all the states in Africa are going through political tumult, economic misfortune and social chaos (Awung, 2011). African continent, though endowed with diverse natural and human resources faces corruption, unemployment, civil conflict and trepidation due to dictatorship (Awung, 2011). As of 2015, most of the world poor lived in sub-Saharan Africa (Patel, 2018). The average poverty rate for sub-Saharan Africa stands at about 41 percent, and of the world's 28 poorest countries, 27 are in sub-Saharan Africa, all with a poverty rate above 30 percent (Patel, 2018). This report indicates problem arising from conflict, weak institutions, and absence of strength of character are main obstacles to ameliorating the perspective for the poor in sub-Saharan Africa. In spite of the democratic transitions since 1999 in Nigeria, for instance, a new review of the World Poverty Clock indicates that Nigeria has passed India as the nation with the majority of extreme poor persons in the world (Kazeem, 2018). By the new report of the World Poverty Clock, Kazeem (2018) states that, "86.9 million Nigerians now living in extreme poverty represents nearly 50% of its estimated 180 million populations". Thus, Nigeria will become the world's third largest country by 2050 by the reason of this enormous population increase, and this is a problem that will likely worsen (Kazeem, 2018).

Though, there have been some significant setbacks, Africa has witnessed some notable changes in transition to democratic governance beginning from the 1990's (Mbaku, 2013). For instance, while the Arab Awakening came with important progress in the conduct of public affairs in Egypt, Tunisia and Libya, paving way for democratization Mbaku, (2013) states in the departure of democracy in Gambia and South Africa that:

> The failure of national institutions to grant adequate protection to individual liberties continues to plague countries such as Gambia where a UN report says several prison inmates were executed in 2012 without the process of law, and South Africa where the police in 2012 used deadly force against miners who were exercising their rights to strike.

In the current democratic intermission, Nigerian state is not different. Thus, according to Diamond (2014), "the democratic recession being experienced are mainly clearly seen in larger "swing states'' – the Non-Western Nations having greatest populace and economy". "In this way Nigeria has reverted back to tragic levels of political kleptocracy and fraud, feeding political polarization, ethnic resentment, citizen alienation and an increasingly violent Islamic terrorist movement in the North" (Diamond, 2014). Ake cited in Alapiki (2004), posits that:

> Much of what is uniquely negative about politics of Africa arises from the character of the state, particularly its lack of autonomy, the immensity of its power, its proness to abuse and the lack of immunity against it. The character of the state rules out a politics of moderation and mandates a politics of lawlessness and extremism for the simple reason that the nature of the state makes the capture of state power, irresistibly attractive. (p.34)

However, in Africa's movement to improve and establish democracy, Ghana is in good direction. At the demise of Ghana's President, John Atta Mills in office in 2012, he was succeeded as stipulated by the constitution by John Dramani Mahama who was the Vice-President. Ghana has also shown remarkable guidance in transparency and accountability in public affair (Mbaku, 2013). For the purpose of this study and clarity, governance is seen as, "The provision of the political, social and economic public goods and services that a citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens". (Mo Ibrahim Foundation, 2011).

The Meaning of Democracy

The term democracy has come of a very long age in the tradition of Western political thought. It is derived from the Greek root 'demos' which means the people; 'cracy' which represents 'rule' or 'government'. Thus, literally democracy implies the 'rule of the people'. In the words of Abraham Lincoln in his great speech at Gettysburg in 1863, 'Democracy is the government of the people, by the people, and for the people". Thus, according to Gauba (2003):

> In short, democracy as a form of government implies that the ultimate authority of government is vested in the common people so that public policy is made to conform to the will of the people and to serve the interest of the people. (p.421)

The Greek society is seen to be the cradle of democratic governance. Plato and Aristotle saw democracy at work in some of ancient Greek City-States, especially at Athens (Gauba, 2003, p.421). Nonetheless, democracy is seen to have no consensus definition, and has received various definitional thoughts from different scholars and political theorists. Thus, this as observed places it as an "essentially contested concept" in social sciences as postulated by W.B. Gallie cited in (Ojo, 1999, pp.91-92). Such concepts necessarily generate unending debates about their meaning and application (Ojo, 1999, pp.91-92). Thus, Bryce (1921) explains that:

> The term democracy has in recent years been loosely used to denote sometimes a state of society, sometimes a state of mind, sometimes a quality in manners. It has been encrusted with all sorts of associations attractive or repulsive, ethical or political or even religious. But democracy means nothing more, not less than the rule of the whole people expressing their sovereign will by votes. (pp.vii - viii)

In Bryce's assertion, from the era of Herodotus, the word democracy has been used to represent that form of political system, "in which the ruling power of a state is legally vested, not in any class or classes, but in the members of the community as a whole" (Bryce,1921, p.20). It shows that societies governed by elections, that power is of the masses, since no other means has been proved to define harmoniously and legitimately that which should be seen as the will of the people, which is not generally accepted (Bryce, 1921, p.20). Primarily, Bryce has simplified democracy as the rule of the majority. But contrary to these virtues of democracy, Egypt has been known for dictatorship under its former leaders, thus their desire for dignity and liberty, socio-economic and political rights, among others in their national life. Thus, Nwaorgu (2006) asserts, "Democracy, it has been argued, should be seen as an indispensable instrument in the search for peace, stability and development" (p.92). In the words of Dahl, democracy means, "A system of elected representative government operated under the rule of law, where the most significant groups in the population participate in the political process and have access to effective representation in the practice of making governmental decisions, that is, of allocation of resources" (Dahl, 1982, p.11).

Democracy has been receiving global recognition as the best form of government. In the contemporary global politics, it is a universal imperative or necessity by which most nations aspire to be governed. Fukuyama (1989) explains that we may have come to ''the end of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of government" (p.3). One periodic study has found that both the number and percentage of democratic countries increased between 1989 and 1999 while the number of authoritarian countries declined, with most of those that changed

transitioning to the mixed category (Rourke & Boyer, 2004, p.139). According to A.V. Dicey, democracy was seen as a form of government under which majority opinion determines legislation (Gauba, 2003, p.422). In his view, it would be unreasonable in democracy to enforce laws not approved by the people.

Macpherson (1972) explains that "Democracy has become an ambiguous thing, with different meanings – even apparently opposite meanings – for different people" (p.3). By this observation he identified three variants of democracy as Western liberal variant democracy, Communist variant democracy and the Third-World variant democracy (Macpherson, 1972, p.2). However, liberal democracy is distinguished from other forms of political system by certain principles and characteristics. (Gauba, 2003, p.424). The principles include: government by consent, public accountability, majority rule, recognition of minority rights and constitutional government. On the other hand, the characteristics are: more than one political party freely competing for political power; periodic elections based on universal adult franchise; protection of civil liberties and independence of judiciary. The ineffectiveness of some of these principles and characteristics or their complete absence in the Mubarak's administration has certainly led to the negative socio-economic and political conditions represented in the remarks and status of the tables below, which formed the bases for the grievances that precipitated the Arab spring in Egypt in 2011.

RESULTS AND DISCUSSION

Table 1: Restricted public accountability to the citizens of Egypt

S/N	Sources of Data	Egypt Indicator	Scale used on index of indicator	Average indicator 2000-2010*	Remark	Status
1.	Ibrahim Index of African Governance (IIAG)	Public accountability: transparency in the public sector and accountability of public officials	0 to 100 where, 0 = worst possible score and 100 = best possible score	46 √	Lack of public accountability. Corrup	Restricted public accountability to the citizens of Egypt (Government corruption)
2.	Transparency International (TI)	Corruption Perception Index (CPI): An indicator of perception of public sector corruption, i.e. administrative and political corruption.	0 to 10 where, 0 = highly corrupt 10 = very clean	3.2	Lack of public accountability. Corrupt	Restricted public accountability to the citizens of Egypt (Government corruption)
3.	The Heritage Foundation	Egypt freedom from corruption	0 to 100 where, 0 = high level of corruption and 100 = very low level of corruption	32	High level of corruption	Restricted public accountability to the citizens of Egypt (Government corruption)
4.	The World Bank	Egypt control of corruption	-2.5 to 2.5 where, -2.5 = weak and 2.5 = strong	-0.60	Weak. Lack of public accountability	Restricted public accountability to the citizens of Egypt. (Government corruption)

Source(s): (1) Ibrahim Index of African Governance Reports (2010 & 2011), (2) Transparency International Reports (2000 – 2010), and (3-4) The GlobalEconomy.Com (2014) respectively

Note(s):

* Average of the indicator(s) as calculated by the Author from the data obtained from the sources from 2000 - 2010

✓ Stands for the value(s) got as regional average for North Africa, and therefore represents Egypt, as no other values were seen in IIAG's Report, as reflected on restricted public accountability (government corruption) in the period under study.

Table 2: Restricted democratic participation and rights of the citizens of Egypt

S/N	Sources of Data	Egypt Indicator	Scale used on index of indicator	Average of the indicator 2009-2018*	Remark	Status
1.	Ibrahim Index of African Governance (IIAG)	Participation and Rights. Participation: Free and fair executive elections, free and fair elections, political participation, electoral self-determinations. Rights: Human rights, political rights, workers' rights, freedom of expression, freedom of association and assembly, civil liberties.	0 to 100 where, 0 = worst possible score, and 100 = best possible score	35	Poor participation and poor respect for the rights of the citizens	Restricted democratic participation and rights of the citizens of Egypt
2.	The Freedom House	Egypt political Rights	1 to 7 where, 1 = Most free, 7 = Least free. Free (1.0 to 2.5). Partly free (3.0 to 5.0). Not free (5.5 to 7.0).	6.0	Not free. Restricted	Restricted democratic participation and rights of the citizens of Egypt
3.	The Freedom House	Egypt Civil Liberties	Same as Above	5.3	Partly free. Restricted	Restricted democratic participation and rights of the citizens of Egypt

4.	The World Bank	Egypt Voice and Accountability	-2.5 to 2.5 where, -2.5 = weak and 2.5 = strong	0.91	Weak. Restricted		Restricted democratic participation and rights of the citizens of Egypt

Source(s): (1) Ibrahim Index of African Governance Reports (2010 & 2011) and (2-4) The GlobalEconomy.Com (2014), respectively.

Note(s):

* Average of the indicator(s) as calculated by the Author from the data obtained from the sources from 2000 – 2010

Table 3: Disparity in the sustainable economic opportunity to the human development in Egypt before the Arab spring

S/N	Sources of Data	Egypt Indicator	Scale used on index of indicator	Average of the indicator 2000-2010*	Remark	Status
1.	Ibrahim Index of African Governance (IIAG)	Human development	0 to 100 where, 0 = worst possible score, and 100 = best possible score	69	Good but restricted	Under-utilization of human development
2.	Ibrahim Index of African Governance (IIAG)	Sustainable Economic Opportunity.	Same as above	62	Inadequate	Imbalance in sustainable economic opportunity
3.	The United Nations	Egypt Human Development	0 to 1	0.618	Fairly Good, but restricted	Under-utilization of human development
4.	The International Monetary Fund (IMF)	Egypt Investment Outlook	Percent %	18.40	Low percent and inadequate	Imbalance in sustainable economic opportunity

Source(s): (1-2) Ibrahim Index of African Governance Reports (2010 & 2011) and

(3-4) The GlobalEconomy.Com (2014), respectively.

Note(s):

* Average of the indicator(s) as calculated by the Author from the data obtained from the sources from 2000 – 2010

Conclusion and Recommendations

The Arab Spring in Egypt has continued to inform and accentuate that democracy can be actualized by conscious civic engagement of citizens and is not born with any particular society. It will always remain a source of encouragement to make demands or seek for changes that African citizens desire of their leaders in their social, economic and political lives. Restricted open accountability to the citizens or corruption by government officials and agencies in the conduct of public affairs and governance remains good explanations for the prevalence of poverty, high unemployment, neglect of citizens' welfare and conflict in Egypt and other parts of Africa. This is so, because resources required for development are diverted for personal interest. Hence, the principles of separation of powers among the executive, legislative and judiciary arms of the government must be effectively instituted, observed and enforced in line with a democratic constitution to promote checks and balances in the system. Accordingly, the government in Egypt and other countries in Africa should always act in accordance to the democratic ideals at all levels. To promote democracy in Africa, all her states should ratify, domesticate and implement the African Charter on Democracy, Elections and Governance to enable them adhere to the shared values and standards of democracy, elections and governance as well as rule of law and human rights. In 2007, the African Union established the Charter as a strategy to encourage better governance across the continent.

References

Alapiki, H.E. (2004). Politics and governance in Nigeria (2nd ed.). Port Harcourt: Amenthyst & Colleagues Publishers.

All African (2010). 2010 Ibrahim index of African governance: Summary. All .Africa.com. Retrieved November 10,2014 from http://www.allafrica. com/.../000208+//: 3C244a13a53d83401bcc067.

Arendt, H. (1977). On revolution. New York: Penguin.

Awung, S.E. (2011). A critical analysis on the reasons of underdevelopment in Africa. Grin. Retrieved May 23, 2019 from https://m.grin.com>document.

Bryce, J. (1921). Modern democracies. New York: The Macmillan Company. Retrieved March 3, 2014 from http://books.google.com/

Dahl, R. (1982). Dilemmas of pluralist democracy. New Heaven: Yale University Press.

