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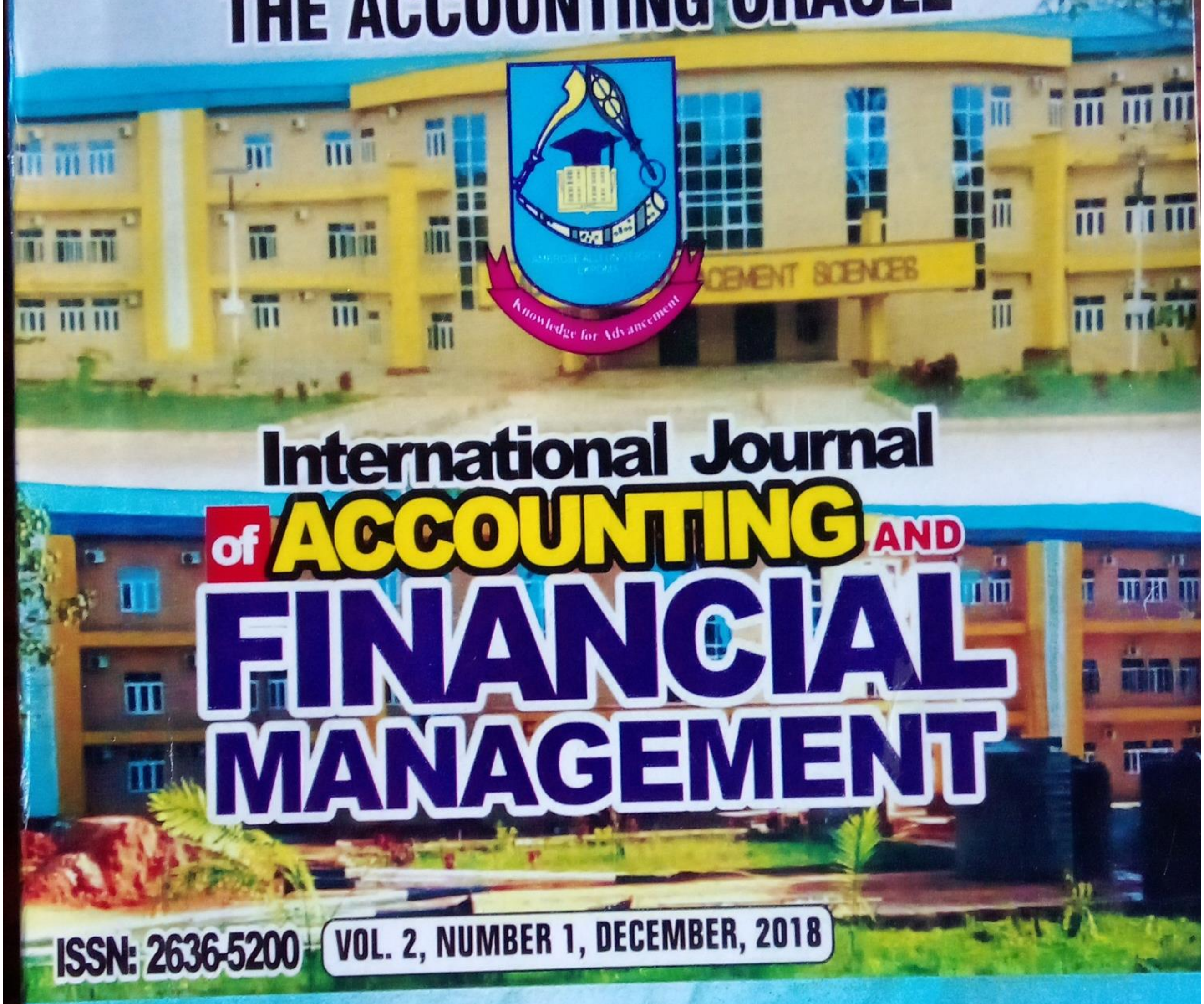

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a. inno Printer Press,
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Phone: +2348035417798; +2348184554499

Department of Economics,
Faculty of Social Sciences,
Ambrose Alli University,
PMB 14,
Ekpoma, Nigeria

Professor E. J. Ofanson
Department of Banking & Finance,
Faculty of Social Sciences,
Ambrose Alli University,
PMB 14,
Ekpoma, Nigeria

Official Address

Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University,
PMB 14, Ekpoma, Nigeria

Correspondence

All correspondences should be addressed to:

The Managing Editor,
Accounting Oracle,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University,
PMB 14, Ekpoma, Nigeria
E-mail: okolieaustin@yahoo.co.uk; okoaust@gmail.com
Phone: +234 (0) 8033750403; +234 (0) 8056428335