De Goor, L., Rupesinghe, K.& Sciarone, P. (1996). Between development and destruction: An inquiry into the causes of conflict in post-colonial States. New York: St-Martins Press, Inc.

Diamond, L. (2014). Democracy deepening recession. The Atlantic. Retrieved July 6, 2014 from http://www.theatlantic.com /interactional/.../05/... democracy /361561/

Dollard, J., Miller, N., Doob, L., Mowrer, O & Sears, R. (1939). Frustration and aggression. New Heaven: Yale University Press.

Fukuyama, F. (1989). The end of history? The National Interest, 16 (1), 3-18

Gauba, O.P. (2003). An introduction to political theory (4th ed). Delhi: Macmillan.

Gordon, A.E. (2010). Collapse of the Arab spring: Democratization and regime stability in Arab authoritarian regimes (A Masters Thesis, Georgetown University). Retrieved June 7, 2013 from http://www.repository.library.george-town.edu/b...

Green, D. (2011). What caused the revolution in Egypt? Guardian News. Retrieved March 3, 2014 from http://www.theguardian.com.

Gurr, T.R. (1970). Why men rebel. Princeton: Princeton University Press.

Houissa, A. (2014). Arab spring: A research and study guide. Cornell University Library. Retrieved June5, 2014 from http://www.guides.library.corneli/edu/cphp%3F...

Jamoul, H.A. (2012, February12). The Arab spring: The root causes? Almanar News, p.2. Retrieved March 3, 2014 from http://www.almanar.com.ib/english/details...

Kazeem, M. (2012). Deeper than the headlines: Infiltrators' in Israel, Southern Arab spring, Bono's African expertise. Okayafrica. Retrieved April 6, 2014 from http:// www.okayafrica. com/news.deeper_than...

Kazeem, Y. (2018). Nigeria has become the poverty capital of the World. Quartz Africa. Retrieved February 24, 2019 from https//qz.com>Africa>Nigeria…

Krauthamer, C. (2005). The Arab spring of 2005. The Seattletimes. Retrieved August 20, 2013 from http:// www.seattleimes.com/ opinion/thear...

Lesch, A.M. (2011). Egypt's spring: Causes of the revolution. Middle East Policy Council, 18(3), 35-48

Levey, S. (2011). Fighting corruption after the Arab spring. Foreign Affairs. Retrieved August 13, 2014 from http://www. foreignaffairs.com/articles/678...

Macpherson, C.B. (1972). The real world of democracy. New York: Oxford University Press.

Manfreda, P. (2014). The reasons for the Arab spring : The root causes of the Arab awakening in 2011. About News. Retrieved March 3, 2014 from http://www.middleeast.about.com/od/humanrights

Mbaku, J.M. (2013). Africa's rocky road to democracy. CNN African Voices. Retrieved March 3, 2014 from http://www.cnn.com /2013/3/01/.pinion/africa-democracy-mbaku

Mbah, P.O. (2014). Political science theories and their applications in political science research. In O.M. Ikeanyibe & P.O. Mbah (Eds.), An anthology of theories of social research (pp.102 – 133). Enugu: University of Nigeria Press.

Mo Ibrahim Foundation (2011). Ibrahim Index of African governance. Retrieved November 10, 2014 from http://www.moibrahimfoundation.org/iiag/.

Murphy, C. (2012). The Arab spring: The uprising and its significance. Trinity Magazine. Retrieved March 3, 2014 from http://www.trinitydc. edu/magazine/the...

Nwaorgu, O.C. (2006). Monopoly capitalism and the development tragedy: A study in imperialism, globalization and underdevelopment. Port Harcourt: A major and company.

Nwanegbo, C.J.& Odigbo, J. (2012). Appraisal of the Arab spring and democratization project in North Africa. ANSU Journal of Peace and Development Studies, 1(1), 130-140.

Ojo, E.O. (1999). Public opinion and the conduct of foreign policy. In H.A. Saliu (Ed.), Selected themes in Nigerian foreign policy and international relations(pp.89¬104). Ilorin: Sally and Associates.

Patel, N. (2018). Figure of the week: Understanding poverty in Africa. Brookings. Retrieved February 24, 2019 from https://www.brookings.edu>28/11/

Ravallion, M. & Chen, S. (2008). The developing World is poorer than we thought but no less successful in the fight against poverty. World Bank Report. Retrieved March 3, 2014 from http://www.worldbank.org/en/news /pressrelease/2008/09/16/new...

Rich.co.ke (2011). 2011 Ibrahim index African governance: Summary. Retrieved November 10, 2014 from http://www.rich.co.ke/rcfrbs/docs/ ENG2011_IIAG_ Summary Report-Smi.pdf

Rourke, J.T. & Boyer, M.A (2004). International politics on the World stage: Brief (5th ed.). New York: The McGraw-Hill companies, Inc.

Salem, S. (2013). Theories of democratic transition : The case of Egypt. Muftah Magazine. Retrieved January 21, 2014 from http://muftah.org/scholarship-on-democratic-transition-the-case-of-egypt/

Sarihan, A. (2012). Is the Arab spring in the third wave of democratization?: The case of Syria and Egypt. Turkish Journal of Politics,3(1),67-85. Retrieved March 21, 2014 from http://www.tjp.faith.edu.tr/ does/article/123.pdf.

Siegle, J. , Barkan, J.D., Bellamy, W.M., Fomunyoh, C., Houngnikpo, M.G., McMahon, E., … Taore, O. (2011). Africa and the Arab spring: A new era of democratic expectations, ACSS special report No. 1. Washington D.C: Africa Center for Strategic Studies.

Skocpol, T. (1979). States and social revolutions. Comparative analysis of France, Russia and China. Cambridge: Cambridge University Press.

Storck, M. (2011). The role of social media in political mobilization: A case study of the January 2011 Egyptian uprising (Master's dissertation. University of St. Andrews). Retrieved March 3, 2014 from http://www.cultupaldiplomacy.org/ academy/c...

The GlobalEconomy.Com(2014). An open educational resource on the World economy. Retrieved November 10, 2014 from http// www. theglobaleconomy.com.

Tiruneh, G. (2014). Social revolutions: Their causes, patterns and phases. Sage Journals. Retrieved May 23, 2019 from http://journals.sagepub.com>doi>full.

Transparency International. Corruption perception index report(s): Egypt (2005-2010). Retrieved June 15, 2013 from http://www. transparency.org>cpi,2000-2010

Zubaida. S. (2012). Arab spring in the historical perspectives of Middle East politics. Economy. Retriev*ed March 5, 2014 from http://www.tandfonline.com*

CIVIL SOCIETY AND GOOD GOVERNANCE IN NIGERIA

Akpan, Nse Etim[1]
Adagba, Onah Sunday
[1]Department of Political Science, Federal University Wukari
[2]Department of Public Administration, Federal University Wukari, Taraba State
Correspondence: mseakpan04@yahoo.com

Abstract

This paper examined the role of civil society groups in engendering good governance. It argues that the groups have assisted immensely in the expansion of the democratic space through their advocacy, election monitoring, observation and whistle blowing roles. Qualitatively driven with reliance on the secondary sources of data, the paper observed that the resilience of the civil society groups has been aided by their involvement in the resistance to military dictatorship in the country in the immediate past. The study adopts the theory of political development as a framework for analysis, highlights the nexus between civil society and good governance, reviews the role of civil society in the enhancement of good governance as well as the challenges faced by the civil society organizations in Nigeria and concludes that civil society groups have contributed significantly to the enhancement of good governance in the country since the advent of civil rule in 1999.

Keywords: Civil Society, Good Governance, Advocacy, Democracy and Nigeria

Introduction

The concept of civil society is not new in Nigerian political lexicon. Several scholars have devoted attention to studies concerning these organizations. Gold (1990, p.23) sees civil society as a wide range of associations and other organized collectivities capable of articulating the interest of their members, molding and constraining state power. According to him, their demands provide input for the democratic political process which most times are usually aggregated by political parties. Their approval or disapproval of what goes on in government contributes to accountability. He further observed that a country which is well endowed in this respect is well positioned to democratize and ensure good governance. It is in this same vein that a weak civil society is often used to explain the failure of democratization.

There is broad agreement that civil society organizations(CSOs) refer to the set of institutions and organizationsthat inter-phase between the state, business world, andthe family. Broadly speaking, CSOs include nongovernmentalorganizations (NGOs), private voluntary organizations(PVOs), peoples' organizations, communitybasedorganizations (CBOs), civic clubs, trade unions,gender groups, cultural and religious groups, charities,social and sports clubs, cooperatives, environmentalgroups, professional associations, academia, policyinstitutions, consumer organizations, and the media.The common thinking is that CSOs ought to be critical of the state; compromise with the state can cause themto complement failures and sink into complacency. Butbeing critical of the state does not always require bitterconfrontation; CSOs need some working relationship andcooperation with the state and its agencies.

In developing countries, like Nigeria, CSOs are more popular withdonor organizations. The concern of many donors is thatCSOs ought to be able to monitor public spending andmake government address pressing needs of thepopulace. From the perspective of donors, effective CSOs are institutions and organizations that aid 'functioning'of government and its agencies as opposed togroups that promote excessive criticisms of state policiesand programs, and violent protests. The emphasistherefore is more on cooperation instead of confrontation (Essia and Yearoo, 2009, p.368).

The dire need to institutionalize the culture of good governance within the regime of democratic governance is the cornerstone of civil society initiatives, especially in emerging democracies such as Nigeria. Thus, civil society which is seen as operating from the public space is a reinforcing mechanism for effective governance in the overall interest of the majority of the people. Civil society therefore becomes fully manifested when it is allowed to blossom bearing in mind its relative autonomy from both state apparatuses and the machinations of selfish end of governmental survival. Again, consolidating the gains of the ongoing democratic governance in Nigeria has been viewed by Momoh (2003, p.14) as a transformational process which emanated from the agitations from the entrenchment of democratic governance in the 1990s, which culminated in the birth of statist organizations in Nigeria.

However, with the enthronement of democratic governance in Nigeria on May 29, 1999, there is no doubt that civil society in Nigeria has been persistent in the agitation for good governance in the country particularly with the experience of the long years of military dictatorship which had negatively shaped the political culture of Nigerians. Civil societies and trade unions are the main power resources of the workingpeople and nation at large.

The power in this collectivity of workers and civilorganization can promote the resolution of a variety of problems faced by theworkers and the nations at large. Civil societies on their part strive to checkmate the excesses of government, serve as a watchdog over obnoxious policies and set the agenda for the overall progress and development of a nation (Neji 2011, p.14). In the sphere of liberal conception, which dominates contemporary scholarship and policy debate, civil society provides a vehicle through which citizens can pursue common goals, participate in and influence public affairs, and practice democratic values of tolerance, consensus building and free and open debate (Robinson and Friedman, 2005, p.66). Civil society organizations actively contributed to regime change and the transition from authoritarian rule in Eastern and Central Europe in the late 1980s and early 1990s through public debate, campaigns, street demonstrations and other forms of mobilization (Howell and Pearce, 2001, p.22). The year 2011 has also witnessed a number of public debates, campaigns and street demonstrations in Bahrain, Egypt, Libya, Syria among others aimed at mounting pressure for regime change and transition from authoritarian governments to a more democratic government.

Influenced by these ideas and events, international development partners became increasingly aware of the role and potentials of civil society in democratic transitions in other parts of the developing world, especially in sub-Saharan Africa. This reflected in the level of assistance of funding for democratic activities and programs especially in the areas of elections and capacity building. The shift of focus to civil society groups for the purpose of development also signaled recognition on the part of international development partners that civil society groups can play significant roles other than in the areas of elections and service delivery.

This explains why international development partners favor organizations that are engaged in activities which are designed to increase government accountability, broaden participation in public life and influence state as potential recipients of financial support in the form of grants and technical assistance. In particular, international development partners supported civil society organizations to engage in dialogue and advocacy with government authorities over key areas of policy and legislation, as a means of widening the parameters of public debate and rendering decision-making processes amenable to greater citizen participation and oversight, irrespective of the type of regime (Hilderbrand and Grindle, 1992, p.13).

Surprisingly, many scholars and analysts have been tempted to conclude that civil society groups in Nigeria are ineffective and lack the ability to influence government policies partly because of their failure to partner or collaborate with other stakeholders. Additionally, they have been accused of making demands that are not issue based while the input of citizens are not effectively included in the decision making process.These criticisms notwithstanding, civil society is widely believed to have the potential to make positive contributions to democratization in Africa and other parts of the developing world. This study attempts an analysis of the role of civil society in engendering good governance in Nigeria in the midst of some challenges. It acknowledges their efforts so far particularly in the transition to civil rule in 1999 as well as the process of Nigeria's democratic consolidation.

Civil Society and Good Governance: The Nexus

Narrowly defined, governance means the process of the exercise of political power in managing the affairs of state. In a broader sense, good governance refers to the various processes about how leadership is engaged in policy making, in determining how power is exercised to embody transparency, accountability and rational and prudent resource management. Good governance has recently been accorded a central place in the discourse on development. It is being argued that without an appropriate governance structure, developing countries will not be able to either sustain economic growth or a momentum towards rapid poverty reduction (The World Development Report, 2004). This has been the conclusions of a number of research studies trying to figure out why, despite resource allocation and good policies, broad improvements in human welfare, have not led to improvements in social services, freedom from hunger, illness, illiteracy etc. (Aisha – Ghaus Pasha, 2005).