List of Contributors

ADEWALE, Omotayo Vincent
Department of Management Science,
College of Social and Management Sciences,
Wesley University,
Ondo State,
Nigeria
dir.ptsudies@wesleyuni.edu.ng

Agweda, F.,
Department of Accountancy,
School of Business Studies,
Auchi Polytechnic, Auchi

Aigbokhaevbolo, O. M.,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, PMB 14,
Ekpoma, Edo State, Nigeria

Akhalumeh, P.,
Department of Accountancy,
School of Business Studies,
Auchi Polytechnic, Auchi

Adonor Eseohe Grace; Bsc
Department of Accounting,
Faculty of Management Sciences,
Ambose Alli University,
Ekpoma, Nigeria.
adonoreseohe@yahoo.com; 08058815592,

Ehizele Dean Okoduwa
Department of Accounting
Faculty of Management Sciences
University of Lagos, Akoka, Lagos State.
ehizele.okoduwa@gmail.com

EMMANUEL, Bolaji Priscilla (CNA)
Bursary Department,
Edo State Polytechnic, Usen,
Nigeria
emmaunel.bp@esitmusen.edu.ng; 08067056107

Erakpotobo Vincent Oyovwevotu
Department of Business Administration
Faculty of Management Sciences
University of Benin,
Benin City, Nigeria
mayovglobalresources@gmail.com; vintobo55@yahoo.co.uk

08147667993

IGBINOVIA Gloria Oghomwenyemwen
Department of Accounting
Faculty of Management Sciences
Ambrose Alli University, Ekpoma
Edo State, Nigeria
Tel: 08065161207
Email: jamoriaigbins@yahoo.com

Igudia, Patrick Ohunmah
Department of Business Administration,
Faculty of Management Sciences,
AmbroseAlli University,
Ekpoma, Edo State; Nigeria
poigudia@yahoo.co.uk ; patrickigudia@aauekpoma.edu.ng

Ikhuoriah Abdul-Jalil Osagie
Department of Accounting
Faculty of Management Sciences
University of Lagos, Akoka, Lagos State.
Jalil.francis@gmail.com
08139176247

Isabu Peter,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University,
Ekpoma,
Nigeria,
ofansonce@aauekpoma.edu.ng;
07063358944

Itua Paul Ohue
Department of Business Administration,
Faculty of Management Sciences,
AmbroseAlli University,
Ekpoma, Edo State; Nigeria
ohuepaulitua@yahoo.com

IZEVBEKHAI, Monday Olade, (PhD)
Accountancy Department,
Auchi Polytechnic, Auchi.
E-mail: mondayizevbekhai75@gmail.com
Phone: +234-806691858

OBAGAH, Yakubu, N.
Accountancy Department,
Auchi Polytechnic, Auchi.
Phone: +234-8035672405

ODION, Abuere Oziegbe (PhD)
Accountancy Department,
Auchi Polytechnic, Auchi.
Phone: +234-8034725638

Ofanson, C. E.
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, PMB 14,
Ekpoma, Edo State, Nigeria
08174702968, 08033750403, 08055256880 & 07063358944

Ofanson, E. J.
Department of Banking & Finance,
Faculty of Management Sciences,
Ambrose Alli University,
Ekpoma,
Nigeria,

Oghuma, R. I.
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, PMB 14,
Ekpoma, Edo State, Nigeria

Ogunkuade, Zaccheaus
Department of Accountancy,
School of Business Studies,
Auchi Polytechnic, Auchi

OHONBA, Nosa (PhD)
Department of Accountancy,
University of Benin,
Benin city.
Phone: +234-8056504726

OKUWHERE, Mirhiga Peter
Department of Entrepreneurship
Faculty of Management sciences,
University of Benin, Benin City
omomirhiga@gmail.com.
+2348038557136

OLOWOYO, Banji Jacob
Department of Banking and Finance,
Faculty of Management Sciences,
Ekiti State University, Ado Ekiti,
Ekiti State,
Nigeria.
banjiolowoyo@yahoo.com; 08036544424

OMOREGIE, Nosa .A.E. (Ph.D, CNA)
Department of Accounting,
Ambrose Alli University, Ekpoma,
Nigeria
Nosamoregie123@gmail.com; 08060845942

ONIMAWO, Janet A.; PhD
Department of Public Administration,
Faculty of Management Sciences,
Ambrose Alli University, Ekpoma, Edo State
08060746357
achijaneonimawo49@gmail.com

ONOMUHARA, Oke Godwin; *M.Sc*
Department of Accounting,
School of Business and Management Sciences,
Igbinedion University, Okada,
Edo State,
Nigeria.
fgoken@gmail.com.08035502874.