The World Bank as the chief engineer of the good governance agenda defines it as the manner in which power is exercised in the management of a country's economic and social resources for development. The key components of good governance, according to the Bank include effectiveness and efficiency in public sector management, accountability and good responsiveness of public officials to the citizens, rule of law and public access to information and transparency (World Bank, 2004). The literature on good governance is very rich. Good governance entails the respect for the rule of law, ensuring effective delivery of public goods and services, participation of all (men and women) in decision making process, institutional effectiveness and accountability (Ndulo, 2006).

The issue of institutional effectiveness is very germane to developing countries and CSOs. As Ndulo (2006), has pointed out, institutional effectiveness involves respect for the rule of law on the part of all actors; independence and capacity of all actors; mechanism for self-regulation and external oversight; transparency and accountability of oversight bodies and mechanism for active participation in decision making; the extent and degree of decentralized structures and decision making; gender representation in all spheres of decision making; and effective delivery mechanism and capacity. Good governance has some dimensions. According to Diamond (2005) it must entail the capacity of the state to function well in the service of the public good, and must be committed to the public good. Indeed, good governance must be transparent in the activities of government and this includes transparency on how government makes decisions, conducts business and spends public funds. Good governance also requires that rulers must abide by the rule of law and be accountable to the people. Indeed, good governance must entail the mechanism for peaceful conflict resolution, for it is a bad government that results to violence in resolving conflict.

In peaceful resolution of conflict, such parameters like justice, fairness and equity must be demonstrated. Other elements of good governance include: the cultivation of citizens' capacities, public opinion and judgment, free flow of information, individual rights and protections, institutional checks and balances, multiple venues for making collective decisions and organizing collective actions. In summary, good governance has been described as participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It also ensures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and

future needs of society (UNESCAP, 2008). Thus, it is clear that governance is a process of decision-making and the process of implementing decisions. Therefore, the outcome of the process, in terms of the quality of life of the people and in the way the rulers amicably partner with the people, is what defines good or bad governance. And while good governance promotes better welfare for the people, resulting in growth, development and prosperity, bad governance accounts for the roots of most of the ills within the society.

The advocacy role performed by these groups will help to bring societal problems and issues to the public spotlight. In addition, civil society can provide information that is vital for the development of policies that are appropriate to the community which the policy is to serve and also serving as watchdogs. In addition, civil society can apply pressure on the government to ensure the appropriate policies are enacted and implemented.Although, it can be argued that good governance is an ideal, but in order to ensure sustainable human development, actions must be taken to work towards the ideal and this is why, in a liberal capitalist society, the activities of civil society become essential.

Theoretical Framework

There is no contradiction in the assertion that the main essence of the activities of civil society is to engender positive change that would have meaningful impact on both leaders and the led. Civil society organizations have become a social force for change. A social force that seeks to put people before profit, food on the table before boosting national reserves. This force of change questions the rationale for poor people dying of easily preventable diseases, and does not understand why poor people cannot afford lifesaving treated mosquito nets. The civil society organizations as an aspect of social construct presupposes hope, aspirations, struggles and revolutionary tendencies inherent in the various social formations in the society.

Therefore, the perceived result of this form of struggles propels an outcome to the extent that the wishes of the people prevail in place of minority rule. Significantly, this informs our resolve to adopt the theory of political development for this study. Our choice is meant to serve as a point of departure from the general systems theory which could equally serve the same purpose and as well stimulate further research. Political development is broadly, the development of the institutions, attitudes, and values that form the political power system of a society. It has been defined in many ways that reflect the passage of societies' and analysts' preoccupations. One formulation dwells on the emergence of national sovereignty and the integrity of the state, demanding respect and upholding commitments in the international system. Others identify the domestic attributes of constitutional order and political stability, attained through the formation of a settled framework of government, reliable procedures for leadership succession, and a consolidation of the territorial administrative reach of government institutions. This conspectus owes to the fascination exerted by nation-building and state-building in new states of Africa and Asia (Maclean and Macmillan, 2003).

It also relates to earlier studies of legal-rational authority, an endowment of coercive powers and the ability to command obedience. The establishment of bureaucracy, displaying characteristics like division of labor and functional specialization, hierarchy and chain of command, and merit based recruitment is connected. Political development enhances the state's capacity to mobilize and allocate resources, to process policy inputs into implementable outputs. This assists with problem-solving and adaptation to environmental changes and goal realization. The contemporary notion of good governance also dwells on efficient, effective, and non-corrupt public administration (Maclean and Macmillan, 2003).

Many Marxists define political development in advanced industrial societies in terms of the growth of the class consciousness and political organization of the proletariat, leading, ultimately, to the overthrow of capitalism and the approach of communism. A more common view is progress towards liberal democracy, involving accountablegovernment, and opportunities for participation through the exercise of freedoms of association and expression. More recently, democratization and good governance have been portrayed as constitutive of political development as conditions for sustained economic development in developing areas and post-communist societies. The rule of law (and thus respect for property rights) and the development of civil society are also included while the embedding of human rights is another central plank (Clapham, 2005).

The theory of political development is a transformational as well as a revolutionary mechanism for social change in any democratic society whether big or small (Camus, 1955). Embedded in this theory are all the past revolutions in history and all the standards, ethics, and good neighborliness in the society, which one lives. The tendency here is to say that an average social unit is propelled by a particular goal or objective. Therefore, we can as well say that any such goal that is so desperately desired creates political power either to influence the wielders of such powers over to ultimately assume leadership of such powers. Either ways, it is obvious that there is a clear cut dichotomy between the need to influence tendencies of arbitrariness while at the same time exhibiting some measures of disinterestedness in the affairs of governance (Chazan and Naomi, 1994). The theory of political development as a compelling force for societal change seeks to ask questions on the activities of institutions in a nation-state and how such activities affects directly or indirectly, the lives of the people.

The tendency therefore is to link the Nigerian society with various multi-dimensional conflicts ranging from religious, socio-economic and political dimensions. These problems have remained the most threatening factors in the corporate existence of Nigeria in the recent past.

However, the theory of political development is not devoid of problems and challenges. In fact, it's enduring problem for some divided societies like in former Yugoslavia and especially third world remains how to combine political stability with political liberalization and democratization. Another challenge is safeguarding democratic transition and consolidation in the midst of drastic economic restructuring that engenders popular dissatisfaction and can breed political extremism. Political development means not just institutional reform but changes in attitudes and the political culture. That places limits on how far political development can be imported or imposed from without (Huntington, 1988). Political development is neither linear nor irreversible, not all countries are experiencing it, and some endure periods of political decline and decay, while a few suffer terminal political breakdown, like the former USSR. However, for whatever the theory holds, it is quite adaptable to the study of civil society, itself a propelling engine of change that is bound to create accountability, good leadership and overall good governance in Nigeria and the world over.

The Role of Civil Society in Enhancing Good Governance in Nigeria

It is not a hidden fact that individuals and groups, both on the national and international scene, demand that civil society organizations do their best to ensure good governance, transparency and accountability by government as well as credible elections.

The responsibility of a credible, free and fair election in Nigeria for instance is no longer to be solely that of the Independent National Electoral Commission, as the tide has shifted to include civil society organizations. The same holds for the issue of good governance as civil society has become active in monitoring the performance of leaders at the different levels of government in order to ensure that they make effort to inculcate global best practices into their leadership style.

Perhaps, the most conspicuous role played by CSOs is in the area articulating citizens' interests and demands. Thus, the importance of CSO's can better be appreciated when state policies and the programs of government agencies do not take account sufficiently of needs of the poor or of some other vulnerable sections. CSOs bridge the gap by way of representing the interest of the people. CSO's also engage in defending the rights of the down-trodden especially groups that suffer extreme social exclusion (Idumange, 2012). Civil Societies that are virile are capable of articulating the interests and demands of citizens and this has become a key function of almost every civil society organization. While political scientists have traditionally ascribed the function of interest articulation to political parties, such parties are not always strong in developing countries, and even where they are strong, they do not always represent the interests of the poor. Civil Society Organizations play the critical role in mobilizing social capital. Social capital is a resource that any community possesses to some level and it can help in resolving multiple problems of a collective nature. Like any other resource, however, social capital also needs to be activated and it needs to be combined with other kinds of resources, including physical, financial and human resources. CSOs can improve the accountability profile of governments (Idumange, 2012).

At the level of society, there is need to promote communication between citizens based groups and community members. The level and periodicity of such interactions between CSOs and communities need to be strengthened. CSOs need also to build capacity for monitoring how local operators of donor programs utilize donor fund. Wanting to know how local operators of donor projects and foundations spend their funds and how well the projects are run is both reasonable and necessary, because local operators of donor projects may divert from the original goals of the donor.Through the free flow of information, which is clear and accessible, civil society groups, particularly a vibrant press, can serve as a monitoring mechanism to ensure that governmentpolicies are carried out in a manner intended and thereby significantly contribute to good governance (Idumange, 2012).

Civil Society also play prominent role during elections by monitoring the whole electoral process. In educating the voters, Civil Society groups are to assist in ensuring that all eligible citizens in the country are made to realize the importance of registering to voting and actually coming out to vote on the election day. Illiteracy levels in the rural areas have largely affected the assurance of the rural citizens on voting and election, and as such these citizens need to understand the importance and power of their votes. Another equally important role of the civil society organization is the monitoring of the entire electoral process, from the issuance of notice of election to the swearing-in of elected candidates. This is to ensure that all the tenets of electoral procedures as stated in the electoral act are strictly adhered to in order to achieve fair and free election.

As a corollary to the above, CSOs are involved in monitoring and ensuring credible elections in the country. Election monitoring constitutes a critical aspect to measure the electoral process to validate the authenticity of an electoral outcome. The Nigerian Election Monitoring Group (NEMG) manual succinctly captured election monitoring as the continuous observation and scrutiny of the electoral process from the moment the election date is announced to the voting day activities, including the counting of votes and announcement of results to ensure that nothing is done at any stage in the process to change the verdict of the voters (NEMG, 1993).

In fact, in the words of Larry Diamond (1999), civil society play very crucial role in good governance and democratic consolidation because they monitor elections to ensure their credibility thereby enhancing the legitimacy of the emergent government. A credible, free and fair electoral outcome is presumed to be a crucial factor in the survival of any political system. It is in this conviction that electoral verdict that reflects the majority opinion of the electorates votes count becomes meaningful and interesting. In Nigeria, civil society contributes towards good governance in this process of monitoring elections. As part of good governance enhancement, CSOs promote citizenship education and political participation which are fundamental to democracy. They work to promote civic culture that helps in political participation through voters' education and enlightenment. However, Sylvester Odion-Akhaine (2014) was quick to observe that most of these CSOs are bedeviled with religion, ethnic and regional cleavages and have the tendencies of promoting parochial interest instead of broad participation and education.

Such groups he contends include the Movement for the Survival of Ogoni People (MOSOP), Arewa Consultative Forum (ACF), the Ijaw Youth Council (ITC), Afenifere and Ohaneze Ndigbo among others which underscore their parochial determination to safeguarding sectional interest and pursuing regional autonomy. He concluded that the degeneration of civil society into various cleavages leaves fear and violent intergroup, inter-ethnic, and inter-religious confrontations which largely accounts for the periodic anarchy and instability being experienced in Nigeria. On his part, OtiveIgbuzor (2010) submits that CSOs contribute to good governance by demanding transparency and accountability from the state at the course of serving as watchdog over the activities of governments. According to Neji (2011), Civil Society can actually perform seven (7) identifiable roles which include the protection of citizens against violence from all parties, monitoring of human rights violations, advocacy for peace and human rights, socialization to values of peace and democracy as well as to develop the in-group identity of marginalized groups, inter-group social cohesion by bringing people together from adversarial groups, facilitation of dialogue on the local and national level between all sorts of actors and service delivery to create entry points for peace building needed to be able to achieve the above six (6) functions.

Still in the pursuit of good governance, CSOs in Nigeria are actively involved in the fight against corruption. Civil society organizations (CSOs) which include the human right organizations, non-government organizations (both non-profit and not-for-profit), media and professional groups like Nigeria Bar Association (NBA), are the third group of stakeholders in the society apart from public and private societies. They are one of the major stakeholders who have important roles to play to end corruption in the society (Olufemi, 2014).

Finally, CSOs enhance good governance by influencing public policy a development which has been assisted by the increasing global trend toward democratization which has opened up political space for civil society to play more active role in influencing public policy. They have been in the forefront of creating public awareness towards obnoxious policies of government and as well set the agenda for what policies would be citizenry friendly among other issues. It is on record that that CSOs had been at the center of the fuel subsidy protest witnessed in the early days of the Johnathan administration in Nigeria.

The Challenges of Civil Society in Nigeria

In Nigeria, CSOs face numerous challenges. The most pronounced among such problems is the allegation that civil society organizations often lack competent administrators and technicians, or financial and material resources. In intermediary NGOs, with often unclear structures of accountability, their anchorage in local society and their legitimacy can vary greatly hence they are subject to abuses. Many CSOs and NGOs are highly dependent on foreign aid, which often reinforces their already weak systems of accountability to those for whose benefit they ostensibly exist. From the modus operandi of most CSOs in Nigeria, it is obvious that a great many of them are small, localized, and uncoordinated hence they can hardly key into State and national development policies. With a very weak organizational structure and porous financial base, most CSOs find it difficult to engage in effective advocacy work (Moru, 2005).

In Nigeria, because of our languid road to democracy most civil society organizations are distrustful of governments and their policies. This tendency has been exacerbated by the history of grassroots interaction with governments, which is filled with broken promises, indifference, corruption, and clientelism. It is not surprising therefore that some CSOs are cynical and even reluctant to deal with governments. Again, when such NGOs tend to go it alone, they lack the capacity to achieve their goals. This is due largely to the fact that they can hardly create an environment. However, a critical advantage that CSOs usually have over state-sponsored organizations concerns their ability to tap, effectively and legitimately, into societies' reservoirs of social capital (Moru, 2005).

The appointment of civil society leaders into political offices has also affected the character and ideology of such societies. In the words of Boadi (1995), "many of Nigeria's new democracy civil associations turned out to be nothing more than political actions committees and proto parties that have more in common with political than civil society". This would have likely been the case for the Save Nigeria Group had the Buhari/Bakare campaign organization won the Presidency at the 2011 general election.

Another challenge to CSOs according to Boadi (1995) is the issue of insufficient funds. Most civil society organizations rely on government funding for their various operations, which is not a healthy phenomenon as it breeds loyalty of civil society organization to government.Osaghae (1998), also opines that "the poor economic conditions of the Nigerian state has also led to the emergence of civil society that are state inclined because members of such groups believe strongly that by showing loyalty to the incumbent government, material resources are assured". Jega (2006) has identified another limitation to civil society roles, which he tagged, "lack of sensitivity to the plural nature of Nigeria". The heterogeneous nation of the Nigerian state has to a large extent strained civil society organizations.

Finally, the inability of CSOs to articulate projects in relation to state building is a big challenge. The Nigerian state is confronted with the problems of contradictory tendencies in the nation building project as can be seen from the activities of MASSOB, the Ijaw Youth Congress, the Middle Belt Forum, the Arewa Consultative Forum (ACF), Ndigbo Ohaneze among others. These tendencies do activate primordial interests, which are sometimes difficult to harmonize with the national interest (Azaager, 2014).

Conclusion

Inferring from above, it is stating the obvious that civil society groups have contributed immensely to the enthronement and sustenance of democracy in the country since 1999. They have also been at the fore front of the demand for accountability in governance and credible elections in Nigeria particularly through their election monitoring role. Civil society groups in their varied forms, that is labor unions, professional groups, community and faith based organizations and even the media among others undertook far reaching mobilization and voter education which yielded tremendous positive results that gave credibility and assisted in the successful conduct of the various elections in the country. Consequently, this study concludes that civil society organizations have contributed immensely to the enhancement of good governance in Nigeria.

References

Azaager, A. C. (2014). Ethnic Militia as a Social Pressure on Nigeria's Fourth Republic. *International Journal of Research on Social and Natural Sciences, 1(1), 35-48.*

Boadi G. (1995). Civil Society in Africa. *Journal of Democracy*, 12(3)

Camus, A. (1955). *The Myth of Sisyphus*. New York: Vintage Books.

Chazan, H. and Naomi, B. (1994). *Civil Society and the State in Africa*. Colorado: Lynne Rienner.

Clapham, C. (2005).*Third World Politics: An Introduction*. London: Croom Helm.

Diamond, J. (2005). *Democracy, Development and Good Governance***.** *The Inseparable Links.* Lecture at Ghana Centre for Democratic Development. Accra.

Diamond, L. (1999). *Developing Democracy: Towards Consolidation*. New York: JHU Press.

Essia, U. and Yearoo, A. (2009). "Strengthening Civil Society Organizations/Government Partnership in Nigeria", *International NGO Journal,* 4 (9),

Ghaus-Pasha, A. (2005). The Role of Civil Society Organizations in Governance. 6th Global Forum on Reinventing Government, Towards Participatory and Transparent Governance 24 – 27 May, Seoul, Republic of Korea. Cited in text.See the section on civil society and Good Governance: The Nexus.

Gold, M. (1990). "Civil Society and its Role in a Democratic State". *Journal of Democracy,*6(3).

Hilderbrand, M. and Grindle, M. (1992).'Building Sustainable Capacity: Challenges for the Public Sector, North, D. C. Institutions, Institutional Change and Economic Performance'. Cambridge, MA: Cambridge University Press.

Howell, G. and Pearce, S. (2001). Civil Society and Development: A Critical Explanation. London: Lynne Rienner Publishers.

Huntington, S. (1988). *Political Order in Changing Societies*. New Haven: Yale University Press.

Idumange J. (2012). The Role of Civil Society Organizations in Promoting Good Governance. Being a Paper Presented at a One -Day Government/Civil Society Interactive Session Organized by the Office of the Senior Special Assistant to the Governor of Bayelsa State on Civil Society on Thursday, 2nd August at the Banquet Hall, Government House, Yenagoa, Bayelsa.

Igbuzor, O. (2010). Good Governance and Accountability of Civil Society Organizations in Nigeria. A Paper presented at the National Consultation on CSO Development Effectiveness in the Context of Nigeria from 25th- 27th May, Abuja, Nigeria, supra

Jega A. (2006); "Democratization in Nigeria: Problems and Prospects", from www.nigerianmasses.com/politicaldetails. Accessed on 28 December, 2018.

Maclean, I. and Macmillan, A. (2003). *Oxford Concise Dictionary of Politics*. New York: Oxford University Press.

Momoh, A. (2003). Civil Society and the Politics of Federalism in Nigeria in Gana, A. T. and Egwu, S. G. (eds), Federalism in Nigeria: The Imperative of Democratic Development. Asmara-Eritrea: Africa World Press Inc.

Moru, J. (2005). "Civil Society and Social Changes in Nigeria", Accessed from www.danodu.com on July 19, 2018.

Moru, J. (2012). *Civil Society and Social Change in Nigeria*. Abuja: ActionAid International.

Ndulo, M. (2006), *Democratic Reform in Africa: Its Impact on Governance and Poverty Alleviation*. Oxford and Anthens: James Currey and Ohio University Press.

Neji, O. N. (2011). Civil Society and Democratic Governance in Nigeria. *Journal of the Society for Peace Studies and Practice, Vol. 1, (2). 10-12*.

NEMG (1999). *Count Down to February 1999: A Look Ahead of Nigeria's Election.* Abuja: NEMG.

Odion-Akhaine, S. (2014), Interview with Researcher, September 18.

Olufemi, O. (2014), "Civil society and fight against corruption in Nigeria", *The Guardian,* January 7.

Osaghae E. (1998); *Structural Adjustment, Civil Society and National Cohesion in Africa*. Aries APPS point source.

Robinson, M. and Friedman, S. (2005). Civil Society, Democratization and Foreign Aid in Africa, IDS Discussion Paper No. 383, Brighton: Institute of Development Studies.

The World Bank Development Report (2004). *Resources for Civil Society Organizations*. Washington: IBRD.

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (2008). Annual Report, (accessed, June, 30, 2016) on www.unescap.org/huset/gg/htm.

World Bank, (2004). "Issues and Options for Improving Engagement Between the World Bank and Civil Society Organizations", Civil Society Team, External Affairs, Vice Presidency, Washington.

Financing Oil and Gas in Nigeria: Challenges and Strategies with Implications for Economic Turnaround

OSAYI, Valentine Igbinedion
Department of Banking and Finance, Federal University, Wukari, Taraba State, Nigeria

KASIMU, Abudu
Department of Banking and Finance, University of Benin, Benin City, Edo State, Nigeria
Correspondence: Osayi@fuwukari.edu.ng

Abstract

The financing of infrastructures in the oil and gas sector has attracted more attention in most recent energy policy debates. This is because financing strategies for any firm is vital for value maximization for the firm. In the light of the above, the study examines issues relating to the various strategies for financing the oil and gas sector, challenges faced and tools for combating those challenges in ensuring optimum contribution to the Nigerian economic development. Using conceptual, theoretical and content analysis of the extant literature, the paper identified investment bond, private equity, mezzanine financing, derivative financing and project finance as among the financing strategies for the sector. We therefore recommend that government should adopt long term financing strategies compatible with the complexities of the oil and gas sector investment. In addition, deliberate and conscious effort should be made by the present administration to ensure that attention is given to the Niger Delta by providing basic infrastructural facilities, as this will help curtail the level of militancy in the region in order that Nigeria can fully realize her financial and growth potential as an oil and gas producing economy.

Keywords: Oil and gas financing, Economic development, Project financing strategies, Mezzanine Finance, Nigeria

Introduction

Each financing strategies adopted by firms has some implications in the firms' operations. The oil and gas sector is a sector of critical importance to the Nigerian economy as it is the major sources of revenue generation for the economy. The sector is not without challenges in raising the finance required for its business activities. The significance of oil to Nigeria's economy cannot be over emphasized as oil export accounts for over 80% of government revenue. The financing of infrastructure projects in oil and gas sector has become the focus for energy policy discussion, given that there is a shift towards decarbonized economy which needs considerable investment on low-carbon technologies and renewable projects and related infrastructure such as electricity grid expansions or natural gas supply assets.

The Oil and Gas industry in Nigeria is very important to the sustenance of the nation's economy. The discovery of crude oil greeted Nigerian economy with mixed impact as the nation has tasted the good, bad and the ugly from the exploration activities in the oil and gas sector. Till date, the negative effect of the exploration activities continued unabated in communities with the resources which have compounded the problem of the residents in those communities even if not impoverished them than if they had not had the resources *ab initio*. The good side of the resources is the revenue it generates for the nation which contributes over 95% of the total revenue of the country, create employment opportunities for the country's workforce, and increase the foreign exchange reserves and supply of energy to industries. Nigeria has been a mono-product economy since the 70s relying heavily on oil as its major revenue earner. The implication is that the development of the Nigerian economy is susceptible as it is hinged on a mono product-oil whose price remains largely volatile. The major fallout of this fragile structure of the Nigerian economy is a situation where the economy has been growing without creating jobs and reducing poverty (Onodugo, 2013).

A major challenge to attracting private capital investment is that government policies are major hindrances because of her bureaucratic structure which is more reliant on rule implementation and not resources optimization focused which dissuade the private sector financing initiatives. While the research reveals that inadequate resources can hamper development, the range of policy measures to stimulate financing in the oil and gas sector in Nigeria can generate more revenue for the nation to promote socio-economic development (Gnansonuou, 2008). The financing of the oil and gas sector in Nigeria giving its importance and earning capacity for the nation requires resources acquisition strategies and other financial management skills to ensure sufficient and timely availability of financial resources for investment in the oil and gas sector when the need arises. This paper therefore sets to examine oil and gas financing, challenges, strategies and implications for economic development in Nigeria

Statement of the Problem

Although the oil and gas industry is often christened as the main stay of the economy, the future of this sector is still regrettably very uncertain. Over the years government has used various instruments such as regulations, legislations, laws and reforms to ensure that the oil and gas sector remains effective and efficient. Still, the Nigerian oil and gas industry is bedeviled by opaqueness, lack of integrity, unwanted destruction of oil and gas pipelines, fraud and corruption, theft of oil and gas products, subsidy scam, insincerity, gas flaring, environmental degradation, oil price fluctuations in the world market, refining of oil and gas products illegally, capacity underutilization and collapse of refineries, marginalization of host communities and the importation of refined petroleum products.

Worst of all is the inadequate public and private oil and gas financing resulting from the inability of deposit money banks to provide tenured loans to indigenous firms to carry out projects as well as to foster appropriate alliances and partnerships with foreign firms and financial institutions and inadequate collaboration between the government and the multinational oil producing firms respectively in order to ensure maximum production

and hence economic development. Also, the international price of oil dropped dramatically in the second half of 2014. Despite a period of extraordinary global liquidity, parts of the oil and gas industry were finding it difficult to obtain finance even before the oil price fell. Meanwhile, lower prices reduce both the internal finance available from company cash flows and the revenues of government. New regulations impose limits on bank lending including for oil and gas projects through higher capital adequacy requirements. Against this backdrop, the paper's objective is to examine the challenges and strategies for oil and gas financing in Nigeria and its implications for economic development.