OSAGHE, Victor
Department of Public Administration,
School of Business
Edo State Polytechnic, Usen.
08069562658
osaghevictor@gmail.com

Table of Contents:

Corporate Social Responsibility Disclosures and Tax Aggressiveness of Listed Companies in Nigeria

ADEWALE, Omotayo Vincent; PhD
Department of Management Science,
College of Social and Management Sciences,
Wesley University,
Ondo State,
Nigeria
dir.ptsudies@wesleyuni.edu.ng

OLOWOYO, Banji Jacob
Department of Banking and Finance,
Faculty of Management Sciences,
Ekiti State University, Ado Ekiti,
Ekiti State,
Nigeria.
banjiolowoyo@yahoo.com; 08036544424

ONOMUHARA, Oke Godwin; *M.Sc*
Department of Accounting,
School of Business and Management Sciences,
Igbinedion University, Okada,
Edo State,
Nigeria.
fgoken@gmail.com.08035502874.

Abstract

This study examined corporate social responsibility disclosures and tax aggressiveness in Nigerian listed companies. The sample size of the study is base on the total population of one hundred and eighty six (186) listed companies Nigeria for 2008 to 2016 and excludes financial services and oil and gas companies. *The study analysed date with Pearson correlation and multivariate regression statistical analyses method. The empirical findings showed that corporate social responsibility on environmental and social dimension disclosures both had a positive and significant relationship with tax aggressiveness in Nigerian listed companies. The study therefore concluded that Nigerian listed companies engaged in tax aggressiveness through corporate social responsibility activities disclosures. The study therefore recommended that investors should not base their decisions on the financial reports of the companies because it may not reflect the true position of the company. In addition, the government should make laws against tax aggressiveness emanating from corporate social responsibility disclosures in Nigeria.*

Keyword: *Corporate Social Responsibility Disclosures, Tax Aggressiveness, Stakeholder Theory*

1. Introduction

Corporate social responsibility has attracted a widespread attention in the contemporary times (Aguinis & Glavas, 2012) due to the rising pressure on firms to behave socially. According to Habbash (2016), companies measures and demonstrates how their activities affect different stakeholders including societies and the environment. This extends the accountability of managers to incorporate social and environmental dimensions in their accounting measurements and disclosures. This therefore served as mechanism to communicate whether or not firms behave socially and to what extent firms respect society and the environment.

Following to this, according to Benn and Bolton (2011), a number of worldwide efforts have put forward initiatives such as the Global Reporting Initiative (GRI), Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, United Nations Global Compact and many others for standardising the provision of social and environmental disclosures and providing global reporting guidelines. Based on this global effort demonstrated, Dhaliwal et al. (2011) observed that companies started demonstrating corporate social responsibility activities through disclosure from different communications methods, such as annual reports, standalone reports, and websites.

This therefore led to a fundamental growth in corporate social responsibility disclosure literature, more opportunities has unveiled for research and a number of themes have emerged in the literature. However, much empirical evidence has not been indicated in literature especially from the perspective of undeveloped economies, like Nigeria (Nadiah, Nadiah1,Wan NurSyakirah1, Mastora, Rohayu1, & Rozainun,). It is against this backdrop, this study sought to investigate the relationship between corporate social responsibility disclosures and tax aggressiveness in Nigerian listed companies.

1.2 Research Hypotheses

Based on the above, the study proposed the following formulated hypotheses for testing and they are in null form:

H_1: There is no statistical significant relationship between corporate social responsibility on environmental dimension disclosure and tax aggressiveness in Nigerian listed firms.
H_2: There is no statistical significant relationship between corporate social responsibility on social dimension disclosure and tax aggressiveness in Nigerian listed firms.

2. Literature Review

2.2 Conceptual Review

2.2.1 Tax Aggressiveness

There are several definitions of tax aggressiveness in literature but this study adopt the definition proposed by Khurana and Moser (2013), that tax aggressiveness can be substituted with tax avoidance, tax planning and tax sheltering. It is tax avoidance because it implied either managerial value-maximizing behaviour or a greater potential for agency conflicts between managers and shareholders (Wang, 2012). According to Lakhotia and Lakhotia (1998) in Ilaboya, Izevbekhai and Ohiokha (2016), tax planning takes minimum advantage of the exemptions, deductions, rebates, reliefs and other tax concessions allowed by tax statutes, leading to the reduction of the tax liability of the taxpayers.

2.2.2 Corporate Social Responsibility Disclosures

Literatures indicated that the definitions of corporate social responsibility are numerous and adhered by every organization (Nadiah, et al., 2017). However, we generally relate to this study the definition by the European Union (2013) which defined corporate social responsibility as a management concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntarily basis. This definition is adopted in this study because of the strong focus on stakeholders and also because it covered a broad understanding of corporate social responsibility (Öberseder, Schlegelmilch, & Murphy, 2013).