Literature review

Overview of the Oil and gas sector and the Nigerian economy

The Nigerian oil and gas sector has increasing and rapidly developed with ups and down in the world price for crude oil since its discovery in 1956 by the Shell Group. However, the sector was largely dominated by multinational corporations until the early 1990s when Nigerian companies began to make a foray into the industry. Local participation was boosted with the implementation of the Nigerian Content Directives issued by the Nigerian National Petroleum Corporation (NNPC) more than a decade ago, and eventually, by the promulgation of the Nigerian Oil and Gas Industry Content Development (NOGIC) Act in 2010. The upstream and the downstream sectors form the major division of the activities in the oil and gas industry. Three major business arrangement are operated in the industry, vis-à-vis: Joint Ventures (JV) which is a Joint Operating Agreements (JOA) between the Federal Government and multinational operators such as Shell, Agip, Chevron and Elf; production Sharing Contract (PSC) which is an arrangement between the government and operators where Nigeria National Petroleum Corporation acts as concessionaire usually in the deep offshore operations where the operators fund exploration, development and production activities and revenues are shared between both parties and Service Contract (SC) where Oil Prospecting License (OPL) title is held by the NNPC while the operator designated as the

service contractor provides all the funds required for exploration and production works. When crude is discovered in commercial quantity, the contractor recoups its cost in line with the procedures stipulated in the contract. The difference with the PSC is that while the SC covers only one OPL, the PSC may span more than two or more OPLs at a time. Also, the SC covers a fixed period of five years and should the effort result in no commercial discovery, the contract automatically terminates. Only Agip Energy and Natural Resources (AENR) operate SC (NAPIMS) (Agusto, 2002; 2004). In addition, Ariwerikuma (2009) broadly divided the sector into the upstream and downstream oil and gas activities. Upstream oil and gas activities involve operations in the areas of exploration and production of oil as well as services that lead to these exploration and production activities. The downstream oil and gas activities involve refining the products from crude oils, distribution and marketing of petroleum products until it reaches the final consumer. The downstream sector is of strategic importance to the nation as petroleum products constitute a key source of energy used for various purposes (Obasi, 2003).

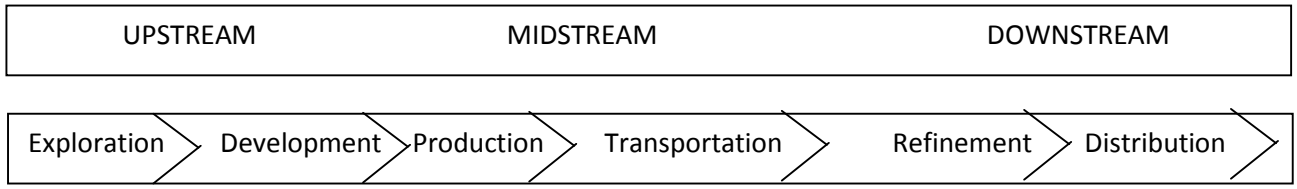

Figure 2.1 Sector Classifications in the Oil and Gas Sector
Source: KPMG, 2014

It is a known fact that the oil and gas sector contribute tremendously to the bulk of revenue generated by the Nigerian government which is estimated to be over 70 per cent of the total revenue (KPMG, 2014). There is therefore the need to deregulate and liberalize the downstream sector to enable indigenous entrepreneurs with experience in the oil and gas sector to come in and fill the gap. This paved the way for the oil and gas reform efforts in Nigeria.

Oil and Gas Sector Reform in Nigeria

It is worthy to know that a number of reforms have been carried out by different administrations in the Nigerian oil and gas sector. Notable among these are the public private partnership, petroleum industry bill, the local content act and the Nigerian gas master plan.

Public-Private Partnership

Prior to this time, financing oil and gas has been with little challenge as its major source of funding is the government sources which could be from its developmental partners like the World Bank. Effort by the world at making finance available to the Nigerian economy for development purposes has not left the oil and gas sector unattended to. The World Bank is not only involved in financing of oil and gas, it has also been involved in funding emission from energy operation through its carbon finance programmes. However, global commercial realities with respect to oil and gas favor investment models that encourage synergetic funding through public-private sector collaboration or partnership. This is to give the private players a better sense of belonging and higher stakes through a flexible structure now referred to as Public-Private Partnership (PPP) (Okara & Atekobo, 2011). Over the years the financing approach of the oil and gas in Nigeria have changed from the conservative government interventionist approach to public-private joint financing models due to capital intensiveness of the sector. The PPP structures are strategic institutional arrangement between public and private entities for oil and gas investment particularly liquefied gas projects. In some types of PPP, the government uses tax revenue to provide capital for investment while running operations jointly with the private sector or under contract.

Petroleum Industry Bill (PIB)

In the light of the ever changing business environment in Nigeria, courageous effort has been made to overhaul the legislative framework relating to the oil and gas industry. This has resulted in the draft of the Petroleum Industry Bill (PIB), which was recently passed

by the Nigerian parliament. The petroleum industry bill (PIB) is the comprehensive outcome of the Nigeria oil and gas sector reforms implementation committee as an attempt to restructure and redirect the industry towards achieving sustainable development of the country in general and the oil producing region of the Niger Delta in particular (Ajayi, 2013). The draft contains changes to taxation regimes, improved economies for small, onshore developments and an amended royalty structure. The objectives include addressing the legal, institutional and funding challenges of the oil and gas industry, creating a conducive business environment for petroleum operations, enhancing exploration and exploitation of petroleum resources in Nigeria for the benefit of the Nigerian people, optimizing domestic gas supplies particularly for power generation and industrial development, establishing a progressive fiscal framework that encourages further investment in the petroleum industry while optimizing revenues accruing to the Government, establishing commercially oriented and profit driven oil and gas entities, deregulating and liberalizing the downstream petroleum sector, creating efficient and effective regulatory agencies, promoting transparency and openness in the administration of the petroleum resources of Nigeria, promoting the development of Nigerian content in the petroleum industry, promoting health, safety of the environment in the course of petroleum operations, promoting good governance, transparency and sustainable development in the management and allocation of petroleum resources, providing for an orderly, fair, competitive, clear and effective legal and institutional frameworks for organizing petroleum operations and a fiscal regime that offers fair returns on investments while optimizing benefits to the Nigerian people. With the passage of the PIB, investors' confidence in the oil and gas sector will be increased, hence the likelihood of more supply of funds to the sector (NNPC, 2008).

Nigerian Gas Master Plan

Based on the observation that the Nigerian gas sector has been relatively underdeveloped due to the lack of gas infrastructure and the widespread flaring of associated gas, the federal government prepared a Gas Master plan in 2008. A survey by Ajayi (2013) put the country's proved natural gas reserves at about 5.29 trillion cubic metres and this is

approximately about 2.82 percent of the world's gas reserve. In a bid to tackle this underdevelopment, the gas master plan is geared towards promoting natural gas production, and encouraging the supply of natural gas to domestic power stations so as to ameliorate the country's energy shortages. According to Nigerian National Petroleum Corporation (NNPC), the Nigerian gas master plan seek to provide a framework for Nigeria to maximize value from gas resource by leveraging multiplier effect of gas in domestic economy and optimizing export market value, repositioning the gas market for sustainability and facilitate timely and cost effective gas capacity additions to meet unprecedented global and domestic gas demand. Other objectives include minimizing public sector investment in gas infrastructure, developing an internal market for national gas, increase private sector participation, and development of a legal, regulatory and policy framework to promote competitive environment for private sector participation in the gas sector (Adeniji, 2008). As part of the Gas Master Plan, the National Gas Supply and Pricing Policy (Gas Pricing Policy) and the National Domestic Gas Supply and Pricing Regulations (Policy Regulations) have been issued by the government and both instruments impose obligations on gas producers to set aside a predetermined portion of their gas production for supply to the domestic market.

The Local Content Policy

The term local content has been defined as the quantum composite value created in the Nigerian economy through the utilization of Nigerian human and material resources for the provision of goods and services to the petroleum industry (NNPC) with the common denominator being the value addition in the country (Ogbodo, 2008). It is a set of deliberate orientation and actions to build domestic capacity relevant for service and product delivery comparable within that industry and an opportunity to locally build a sustainable culture of service quality and capabilities exceeding customers' expectations and comparable to international standards through key local personnel and management (Obuaya, 2005). It is also referred to it as the 'Nigerian Content. This local content policy becomes very imperative against the foreign dominance of the oil and gas industry in

Nigeria. The first policy strategy is termed local capability development where governments propose a gradual change of local content capacity achieved by consciously building the capability of national and local skills to access opportunities (Warner, 2007). The second strategy is termed local content participation where the state requires oil companies to give greater preference to those nationals and national suppliers who can compete internationally on the basis of cost, quality and timeliness. This policy is implemented through negotiated conditions and agreements between host countries and multinationals evidenced by issues such as lower pre-qualification and tender appraisals criteria and lower tariffs on imported machinery and semi-finished materials not available in the country.

Challenges of Oil and Gas Financing in Nigeria

Political Interferences and Bureaucracy

The Nigerian National Petroleum Corporation (NNPC) is controlled by the Ministry of Petroleum Resources. It lacks autonomy which results in bureaucratic and unnecessary delays in decision taking. Therefore, the operation of the NNPC is characterized by inefficiency, especially in refinery operations, distribution and marketing.

Lack of Political Will on the Side of Government

Successive governments have failed to develop critical infrastructure that are vital to the survival of the sector owing to reasons of lack of political will. This has led to mismanagement of funds at the NNPC and poor allocation to those infrastructures that will see the nation oil and gas sector see the light of the day. Also, where there are allocations for the sector, there are delay in the passage of the national budget and delayed release of fund to the sectors.

Long Contract Award Process

The bureaucratic nature of awarding contract in the public sector has open the funds which should be available to the sector being shared among the corrupt leaders in the line of the numerous hindrances that the due process has also created. The timing is also delayed before the contract award process is concluded.

Limited Refining Capacity

Majority of the oil producing nations in Africa (Nigeria inclusive) continue to export crude oil for refining and in turn import the refined product for domestic consumption. Problems in the refining industry on the continent include corruption, poor maintenance, theft and other operational problems. This act of importing the refined products has placed undue stress on the finances of oil marketers and consequently the consumers of the oil and gas products in the country. The political undertone has also made government not to boldly take steps to correct the menace of exporting crude without value addition. The successive government have failed to build additional refineries or made the existing ones to function properly in the country.

Inadequate Infrastructure

The infrastructure deficits in the country pose a major challenge to the oil and gas sector. This has also made the sector to require more than necessary financing if the government had made provision for such infrastructure. The low infrastructure in the economy has also made some of the oil and gas firms to expend on areas that affect their profit poorly and subsequently affecting their credit worthiness in sourcing for funds from the financial market locally and internationally.

Niger-Delta Crisis

The Niger Delta being the area where most of the revenue for the nation comes from have been visited with crisis from time to time in agitation for fairness and equity in the distribution of resources expropriated from the region. The environmental pollution and degradation in the region caused by the oil exploration activities has left the region with stack poverty which has led to agitation from the youths in the region. Over the years the Federal government of Nigeria has made concerted efforts to resolving many issues confronting the Niger Delta region. Such efforts have seen such programmes as the Amnesty Programme training some youths from the Niger Delta region. This has to some extent bring peace in the region for economic activities there by reducing the financial

stress on oil firms resulting from repairs of damaged oil facilities and paying for ransoms for their kidnap staff and general security.

Smuggling and Diversion of Petroleum Products

The nation has experienced fuel crisis resulting from unavailability of petroleum product owing to the activities of smugglers who divert fuel meant for the Nigerian markets to markets of other countries. Other than the illegality of the activities of smugglers, the levels of price in different markets act impetus for smuggling. The outcome of smuggling is that there will be less national revenue for the economy among others. And reduction in the output to make available for the firms in the oil and gas sector to supply the domestic market which will also affect credit condition on the part of the ability of firms who are dependent on oil and gas commodity to pay their interest and principal on loan facilities.

Fraudulent Domestic Marketing Practices

The hoarding of products by the marketers in the oil and gas sector distort price of commodity in the economy. This hoarding depending on the level of the market where it is being done can influence the repayment of interest and principal by oil marketers thereby worsening credit condition in the financial space. If the hoarding is done at points before it gets to those who sell to the final consumer, the effect on credit condition will be more. Others are:

1. Relatively low level of investments in the sector, compared to its potentials.
2. Poor refining facilities and unorganized local refining outlets causing environmental degradation and gas flaring.
3. Restrictions and production disruptions caused by crises and host communities.
4. High technical cost of production, due to low level of domestic technological development.

Methodology

The study adopts a conceptual, theoretical as well as content analysis of selected secondary data sources. The financial structure of some firms engaged in the oil and gas industry as attached in the appendix forms part of the fulcrum of the sources of data for this study. The results informed some of the financing strategies as identified below:

Strategies for Financing and Repositioning the Oil and Gas Industry in Nigeria

Brogan (2014) itemized the various sources of financing for the oil and gas sector as follows:

Exploration and Appraisal:

1. IPO 2. Private Equity

Development and Production:

1. Reserves based lending 2.Public bonds 3. Retail finance 4. Private placement 5.Multilateral development banks 6.Mezzanine finance

Portfolio Expansion:

1. Cash flow from operations 2. Bank loans 3. Public bonds 4. Infrastructure funds 5. Proceeds from divestments 6. Corporate Revolving Credit Facility that give a firm financial flexibility for day – to – day operations

Brogan (2014) asserted that companies experiencing capital constraints are forced to be more innovative as they assess all the funding options available to them. In addition to conventional finance, companies engage in higher volumes of farm-out transactions, mergers and loan arrangements with service providers.

Exploration and Appraisal

IPO: Equity issuance is often the first or only option for pure-play exploration companies, which lack tangible assets but offer material upside in the event of exploration success. These companies generally have low debt capacity due to a lack of proved reserves and cash flow (Brogan, 2014). The IPO by sectors for the oil sector in major stock markets around the world is often the lowest.