2.3 Review of Empirical Studies

The relationship between tax aggressiveness and corporate social responsibility disclosures has attracted tremendous research interest. However, controversial result existed on the subject. This is indicated as follows:

In Korea, Kim and Im (2017) attempted to find a causal relation between financial ratios and tax avoidance. The study included 491 firms listed on the Korean Exchange from 2005 to 2007 and used descriptive, correlation and regression analytical method to analysed the data. The result suggested that corporate social responsibility activities deterred tax avoidance, specifically in those firms that are actively engaged in corporate social responsibility activities. In addition, the study found that passive involvement in corporate social responsibility activities does not have any influence on a firm's tax avoidance.

In Malaysia, Nadiah et al. (2017) examined whether the different dimensions of corporate social responsibility disclosure namely environment, social and governance would give significant effect on corporate tax aggressiveness or otherwise. The study covered data from the Public Listed Companies in Malaysia for the year 2014. The study used descriptive and regression analysis method to determine the relationship between the variables. The study found that disclosure items related to the corporate mission, code of ethics/business conduct, board composition and corporate governance statement give positive significant effect on corporate tax aggressiveness. This therefore indicated that corporate social responsibility disclosures as measured by social, environmental and governance significantly related with tax aggressiveness.

In Australia, Lanis and Richardson (2012) examined the relationship between corporate social responsibility and tax aggressiveness used cross-industry sample of 408 publicly listed Australian corporations for the period 2008/2009 financial year. The study analysed data with descriptive, correlation and regression statistical method and result showed that corporate social responsibility disclosure related to low tax aggressiveness.

In Indonesia, Sari and Herawati (2016) examined how the influence of corporate social responsibility disclosure towards the company's financial performance, fiscal correction, and tax aggressiveness on the mining companies listed in BEI. The samples used in this study are 27 mining companies listed and published in the period 2010 to 2012 and carried out descriptive Multivariate Analysis of Covariance. The result showed that corporate social responsibility activities only affects the fiscal correction, but do not effected on company financial performance and tax aggressiveness.

In United States, Zimmerman (1983) examined the association between firm size and tax aggressiveness and found that the fifty (50) largest US firms in his sample experienced higher tax rates from 1969 to 1981 and are involved in one tax aggressive behavior or the other.

In Nigeria, Agundu and Siyanbola (2017) examined interfacing and intervening variables using data from 13 distinguished firms among Nigerian Stock Exchange (NSE) top 30 to determine the relationship between variables. The study covered a period of 10 years 2006-2015.The study used analytical methods which involved descriptive, correlation and regression statistics, with robust, fixed and random effects consideration. The results provided that tax aggressiveness is significantly related with corporate social responsibility measured as environmental enhancement and community involvement.

In Nigeria, Mgbame, Chijioke- Mgbame, Yekini and Yekini (2017) investigated the effect of corporate social responsibility performance on tax aggressiveness of listed firms in Nigeria. A cross-sectional research design was utilized for the study and data were collected from the published annual reports. The study used a sample of 50 companies for the period of 2007 to 2013 and analysed the data with descriptive, correlation and regression. The results revealed that there is a negative relationship between corporate social responsibility performance and tax aggressiveness in Nigeria.

2.3 Review of Theories

There are many theories related to corporate social responsibility disclosures. However, literatures for instance, Omran (2015) pointed out that stakeholder theory appeared to be more suitable for organisations working in developing countries, where a corporation can manage its stakeholders and the pressure to comply with existing legislation is less as compared to the developed countries. Based on this, this study is anchored on the stakeholder because Nigeria is among the developing countries.

Stakeholder Theory: Pirsch, Gupta, and Grau (2007) attributed the emergence of corporate social responsibility to stakeholder theory, which suggested that an organisation's survival and success is recognised by the achievement of its economic (i.e., profit maximization) and non-economic (i.e., corporate social performance) objectives in the interest of their stakeholders. The author referred stakeholder to includes; shareholders and investors, employees, customers, suppliers, public entities (e.g. government), and trade associations and environmental groups. They can affect or is affected by the achievement of the organization's objectives Stakeholder.

Hoi, Wu and Zhang (2013) supported that corporate social responsibility activities are closely linked to the interests of many stakeholders, while taxation has a radical impact on government demands on corporations and social welfare. They test the tax incentives in different ways and the results show that firms with four or more irresponsible corporate social responsibility activities are more likely to be tax-aggressive and have higher accounting-tax difference.

3. Methodology

This study used a longitudinal research design. It looks into the activities of the listed companies in the Nigerian Stock Exchange for the periods 2008 to 2016.