Equity: The equity investors in a project are its residual claimants. Equity usually provides about 30 percent of the total financing for a project and might sometimes be held entirely by the project sponsor. In addition, the sponsor can make further investments in the project SPE to help fund the working capital layer. In some cases, project sponsors are unwilling or unable to own enough common equity in the project SPE to satisfy lenders' leverage ratio requirements. In such situations, the project SPE might issue additional equity to outside investors. Such equity offerings often take the form of preferred equity that entitles the holder to a priority for dividends (some or all of which the sponsor may guarantee) and possibly other corporate governance rights (e.g., management participation if preferred dividends are in arrears) (Culp & Forrester, Undated). The table in the appendix attached provides a financial structure (Equity and total debt) of some firms engaged in the oil and gas industry in Nigeria.

Development and Production

Private Placement: This strategy of financing does not require the procedures and formalities that public offering requires. It allows for flexible contracts and maturities between the lender and the borrower. And firms can choose who become their creditor with the use of private placement to forestall credit issue, litigations, and many other issues that can arise from not being able to meet repayment obligation from borrowing when they are to be paid.

Mezzanine Finance: Mezzanine debt capital generally refers to that layer of financing between a company's senior debt and equity, filling the gap between the two. Structurally, it is subordinate in priority of payment to senior debt, but senior in rank to common stock or equity. In a broader sense, mezzanine debt may take the form of convertible debt, senior subordinated debt or private "mezzanine" securities (debt with warrants or preferred equity). Mezzanine debt is used by companies that are cash flow positive to fund, such firms as requiring further growth through expansion projects; acquisitions; recapitalizations; and management and leveraged buyouts. When mezzanine debt is used in conjunction with senior debt it reduces the amount of equity required in the business. As equity is the most expensive form of capital, it is most cost effective to create a capital structure that secures the most funding, offers the lowest cost of capital, and maximizes return on equity. Mezzanine fills the gap between senior debt and asset based lending, and equity. Diagrammatically, it is represented as:

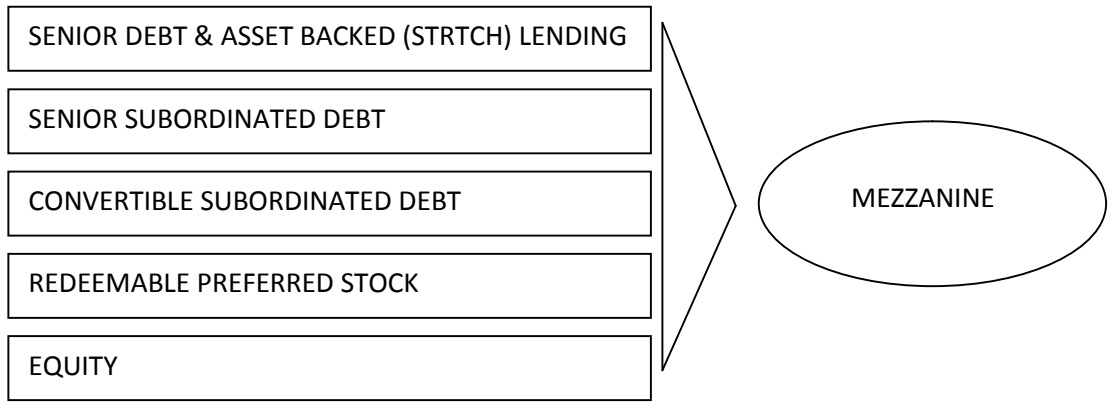

Figure 2.2: The Structure of Mezzanine Financing
Source: Fitch Ratings cited in Silbernagel & Vaitkunas (Undated)

Silbernagel & Vaitkunas (Undated) maintained that while there are no hard and fast rules for optimizing a company's capital structure, companies that are ahead of the curve use an efficient combination of senior debt, mezzanine debt, and equity capital to minimize their true cost of capital. In securing more capital a mezzanine structure allows a business

to reduce its cost of capital, and boost both return on equity and absolute profits. Mezzanine financings can be completed through a variety of different structures based on the specific objectives of the transaction and the existing capital structure in place at the company. The basic forms used in most mezzanine financings are: *subordinated notes and preferred stock.* Mezzanine lenders, typically specialist mezzanine investment funds, look for a certain rate of return which can come from four sources (cash interest, payable-in-kind interest, and ownership and participation payout). Mezzanine financings can be made at either the operating company level or at the level of a holding company (also known as structural subordination). In a holding company structure, as there are no operations and hence no cash flows, the structural subordination of the security and the reliance on cash dividends from the operating company introduces additional risk and typically higher cost. The advantage to the company is that the debt at the holding company level is not normally included in assessing the leverage or coverage ratios that constrain how much a company can borrow. An efficient firm in the oil and gas firm should follow the classification of various sources in the form as reflected in figure 2.2.

Multilateral Development and Bilateral Investment Institutions: Multilateral institutions such the World Bank, the International Finance Corporation (IFC) and regional banks like African Development Bank (AfDB) and bilateral investment agencies such as the export-import banks of industrialized countries make provision for financing of the oil and gas sector through lending to both state and private entities engaged in the exploration of oil and gas resources. They finance majorly commercial activities across different countries. This is a major source of finance for the oil and gas sector and account for the reason why firms are not listed in the local stock market where they are domiciled. They have varied class of financial product (such as equipment supplier's credit, equity and debt financing, financial derivatives (like forward, future, option and swaps), etc) that serves the sector particularly from the developing economies.

Portfolio Expansion

Cash Flow from Operations: these are also strategies of financing for the firm. But this has a lot to do with business trend and general price level particularly the price level in the global oil market. It is not a sustainable source of financing the oil and gas firms in Nigeria.

Project finance: The use of project financing has over the years witnessed growth in the oil and gas sector. However, for emerging markets of Nigeria and elsewhere, bankability of a project is central to making oil and gas investment. To augment domestic inadequacies in term of comprehensive insurance cover, (foreign) and local investors making definitive investment in oil and gas projects in Nigeria might be able to explore the Multilateral Investment Guarantee Agency (MIGA) to provide risk insurance cover as Nigeria is both a signatory and subscriber to the MIGA Convention.

Bank Loans: This is a major source of finance for the oil and gas sector, particularly the oil marketers. The oil marketer relied heavily on bank loan and government subsidy to be able to meet their short term obligation this is different from the cases of those firms in the oil and gas that are involved in the exploration and refining activities which involves heavy capital requirements. Bank loans are the most flexible source of short-term debt financing for working capital and at times most flexible in the draw down and repayment profiles. This is a major source of finance for moderately geared borrowers.

Timely Funding of the Joint Venture Cash Calls: Before the present crude oil price recovery, the funding of joint venture cash calls has been a major challenge for the realization of the nation's planned hydrocarbon reserves and production enhancement. Several million dollars have been owed to the operators and this has created some creditability problems for Nigeria. In an effort to reduce the financial burden of this strategic business, the government has encouraged production sharing contracts (PSC) for allocation of acreage.

In addition to the foregoing financing strategies, Okubote (2014) opined that the following strategies must be adopted to restructure and reposition the oil and gas industry in Nigeria in the wake of dwindling oil price in the international market.

Technological Improvement: Over the years, firms in the oil and gas industry have improved technically with particular reference to the success story of the Nigerian Liquefy Natural Gas company (NLNG). Sharing of technology across the globe has become a major practice in the oil and gas sector which has also impacted positively on the sector in the country. Technology has improved tremendously in all phases of the industry from surface geology to seismic data gathering and interpretation, drilling, production, refining, shipping and distribution. In the upstream sub-sector, advances made in the acquisition, processing and interpretation of data in recent times will go a long way to effectively locate potential hydrocarbon deposits at reduced risk and cost. The corporation should enter into profitable strategic alliances for potential transfer of technology and enhance its operational efficiency in these areas of operation.

Ensuring Harmony through Sustainable Corporate Social Responsibility: There is a general agreement in the management literature that there is a mutual relationship between the community and the business and that development thrives in atmosphere of peace and harmony. This is the doctrine of corporate social responsibility. The Niger Delta Development Commission and the Ministry of Niger Delta have been major institutions working hard and liaison with the host communities and firms in the oil sector to see to a peaceful and equity environment for exploration of oil and gas resources.

The Passage of the Petroleum Industry Bill into Law: Now that the Petroleum Industry bill has been collectively passed in both houses of the national assembly waiting for the president to assent to it, it is hoped that when signed into law, Nigeria's oil and gas industry will become more purposeful with viable strategic direction and a model to compete in the global oil and gas industry. We are confident that the Petroleum Industry Bill will no longer be politicized or considered with sentimental tendencies (Mgbame, Donwa & Osunbor, 2015).

Impact of Oil and Gas Financing on the Nigerian Economy

It is a known fact that oil is a major source of energy in Nigeria and the world in general. Oil being the mainstay of the Nigerian economy plays a vital role in shaping the political economy of the country. Therefore, financing the oil and gas sector will no doubt impact on the economy in several ways especially for the fact that the Nigerian economy is basically an open economy with international transactions constituting an important proportion of her aggregate economic activities. No doubt, the oil and gas sectors financing especially through public-private partnership, investment bonds, and financial derivatives, project financing and multilateral institutions can impact positively on the economy if properly harnessed. It will certainly create employment opportunities. With the inclusion of the private sector to play a more active role as evidenced in the public-private partnership, jobs can be created in the construction of refineries, transportation of materials and equipment, building of staff housing and recreational facilities, drilling operations, supervisory and managerial functions. Besides, the Nigerian economy will benefit if these oil and gas financing strategies are adopted as the Gross Domestic Product (GDP) and the value added derivable in the industry will be increased. The industry's value added can be obtained by adding together the various payments to the government in form of rents, royalties, profit taxes, the wages and salaries of employees paid locally and any net retained earnings.

The oil and gas industry can provide more revenue for the Nigerian government when adequately financed. Also the foreign exchange reserve can be improved upon through the sales of oil and gas products especially in the international oil market. The Nigeria oil and gas industry also has the potential of providing cheap and readily available energy for industries and commerce through the operation of the local refinery of natural gas. Financing, encouraging and licensing of indigenous refineries such as modular refineries will no doubt contribute to capacity building that will in the long run lead to increased capacity utilization and hence sustainable growth and development. This will help curtail

youth restiveness and the illegal activities of the Niger Delta Avengers and ensure that our full growth potential as a country is realized as government and private investors engage in meaningful and fruitful oil and gas financing and investment. These strategies can improve on Nigerian investment environment over time. Also the fiscal regime has been near stable while the industry has experienced growth in real terms over time. Investment in the Nigerian oil and gas industry had continued to grow steadily between 2005 and 2010. More than $ 67 billion of new investment was recorded during the foregoing period. With the enactment of the Nigerian local content policy initiative, a significant portion of new investment in the industry is being retained in the country (Akanni, 2011). The oil and natural gas export have generated huge revenue for government and have a surplus balance of payment over the years. The huge revenue from oil export only benefit 1% of the population due to corruption in Nigeria (Odularu, 2008). The mismanagement over the years has hindered economic reforms from achieving its full economic potentials. However, Nigeria Gross Domestic Product at purchasing power parity become more than doubled from $ 170.7 billion in 2005 to $ 374.3 billion in 2010, with informal sector patting the actual numbers greater than $ 374.3 billion. The gross domestic product per capita doubled from $12.00 per person in 2005 to an estimated $2500 per person in 2009, with the informal sector included, the Gross domestic product per capita was estimated around $3,500 per person (Samad, 2011). The Nigerian economy is tied to oil and gas as her budget factor and fluctuations in the world oil market tends to affect its economy. We are convinced that the present administration will lay more emphasis on oil and gas financing as evidenced by the amount budgeted for the Niger Delta ministry and the Niger Delta Development Commission in the 2018 budget.

Conclusion and policy recommendations

The oil and gas industry in Nigeria and across the globe has been experiencing a period of major investment, with upstream spending topping the list with $700 billion in 2013(NNPC, 2014). This record level of investment is set against a backdrop of over the next 20 years to finance its contribution to the world's future energy needs. Despite the industry immense appetite for capital, compared to other capital intensive industries, it has been relatively conservative when it comes to financial structuring. It is therefore recommended that government should adopt long term financing strategies compatible with the complexities of the oil and gas sector investment. In addition, deliberate and conscious effort should be made by the present administration to ensure that attention is given to the Niger Delta by providing basic infrastructural facilities, as this will help curtail the level of militancy in the region in order that Nigeria can fully realize her financial and growth potential as an oil and gas producing economy. Firms should also use various other sources that are from within the country the firm is domiciled to increase the stake of people of that nation in protecting oil facilities and minimum risk of conflict that will increase the firm liabilities.

References

Adeniji, G. (2008). The Nigerian gas master plan: Legal regulatory and policy issues.

Agusto, O. (2004). The Nigerian downstream oil sector: A market study report conducted by Alliance Consulting.

Agusto, O. (2002). Industry report-oil and gas (upstream) conducted by Agusto & Co. Limited, April.

Akanni, O. P. (2011). Oil wealth and economic growth in oil exporting African countries. AERC Research Paper

Ariweriokuma, S. (2009). The Political economy of oil and gas in Africa: The case of Nigeria. New York: Routledge.

Brogan, A. (2014). Funding challenges in the oil and gas sector: Innovative financing solutions for oil and gas companies. EYGM Limited.

Constitution of the federal republic of Nigeria (CFRN). 1999 (as amended)

Gnansonuou, E. (2008). Boosting the electricity sector in West Africa: An integrative Vision. *International Association of Energy Economies, Third Quarter,* at 23.

KPMG (2014, June). *Nigeria's oil and gas industry brief.* KPMG Nigeria.

Mgbame, C. J., Donwa, P. A., & Osunbor, E. O. (2015). Nigerian oil and gas sector background, reform efforts and implication for economic growth, *International Journal of Multidisciplinary Research and Development*, 2(9), 508-515.

NNPC. (2008). *Nigerian National Petroleum Corporation: 2008 Annual statistical bulletin*. Abuja: NNPC corporate planning and development division

NNPC. (2014). *Nigerian National Petroleum Corporation: 2008 Annual statistical bulletin*. Abuja: NNPC corporate planning and development division

Obuaya, T. (2005). Local content implementation in Nigeria: a road map. Paper presented at the Nigerian oil and gas conference, Abuja, Nigeria.

Obasi, N. K. (2003). Foreign participation in the Nigerian oil and gas industry sourced online.

Odularu, G. O. (2008). Crude oil and Nigerian economic performance. *Financial Economics Journal*, 3(2), 15-22

Ogbodo, J. (2008). Government unfolds new plans to boost local content. Retrieved from: (a) http://www.guardiannewsngr.com/news

Okara, K., & Atekobo, T. (2011). Private sector participant in developing public infrastructure in Nigeria- The Legal Framework.

Okubote, J. T. (2014). Repository Nigeria's oil and gas industry. *CPDD Review*, 17-32.

Samad, A. (2011). Exploiting exports and economic growth causality in Nigeria. *Journal of Economic and Behavioral Studies*. *2*(3), 92-96.

Silbernagel, C., & Vaitkunas, D. (Undated). Mezzanine Finance. Bond Capital, With a supplement by Ian Giddy.

Warner, M. (2007). Community content: The interface of community investment program with local content practices in the oil and gas development sector. Briefing Note 9, London: ODI (www.odi.org.uk/business).

Influence of Workplace Environment on Employees Performance: A study of Industrial Firms in Minna Niger State

Ruth Joseph
Department of Business Administration,
Faculty of Administration,
Nasarawa State University, Keffi
Correspondence: rutex234@yahoo.com

Abstract

The type of work environment in which employees operate determines the way in which such workers perform their duties. The work place environments in most of organization are adjudged to be unsafe and unhealthy majorly due to poorly designed workstations, unsuitable furniture, lack of ventilation, inappropriate lighting, excessive noise, insufficient safety measures in fire emergencies and lack of personal protective equipment. People working in such environment are prone to occupational disease and it impacts on employee's performance. The study thus examines the influenceof work place environments on employee performance using descriptive research design. Regression analysis was used for the empirical analysis. Findings from the paper revealed that open office space has had no impact on Job effectiveness which in most cases had caused lot of distractions at work. It showed that the presence of noise and lack of office space reduces workers' productivity due to distractions and increase in job-related stress. More so inconsistency in the amount of light provided have not significantly enhanced my job efficiency. It is recommended that adequate provision should be made for good lighting. Alternative power supply such as generators of solar energy can be considered at the workplace because investment in lighting will enhance workers' productivity. More so, proper office space should be created for work privacy and less noise that distracts most of the workers. Workers of similar task can be paired in an office for smooth running of the organization.

Keywords: Work place environments, employee effectiveness and efficiency, employee performance, light Provision and office space

Introduction

All over the world, the productivity of workers have been viewed to have something to do with the environment in which they find themselves; that environment has an impact on people because human beings, unlike machines and other factors of production, are known to be very sensitive, not only to the vagaries of the job itself but to the ambient environment within which the job itself is being carried out. The factors of work environment had changed due to the changes in several factors such as the social environment, information technology and the flexible ways of organizing work processes (Hasun & Makhbul, 2015). When employees' are physically and emotionally fit will have the desire to work and their performance outcomes are expected to increase. A proper workplace environment helps in reducing the number of absenteeism and thus can increase the employees' performance which leads to increased productivity at the workplace (Boles, 2014).

The workplace environment is the most critical factor in keeping an employee satisfied in today's business world. Today's workplace is different, diverse, and constantly changing. The typical employer/employee relationship of old has been turned upside down. Workers are living in a growing economy and have almost limitless job opportunities. This combination of factors has created an environment where the business needs its employees more than the employees need the business (Smith, 2011).Closed office floor plan, whether each employee has a separate office of their own or there are a few people in each closed office, allows staff a greater amount of privacy than an open plan office layout. They have the chance to work in peace and quiet, keeping them focused on the tasks in hand without getting overtly distracted by what their colleagues are doing. It offers employees a thinking fame or be creative without much interruption (Mwbex, 2010). In the open office plan, noise existence is stressful and demotivating, posses' high level of distraction and disturbance coupled with low privacy level (Evans & Johnson, 2000). With technological development, innovative communication methods, virtual reality; e-market improvement and alternative work patterns, workplace continues to change rapidly (Challenger, 2000).

To accommodate these rapid changes while maintaining or improving outcomes, organizations have increasingly turned to some version of environment such as open office space (Terricone and Luca, 2002). This type of work environment supports new styles of working and flexible workplaces which offers interpersonal access and ease of communication compared to fully enclose private offices. This change to open plan office has increased employee's productivity compared to closed office spaces (Becker, 2002). Better outcomes and increased productivity is assumed to be the result of better workplace environment. Better physical environment of office will boosts the employees and ultimately improve their productivity. Various literature pertain to the study of multiple offices and office buildings indicated that the factors such as dissatisfaction, cluttered workplaces and the physical environment are playing a major role in the loss of employees' productivity (Carnevale 1992,Clements- Croome 1997).

The work place environment in majority of organization is unsafe and unhealthy. These includes poorly designed workstations, unsuitable furniture, lack of ventilation, inappropriate lighting, excessive noise, insufficient safety measures in fire emergencies and lack of personal protective equipment. People working in such environment are prone to occupational disease and it impacts on employee's performance. Thus productivity is decreased due to the workplace environment. It is a wide industrial area where the employees are facing a serious problem in their work place like environmental and physical factors. So it is difficult to provide facilities to increase their performance level.

Two research questions are raised to assist the research, they are:

i. How has light provision influenced Job efficiency among the employees of selected firms in Minna, Niger state?
ii. What influence does open office space have on job effectiveness among the employees of selected firms in Minna, Niger state?

The hypotheses which are captured in null forms are:

Hypothesis One: H_{01}: Ample amount of light provided have not significantly enhanced Job efficiency

Hypothesis Two: H_{02}*:* Open office space has no significant impact on Job effectiveness

Literature Review

Theoretical Review

Goal-setting Theory: The goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. Skills required include the ability to engage employees in mutual goal setting clarify role expectations and provide regular performance feedback. Time and energy will also need to be given to providing relevant performance incentives, managing processes, providing adequate resources and workplace training.It also advice that in order to drive the organization to peak performance managers and supervisors must put out front the human face of their organization. Principle here is the human-to-human interaction through providing individualized support and encouragement to each and every employee (Salaman et al, 2005). Employee performance is a major multidimensional construct aimed to achieve results and has a strong link with planned goals of an organization (Abbas and Yaqoob, 2009). Performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization (Sabir et al. 2012).

Employees 'goals achievement in this theory is by creating of work environment attractive, comfortable, satisfactory and motivating to employees so as to give them a sense of pride and purpose in what they do. How working environment is designed and occupied affects not only how people feel, but also their work performance, commitment to their employer, and the creation of new knowledge in the organization (Taiwo, 2009).

Expectancy Theory: The most widely accepted explanations of motivation have been propounded by Victor Vroom. His theory is commonly known as expectancy theory. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and shall result into realization of personal goal in form of some reward future events.

The theory focuses on three things efforts and performance relationship, performance and reward relationship, rewards and personal goal relationship (Salaman et al, 2005). This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. In order for employees to perform in this theory is by making sure each employee's workplace goals and values are aligned with the organization's mission and vision is important for creating and maintaining a high level of motivation. That can lead to higher productivity, improve employee performance, reduce the chances of low employee morale, encourage teamwork and instill a positive attitude during challenging times (Salaman et al, 2005).

Conceptual Framework

Concept of work environment: According to Wells (2010), work environment can be said as the environment in which people work that include physical setting, job profile etc. It doesn't mean that all these are equally important for better working environment however, each aspect is inter linked and influences employees overall productivity. It has been concluded by most management executives that productivity of employees stands up on the size of the compensation package. Uzee (2013), defined work environment as the surrounding conditions in which an employee operates. He asserts that the work environment can be composed of physical conditions, such as office temperature, or equipment, such as personal computers. It can also be related to factors such as work processes or procedures. Spector and Beer (2014) acknowledged that work systems cannot only affect commitment, competence, cost effectiveness and congruence but also have long term consequence for workers' well being; there are some evidences to indicate that work systems designs may have effects on physical health, mental health and longetivity of life itself. Conducive work environment ensures the well-being of employees which invariably will enable them exert themselves to their roles with all vigour that may translate to higher productivity (Akinyele, 2017).

Kohun (2012), defined work environment as an entirely which comprises the totality of forces, actions and other influential factors that are currently and, or potentially contending with the employee's activities and performance. Work environment is the sum of the interrelationship that exists within the employees and the employees and the environment in which the employees

work. Brenner (2014) was of the opinion that "the ability to share knowledge throughout organizations depends on how the work environment is designed to enable organizations to utilize work environment as if it were an asset. This helps organizations to improve effectiveness and allow employees to benefit from collective knowledge". In addition, he argued that work environment designed to suit employee's satisfaction and free flow of exchange of ideas is a better medium of motivating employees towards higher productivity. However, work environment when appropriately designed, motivates employees toward higher productivity. Work environment, according to Opperman (2012), is a composite of three major sub-environments via: the technical environment, the human environment and the organizational environment. Technical environment refers to tools, equipment, technological infrastructure and other physical or technical elements. The technical environment creates elements that enable employees perform their respective responsibilities and activities. The human environment refers to peers, others with whom employees relates, team and work groups, interactional issues, the leadership and management. This environment is designed in such a way that encourages informal interaction in the work place so that the opportunity to share knowledge and exchange ideas could be enhanced. This is a basis to attain maximum productivity. Organizational environment include systems, procedures, practices, values and philosophies. Management has control over organizational environment. Measurement system where people are rewarded on quantity, hence workers will have little interest in helping those workers who are trying to improve quality. Thus, issues of organizational environment influence employee's productivity.

Kyko (2015) posited that there are two types of work environment. These are identified as Conducive Work Environment and Toxic Work Environment. Conducive work environment gives pleasurable experience to employees and enable them to actualize their abilities and behavior. It also reinforces self-actualizing behavior. For instance, an irresponsible employee changing into a responsible employee in a conducive work environment. Toxic environment according to him brings about unpleasant experiences and at the same time, deactualize employees' behaviour. It reinforces low self-actualizing behaviors and it leads to the development of negative traits of the employees' behaviour.

However, in a toxic work environment, responsible and sensible employee can change into irrational and irresponsible employee as a survival strategy (Kyko, 2015). He identified six factors which contribute to a toxic work environment hence contributing to low productivity of workers. These factors are opaque management, biased boss, and company's policies, working conditions, interpersonal relationship and pay. According to Yesufu (2014), the nature of the physical condition under which employees work is important to output. Offices and factories that are too hot and ill-ventilated are debilitating to effort. There should be enough supply of good protective clothing, drinking water, restrooms, toilets, first aids facilities etc. Both management and employees should be safety conscious at all times and minimum or requirement of the organizations act must be respected. These factors may be important yet believing that the attitude and management style of mid-level managers are what really influence employee productivity (Steers & Porter, 2010; Christensen, 2012).

It is generally agreed that the more manager can answer the question of what motivates their employees accurately, the more effective they will be at enhancing performance and advancing the notion of organizational accountability (Chernis & Kane, 2014). Lambart (2015) opines that labour productivity is rarely measured directly but inferred from changes in employees' attitude and behaviour such as organization commitment, organizational citizenship behaviour and job satisfaction. An effective work environment management entails making work environment attractive, creative, comfortable, satisfactory and motivating to employees so as to give employees a sense of pride and purpose in what they do (Brenner, 2014). Concept of Employee Performance: Employee performance is a very critical factor in every organization. It is the basis of the success of an organization which, in all aspects, is dependent on individual employee performance. In other words, if an individual performs according to the expected standards, then organization performance will be enhanced and improved (Chegini, 2010). It is, therefore, logical that employee performance is an extremely important criterion that relates to organizational outcomes and success.

Given the importance of employee performance, management has to carry out an in-depth analysis of their employees and find out the determinant factors that will increase high employee job performance. Factors used to measure an individual job performance vary from one field of work to another. For example, in the healthcare industry, these factors will include the relationship of work experiences, job stress and psychological wellbeing (Burke, 2016). In the research industry, the employee performance can be measured by two categories, which are personal and environmental. Campbell (2010) came up with three core determinants of employee performance, which he classified under declarative knowledge, procedural knowledge and skill and motivation. He noted that these three are the core of any employee performance, as one should have the complete knowledge about the task at hand. They must possess the required skills to perform the task and should have complete understanding of how to do it and lastly, have the level of motivation to perform the task with maximum will and efforts.