The population of the study consisted of one-hundred and eighty-six (186) listed companies on the Nigerian Stock Exchange (NSE) as at 31st December, 2016. The sample size of the study is based on the total population of one hundred and eighty six (186) listed companies as at 31st December, 2016 on the Nigerian Stock Exchange (NSE, 2006- 2016 Fact Sheet). The sample is however excludes financial sector as well as oil and gas firms considering the special regulations guiding financial companies and the peculiar tax rate of 85% that applies to oil and gas companies as compared to 30% for other companies.

The study used multivariate regression techniques in examining relationship between corporate social responsibility and tax aggressiveness in Nigeria.
This study adopted the multiple regression model used by Nadiah et al. (2017) which is shown below:

$ETR=\beta_0 + \beta_1 (ENV) + \beta_2 (SOC) + \beta_3 (GOV) + \varepsilon$

Thus, this is established as follows:

$ETR = \beta_0 + \beta_1 (ENVD) + \beta_2 (CSRD) + \beta_3 (BI) + \varepsilon$…………………….. (1)

Where,
ETR = ratio of current tax expense divided by income before interest and tax
ENVD = Total Environmental Dimension for CSR disclosure
CSRD = Total Social Dimension for CSR disclosure
BI= Board Independence
ε = Error term of the regression

3.8 Measurement of Variables
Dependent Variable:
Effective Tax Rate (ETR): This is the ratio of current tax expense divided by income before interest and tax

Independent Variable:
Total Environmental Dimension for CSR disclosure (ENV): This is measured by a dummy variable “1” when there was firm disclosed environmental information otherwise “0”.
Total Social Dimension for CSR disclosure (SOC): This is measured by a dummy variable “1” when there was firm disclosed environmental information otherwise “0”.

Control Variable:
Board independent (BI): This is measured by the ratio of non-executive directors to total board members.

4. Data Analyses and Discussion of Results

4.1 Data Analyses
The study analysed data with correlation and multivariate regression. This is done as presented in the following sections.

4.1.1 Correlation Analysis.
The analysis and the result is shown below:

Table 1 Correlations Result

Variable	ETR	BI	CSRD	ENVD
ETR	1			
BI	-0.6573	1		
CSRD	0.0088	0.1067	1	
ENVD	0.0729	0.1096	0.0226	1

Source: Author’s Computation (2018) Through Eview 8.0 Software

Table1 shows the correlation matrix result which measures the degree of linear relationship between the given variables for the study. The result of the correlation coefficient revealed that a weak positive correlation relationship exists between corporate social disclosure (CSRD) and tax aggressiveness measured by effective tax rate (ETR=0.0088). This means that corporate social disclosure and effective tax rate were positively related. The correlation result also revealed that weak positive correlation relationship exists between environmental disclosure (ENVD) and tax aggressiveness measured by effective tax rate (ETR=0.0729). This means that environmental disclosure and effective tax rate were negatively related. The correlation matrix also revealed that no two explanatory variables were perfectly correlated. A strong negative correlation relationship exists between board independence (BI) and tax aggressiveness measured by effective tax rate (ETR=-0.6573). This means that board independence and effective tax rate were negatively related.

The result implied that there is the absence of multicolinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard errors of the coefficients.

4.1.2 Multivariate Regression Analysis
In order to test the individual significance of the variables, multivariate regression techniques was adopted and the result is presented in Table 2 below;

Table 2. Multivariate Regression Results				
Dependent Variable: ETR				
Method: Least Squares				
Date: 07/25/18 Time: 14:32				
Sample: 1 70				
Included observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	42.93985	47.13783	0.910943	0.3657
BI	0.291241	0.312656	0.931506	0.3551
CSRD	0.896349	0.088679	5.122223	0.0001**
ENVD	0.651460	0.099380	7.166405	0.0003**
R-squared	0.447786	Mean dependent var		-18.56457
Adjusted R-squared	0.404644	S.D. dependent var		38.99474
S.E. of regression	30.08808	Akaike info criterion		9.727952
Sum squared resid	57938.72	Schwarz criterion		9.920680
Log likelihood	-334.4783	Hannan-Quinn criter.		9.804505
F-statistic	10.37940	Durbin-Watson stat		1.734228
Prob(F-statistic)	0.000000			

Source: Author's Computation (2018) through Eview 8.0 Software

** 1% level of significance and * 5% level of significance.
It would be observed from Table 2 that the coefficient of determination (adj. R^2) value of 0.404644 that over 40% of the systematic variations in tax aggressiveness were jointly explained by board independence, corporate social disclosure, environmental disclosure, firm size and cash effective rate. This means that the model overall is good for statistical prediction. The F-statistic value of 10.37 showed that there is a significant linear relationship between the tax aggressiveness and corporate social disclosure at the 1% level of significance.