Empirical literature

Over time, various scholars have examined the impact of working environment on productivity of employees with mixed results. For example, Mohanty, Susmitaparija and Ghansyamsahu (2012) found that a positive relation exists between workplace environment and employee performance and found that any change in working climate impacts on performance. Similarly working environment also impacts on job satisfaction as studied by Bakotic and Babic(2013) that employees prefer to work in working environment that is less risky. Similarly office design also impacts on performance environmental factors are source of motivation by employees as pointed out by Aminaand Shehla (2009). Mokaya et al. (2013) found that factors like working conditions, remuneration and promotions play important role for employees' level of job satisfaction. Ollukkaran and Gunaseelan (2013) found that how well employees engage with their working environment, it will have positive impact on employees' performance level. Smrita et al. (2010) found that the development of good culture in the organization affects employees' level of motivation. Mcguire and Mclaren (2017) found that a working environment has a strong impact on employees' wellbeing and develops interaction, collaboration and innovation and

increase job satisfaction. In studying the impact of indoor environment, Roelofsen (2007) found that indoor environment has great impact on job performance and level of performance can be increased from 5 to 15percent because of improving working conditions. Work place level also impacts on employees stress as according to Vischer (2006) that a good working environment will lead to better fit between work space and employees and results in improving behavior and stress related emotions. A good working environment changes employees approach towards job as according to Berg (1999) job and overall working environment has substantial effect on worker's views about companies to help balancing work and family life. In describing factors constituting a healthy working environment, Goudswaard (2012) highlighted work life balance, motivation level psychological conditions, social dialogue, management and leadership coherence, transparency develop a good working environment and a good working environment leads to increase organization productivity. Yasin Sheikh Ali et al. (2013) found that the productivity of employees will increase by keeping working conditions and working environment up to certain threshold level and subsequently will decrease if work load will increase from above certain threshold level Haynes(2008) found that the behavior components of working environment have more impact than the physical components of working environment and in the environment where level of interaction is high, supports creativity and transfer of transactional knowledge.

Sehgal (2015) found that office design plays vital role in increasing employees' productivity level. It has been observed by the scholars that the work place environment contributes to 24% in job satisfaction. It increases productivity level of an individual by 5% and team performance can be increased to 11% through developing good working environment. Arokiasamy (2013) found that the factors like compensation, rewards, job security and working environment increase level of commitment and sense of belonging with the organization. Noah and Steve (2012) found that a working environment in an organization increases level of job satisfaction that ultimately leads to achievement of organization goals. Noise is one of the leading causes of employees' distraction, leading to reduced productivity, serious inaccuracies, and increased job-related stress. According to Bruce (2008), study showed that workplace distractions cut employee productivity by as much as 40%, and increase errors by 27%. Also, Moloney (2011) confirmed

the importance of natural light and air (ventilation) to worker productivity. The study showed a 3-18% gain in productivity in buildings with day-lighting system.

Research Methodology

Research Design: For the purpose of this study, descriptive research design was used. The descriptive design describes phenomena as they exist. It issued to identify and obtain information on the characteristics of a particular problem or issue. Descriptive research design was selected because it has the advantage of producing good amount of responses from a wide range of people. Also, this design provides a meaningful and accurate picture of events and seeks to explain people's perception and behavior on the basis of the data collected. The advantage with this design is that it helps to find views as they are in their natural setting. The population of the study consists of some selected industrial firms in Minna, Niger State. A sample of 164 respondents was drawn up using Smith (1984) sample size formula out of 572 populations. A self-administered questionnaire was used in gathering the data used for the analysis. A five-point Likert scale of agree to disagree (that is, Agreed, Disagree, Undecided, Strongly Agreed and Strongly Disagreed) was used to measure the extent to which the various respondents agreed or disagreed with the issues raised. The regression method was adopted to find out the linear relationship between workplace management and employee performance. The justification for the use of regression method is because it measures the relationships existing between two or more variables. It is simple to compute without errors and it helps to illustrate the directional outcome and strength of the variable. It further shows a precise quantitative measurement of the degree of relationship between dependent and independent variables.

Following the research hypothesis, the following model was formulated:

$$JE = \beta_0 + \beta_1 AL + \mu_t \text{ ----------1}$$

$$JET = \beta_0 + \beta_2 OS + \mu_t \text{ ----------2}$$

Where;

JE = Job efficiency

AL = amount of light

JET = Job effectiveness

OS = office space

μ_t = Error terms

$\beta_1 - \beta_2$ = Slope coefficients of light provision and open office space

β_0 = Intercept parameter estimate

Results and Discussion

Test of Hypotheses

The decision rule for accepting or rejecting the null hypothesis is also based on the Probability Value (PV). If the PV is less than 5% or 0.05 (that is, PV < 0.05), it implies that the regressor in question is statistically significant at 5% level; otherwise, it is not significant at that level.

Hypothesis One: H_{01}: Ample amount of light provision have not significantly enhanced Job efficiency

Table 1: Regression Model Result

Dependent Variable: Job Efficiency			
Method: Least Squares			
Variable	**Coefficient**	**t-value**	**Prob.(p)**
Constant	2.57738	0.32176	0.7479
Ample amount of light	0.25162	1.59860	0.0812
R-squared	0.71795		
Adjusted R-squared	0.66712		
F-statistic	1.59524		
Prob(F-statistic)	0.08124		
Durbin Watson	1.78		

Source: Author's Computation Using Minitab (2019)

The estimates from the regression result on Table 1 revealed that the calculated t-value for the ample amount of light provision and Job efficiency is 1.59 and the critical value is 1.96 at 95% confidence level. This implies that t-calculated is less than t-critical (that is 1.59< 1.96) or p>0.05, that is 0.0812> 0.05. Since p>0.05, we accept the null hypothesis (H01) and reject the alternative hypothesis and conclude that ample amount of light provision has not significantly enhanced Job efficiency

Hypothesis Two: H_{02}*:* Open office space has had no significant impact on Job effectiveness

Table 2: Regression Model Result

Dependent Variable: Job effectiveness			
Method: Least Squares			
Variable	**Coefficient**	**t-value**	**Prob.(p)**
Constant	2.12112	3.70214	0.7479
Open office space	1.45819	1.95240	0.07421
R-squared	0.69249		
Adjusted R-squared	0.51064		
F-statistic	1.95055		
Prob(F-statistic)	0.07354		
Durbin Watson	1.96		

Source: Author's Computation Using Minitab (2019)

From regression result on Table 2, the calculated t-value for the relationship between office space and Job effectiveness is 1.95 and the p-value computed is 0.074 at 95% confidence levels. Since the p-value is greater than 0.05 used as the level of significance, we accept the null hypothesis (H02) and conclude that Open office space has had no significant impact on Job effectiveness

Discussion of findings

The finding shows that ample amount of light provided have not significantly enhanced my Job efficiency. Quality lighting programme will boost productivity and performance reduces fatigue and eyestrain (assurance of good health for worker), thereby increasing organizational productivity. A better lighting at the workplace will help prevent accidents, help workers improve eye-hand coordination and thereby improve productivity and lower rejection/defective rates. The company also realizes intangible benefits that are associated with better employee morale, reduction in accident rates because workers can see what they are doing better. This is in line with the finding of Hameed and Amjeed (2009) that accomplishing daily task with dim light by employees causes eyestrain, headaches and irritability. Due to these discomforts employee's performance are greatly reduced.

Furthermore, the study discovered that open office space has had no impact on job effectiveness which in most cases had caused lot of distractions at work. It showed that the presence of noise and lack of office space reduces workers' productivity due to distractions and increase in job-related stress. It is line with Bruce (2008) finding that reduction in workplace noise reduces physical symptoms of stress by as much as 27% and performance of data-entry workers increased with a 10% improvement in accuracy. Similarly, good ventilation and room temperature increased productivity and reduces stress in workers. Moloney (2012) confirmed this when it was established that controllability of system for thermal comfort and lighting improved productivity of workers between 0.2 and 3 percent.

Conclusion and Recommendations

Poor and unsafe workplace environment, result in significant losses for workers, their families, and national economy. A conducive workplace environment that aid the performance of work automatically improves productivity improved or adequate lighting improves productivity, fewer rejects, enhanced safety, lower insurance premiums, better morale and increased customer satisfaction. A good workplace communication will involve employees in the development and implementation of healthy workplace practices, virile employees, enthusiastic employers and sustenance of the organization.

The study thus recommends that:

i. Adequate provision should be made for good lighting. Alternative power supply such as generators of solar energy can be considered at the workplace because investment in lighting will enhance workers' productivity.

ii. Lastly, proper office space should be created for work privacy and less noise that distracts most of the workers. Workers of similar task can be paired in an office for smooth running of the organization.

References

Abbas, Q. and Yaqoob, S. (2009) *Effect of leadership development on employee performance in Pakistan*, Pakistan Economic and Social Review, Vol. 47, pp. 269-292.

Akinyele, S. T. (2017). A critical assessment of environmental impact on workers productivity in Nigeria. *Research Journal on Business Management.* 1(1), 50-61.

Arokiasamy, A. R. A. (2013). "A study on employee satisfaction perspectives in the hotel industry in Malaysia " International Journal of Management and Strategy 4(6).

Bakotic, D. and T. Babić (2013). "Relationship between Working Conditions and Job Satisfaction: The Case ofCroatian Shipbuilding Company." International Journal of Business and Social Science 4(2).

Becker, F. (2002). Improving organisational performance by exploiting workplace flexibility. *Journal of Faculty Management*, 1(2), 154-162.

Berg, P. and A. L. Kalleberg (1999). "The role of the work environment and job characteristics in balancing work and family."

Brenner, P. (2014). Workers physical surrounding. Impact bottom line accounting: *Smarts Pros.com*

Bruce. (2008). How much can noise affect your worker's productivity. Retrieved February 29, 2012 from http://www.office-sound-masking.com/2008/02/29.

Christensen, P. (2012). Motivational strategies for public managers: The budgetary belt tightening precipitated by the recession has placed renewed emphasis on the importance of employee motivation. *Government Finance Revision*. 18, 30-35

Evans, G.W., & Johnson, D. (2000). Stress and open-office noise. *Journal of Applied Psychology*, 85(5), 779-783.

Haynes, Barry (2008) An evaluation of the impact of the office environment on productivity. Facilities, 26 (5/6). 178-195. ISSN 0263-2772

Kohun, S. (2012). *Business environment*. Ibadan: University Press

Kyko O.C. (2015). *Instrumentation: Know Yourself and Others*. New York: Longman

McGuire, D. & McLaren, L. (2007). "The Impact of Physical Environment on Employee Commitment in Call Centres: The Mediating Role of Employee Well-Being", Team Performance Management, 14(6).

Mokaya, S. O., et al. (2013). "Effects of Organizational Work Conditions on Employee Job Satisfaction in the Hotel Industry in Kenya." International Journal of Arts and Commerce 2(2): 79-90.

Moloney, Claire. (2011). Workplace productivity and LEED building. Retrieved February 29,

Noah, Y. & M. Steve (2012). "Work Environment and Job Attitude among Employees in a Nigerian Work Organization." Journal of Sustainable Society **1**(2), 36-43.

Ollukkaran, B. a. and D. R. Gunaseelan (2012). "A study on the impact of work environment on employee performance." International Journal of Management Research 2(2), 71-85.

Opperman C. S. (2012). Tropical business issues. Partner Price Water House Coopers 2012 from http://www.green-building.com/content.

Roelofsen, P. (2002). "The impact of office environments on employee performance: The design of the workplace as a strategy for productivity enhancement."*International Journal of Management Research*, 11(3): 247-264.

Sabir, M. S., Iqbal, J. J., Rehman, K., Shah, K. A. and Yameen, M. (2012).Impact of corporate ethical values on ethical leadership and employee performance. *International Journal of Business and Social Science, 3(2),. 163-171*

Salaman, Graeme; Storey, John; Billsberry (2005).*Strategic Human Resource Management: Theory and Practice.*2nd Edition. Sage Publications Ltd.

Sehgal, S. (2015). "Relationship between Work Environment And Productivity." International Journal of Engineering Research and Applications **2**(4): 1992-1995.

Smith, D.G. (2011). *Work environment more important to employees*. Retrieved November 25, 2011 from http://www.businessknowhow.com

Spector, B., & Beer, M., (2014). Beyond TQM programs. *Journal of Organisational Change Management,* 7(2), 63–70.

Steven, M.S. (2003). *Economics: Principles in action*. New York: Pearson Prentice Hall

Taiwo, A. S. (2009). The influence of work environment on workers' productivity: a case of selected oil and gas industry in Lagos, Nigeria. *African Journal of Business Management, 4(3), 299-307.*

Vischer, J.C. (2006). The concept of workplace performance and its value to managers. California Management Review, 49(2), 62-79

Yasin, Sheikh Ali et al.. (2013), "Measuring the Impact of Daily Workload upon Plant Operator Production Performance using Artificial Neural Networks", Civil Engineering and Environmental Systems, 21(4).

Yesufu T. M. (2014). *The dynamics of industrial relations: The Nigeria experience*, Ibadan: University Press Limited