4.2 Test of Hypotheses

Hypothesis 1
Following the results in the table above, the result showed that environmental disclosure (ENVD) had a positive and significant relationship with tax aggressiveness measured by effective tax rate (ETR) at 1% level of significance. The implication of this is that an increase in environmental disclosure would significantly lead to an increase in tax aggressiveness but was statistically significant. The result fails to supports the prediction in Hypothesis 1 that there is no statistical significant relationship between corporate social responsibility environmental dimension disclosure and tax aggressiveness in Nigerian listed firms would not be accepted. The result was not at variance with our apriori significant positive relationship.

Hypothesis 2
Corporate social responsibility disclosure (CSRD) had a positive and significant relationship with tax aggressiveness measured by effective tax rate (ETR) at 1% level of significance. This implied that an increase in corporate social disclosure would significantly lead to increase in tax aggressiveness but was statistically significant. The result fails to supports the prediction in Hypothesis 2 that there is no statistical significant relationship between corporate social responsibility social dimension disclosure and tax aggressiveness in

Nigerian listed firms would not be accepted. The result was not at variance with our apriori significant positive relationship.

4.3 Discussion of Findings

The relationship between corporate social responsibility on environmental dimension disclosure and tax aggressiveness is positive and significant. The result of the significant positive relationship is not at variance with the position of Nadiah et al. (2017) who found that corporate social responsibility on environmental dimension disclosure was significantly influence tax aggressiveness. Lastly, the result agreed with the stakeholder theory that corporate social responsibility activities will influence tax aggressiveness in the environment where laws are not complied with.

Furthermore, the relationship between corporate social responsibility on social dimension disclosure and tax aggressiveness is negative. The result of the significant positive relationship did not support the position of Kim and Im (2017) and Sari and Herawati (2016) who found that corporate social responsibility disclosure is not significantly influence tax aggressiveness. However, the result is not at variance with the finding of Agundu and Siyanbola (2017) who found that tax aggressiveness is significantly related with corporate social responsibility disclosure. Lastly, the result supported the stakeholder theory that corporate social responsibility activities will influence tax aggressiveness in the environment where laws or norms are not complied with.

5. Summary of Findings, Conclusion and Recommendations

5.1 Summary of Findings

The study derived the following stated findings:

1. Corporate social responsibility on environmental dimension had a positive and significant relationship with tax aggressiveness in Nigerian listed companies.
2. Corporate social responsibility on social dimension had a positive and significant relationship with tax aggressiveness in Nigerian listed companies.

5.2 Conclusion

The study suggested that corporate social responsibility activities related to tax aggressiveness. This implied that this significant relationship is a loss to the government. Thus, corporate social responsibility disclosure does not generate economic benefits for the government. Companies hide under the corporate social responsibility disclosure and develop tax strategy to avoid tax to derive tax saving benefits.

The markets are also been affected because when accurate information on corporate social responsibility activities are not provided in the financial statements. This is because the market will believe that not only are the tax rules being circumvented, the financial statements are also being manipulated.

5.3 Recommendations

Based on the findings, the study recommends that:

Investors should not base their decisions on the financial reports of the companies because it may not reflect the true position of the company.

Governments should be aware that the disclosures of corporate social responsibility on the financial statements, management are hiding under it to manipulate financial activities to reduce tax paid. Therefore, government should make law against the practice of tax aggressiveness by companies through corporate social responsibility disclosures.

Recommendation for Future Research

This study is restricted to corporate social responsibility on environmental and social dimension and determining its relationship with tax aggressiveness in Nigerian listed companies. However, the study suggest that subsequent research can be improved on the basis of this point to expand on the scope to cover the relationship between corporate social responsibility on governance and political dimension disclosures and tax aggressiveness in Nigerian listed companies.

5.4 **Contribution to Existing Knowledge**

The conclusion of the study has some practical significance. It not only expands the academic research especially on the impact of the disclosure of social responsibility information on the tax aggressiveness especially the developing economies, but also provides a theoretical basis for the effective supervision and restriction by stakeholders preventing companies from using the disclosure of corporate responsibility information to engage in the practice of tax aggressiveness.

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Public Sector Accounting and Accountability in Nigeria

OMOREGIE, Nosa .A.E. (Ph.D, CNA)
Department of Accounting,
Ambrose Alli University, Ekpoma,
Nigeria
Nosamoregie123@gmail.com; 08060845942

EMMANUEL, Bolaji Priscilla (CNA)
Bursary Department,
Edo State Polytechnic, Usen,
Nigeria
emmaunel.bp@esitmusen.edu.ng; 08067056107

Abstract

An economy that is organized and managed by government to take care of its populace which comprises of the ministries, parastatals and Agencies is known as the public sector. Accountability in the mist of distrust and corruption in the management of public fund is a serious issue which causes anxiety in public sector in Nigeria. Hence, this study is carried out to evaluate the height of accountability in the Nigerian public sector. The conceptual meaning of the Public sector accounting and accountability in Nigeria was provided. This paper uses theoretical framework and underpinnings to examine Public Sector Account and accountability in Nigeria. Conclusively, accountability in Public Sector in Nigeria will help reduce corruption in government Ministries, Departments and Agencies (MDAs) and recommended that the allocation of fund should be properly monitored to ensure that it serve its intended purpose and stiffer penalties should be implemented for corrupt practices which will enforce accountability in Public sector in Nigeria.

Key words: Public sector accounting, Accountability, Transparency and Public fund

1.0 Introduction

A sector of the economy that is established and managed by the government and its agencies that is different from the private sector which are controled on behalf of the whole citizens is known as public sector. Nwabueze (2000) noted that Public sector accounting is the process in which government agencies uses in recording financial transactions to create a standard expectation of ethics and accountability of financial information of the nation. Kara, (2012) also asserted that Public sector accounting is a system that collects, records, classifies and summarizes transactions which are taking place in the public sector in pursuant of accountability and transparency in financial requirements which gives information to users linked with public institutions. Public sector accounting is usually characterized by inflexible structure, political influences, undue interference and lack of contest. Public sector accounting can easily be influence by top officials which is usually managed poorly and lacks the capacity to reveal accountability and transparency. Nwachukwu and Odigie (2009) noted that the cause of the problem lies in lack of resources, independence and inadequate incentives for public officials to efficiently deliver services. The country is always faced with a rising need to reform the public sector accounting in ensuring better transparency and accountability in the public sector.

Khan and Meyer (2009) asserted that public sector accounting remains the most vital source of external achievable information in the country even as the lack of accountability is permitted by accounting practices in use; opportunities are created for corruption with its negative consequences on the development of a country as a whole. The commonwealth of Nigerians is being sidetracked by a few thereby leaving the nation at a loss through corruption. Corruption has turn out to be a tradition in Nigeria as result of poor culture of accountability to the extent that it is trivial to say that corruption is official. Accountability in the hub of mistrust and dishonesty in managing public fund is a critical issue which causes anxiety in Nigerian public sector where emphasis has been laid on the problem of corruption, misappropriation and non accountability by most successive administrations at the federal, state and local government.

Okoh and Ohwoyibo (2010) noted that accountability suggest the demand for government and its organisations to effectively serve the public in agreement with the laws of the land. Appah (2009) suggested that public sector activities have increased substantially in number and monetary value where an increased demand for accountability from public officers who manages the activities of the public has brought about the increase. Achua (2009) opines that

serious consideration is being given to the need to be more accountable for the often vast amounts of investment in resources at the command of governments, which exercise administrative and political authority over the actions and affairs of political units of people. Government spending is a very big business and the public demands to know whether the huge outlays of money are being spent wisely for public interests.

Accountability is an important value in any political system. Peter (2007) stated that the populace should be aware of what act have been done in their name and should have a way to compel corrective actions when there is an illegal, immoral, or unjust act by the government. Accountability is vital for government where government is provided with the means to understand how the system may fail and find ways which can make the system function better. Kaufman (2005) asserted that the importance of accountability by the populace is one feature of the growing emphasis on removing corruption and supporting transparency in government. Therefore, the issue of accountability in Nigeria is a vital problem because of the extreme height of corruption in governance in the country. Nigeria was ranked 134 from its 130 position in 2009 and 121 in 2008 by The Transparency International global Corruption Perception Index in October 2010. The lack of fiscal accountability in Nigeria's public sector is a fearful situation that provided the reasons for this paper. However, the purpose of this paper is to review extant literature on public sector accounting and accountability in Nigeria.

2.1. Conceptual Review

2.1.1 The Nigeria Experience of Public Sector Accounting

Over the years, Accountability and Transparency is seen as an instrument for reducing corruption in public sector (Ogundana, Okere, Imeokparia, Njogo, and Adeoye, 2017). Okoye and Ani (2004) noted that public sector is that segment of the economy that is set up and managed by the government or its agencies and it is different from the private sector and controlled on behalf of the residents of the nation. The core motive of the public sector is to give services to the citizens and not to raise profit. In Nigeria, the public sector made up of the Federal government and State government ministries, departments and agencies and the local governments. Izedonmi and Ibadin, (2013) asserted that a good public sector accounting depend on a clear structure which has been stated to show best practice from place to place.

Public sector accounting is put together to show the objectives and scope, recognition and measurement principles which entails that public sector accounting entities should show definite and qualitative features of financial information in financial and accounting reports which refer to the period and time frame of financial reporting of government. Public sector accounting principles is very important in the preparation and keeping of complete financial records which provide full disclosures and submission to full audit. It helps to check incomes, expenses, assets and liabilities and assists in evaluation of financial value of transactions and events which leads to generating user friendly financial reports on a regular basis. Ojiakor, (2009) noted that the issues and forces which count against accountability in Nigeria are ethnicity, tribalism, corruption, religious dichotomy and military culture.

Bello (2001), asserted that Nigeria lost huge amount of money due to financial mismanagement which has drained the nation's scanty resources through illegal means with much influence and consequences on the development of the nation where huge amount of funds is lost in the public sector of Nigeria through fraudulent means every year. This stands for only the amount which is searched out and made known to the public while in the actual fact, substantial amount of money is lost via concealed frauds which are for one reason or the other is silent up. Appah and Appiah (2010) noted that fraud cases are very common in Nigeria's public sector, that every sector of the public service would appear to be involved in some of these criminal acts in one way or the other. He also suggested that in recent years the monetary value of public sector activities has improved greatly which has lead to an increased demand for accountability of public officers who manage public fund.

Tanzi (1999) asserted that the essential features of the structure of economic and financial management is good governance which includes: dedication to economic and social equity, promotion of capable institutions and macroeconomic stability through operational reforms which are trade liberalization and national deregulation while poor governance is as a means of some factors such as misguided economic models, lack of institutions, incompetence, ignorance which are often linked to fraud. Olamide (2010) noted that in Nigeria and around the world the related fraud and main corporate failure has elevated doubts about the integrity of operating and financial system of the institutions. He also noted that the effect has stirred a number of regulatory and professional institutions to recommend reforms that will enhance transparency in reporting financial statement in order to improve audit quality and corporate practices.

In Nigeria, the applications of a perfect financial system are evolving. Wynne, Emasu, and Nyangulu, (2011), identified some good financial practices by using 2008 financial reports in Nigeria which include: accounting policies, cash flow, detailed schedule of internal and external loans, consolidated revenue fund, details of subventions to agencies by the over-seeing ministries and departments, capital development fund, assets and liabilities, financial statement appear on the internet, inclusion of comprehensive set of notes which include audit certificate from the auditor general, the development of some financial reporting guidelines by Federal Account Allocation Committee, inclusion of four statements, consistency of the main totals and consistency of the financial statements for the period.

Lipman (2007), suggested that the constitution of the board of directors, other corporate governance and activities of the board of directors must be involve in best practices of corporate governance. He suggested that the benefits to the organization for accepting the best practices must greatly exceed the implementation cost at the long run. Omolehinwa and Naiyeju (2012) asserted that the government accounting nature has the aim to determine the source of the money received, the purpose of the amount spent and financial indebtedness accumulated. However, a lot of factor influences government accounting which are responsible for government establishing various fields like policies set up by the government, education, health and armed forces to attain its goals and objectives. However, government accounting is concerned with the gathering of information which will assist her in the preparation of Income and Expenditure account.

2. 1. 2. Concept of Accountability

Accountability is being responsible to those who have put in their trust, faith, and resources to you. Adegite (2010) describes accountability as the duty to demonstrate that an officer have operated in agreement with the accepted rules and standards and the performance results have been reported accurately compared with the authorized plans which means functioning transparently in accordance with due process. Johnson (2004) identified public accountability as a vital factor for the running of the political system, accountability is a process in which those who are responsible in preparing and executing policy should be require to render an account of their activities to their electorate.

Premchand (1999) outlined that the capacity to achieve full accountability has been and continues to be inadequate, partly because of the design of accountability itself and partly because of the widening range of objectives and associated expectations attached to accountability. He further argues that if accountability is to be achieved in full, including its constructive aspects, then it must be designed with care. The objective of accountability should go beyond the naming and shaming of officials, or the pursuit of sleaze, to a search for durable improvements in economics management to reduce the incidence of institutional recidivism. The future of accountability consists in covering the macro aspects of economic and financial sustainability, as well as the micro aspects of service delivery. It should envisage a three-tier structure of accountability: that of official (both political and regular civil employees), that of intra governmental relationships and that between government and their respective legislature'.

Accountability has different definitions which has experience changes over time. Sinclair (1996) asserted that the meaning of accountability depend on believes, purpose and language of our times. He further stated that accountability has an exact meaning, for example auditors deliberate on accountability as a financial issues, political scientists sees it as a political requirement and legal scholars as a statutory arrangement, while philosophers considers accountability as a subsection of ethics. In view of the above, various definitions of accountability have been suggested from various perspectives.

Accountability is being responsible to the audiences for carrying out the recommended standards that are appropriate to fulfilling their expectation, duties and other charges. Adesola (2001) identifies that the individual who manages an amount or a fund for the advantage of another individual is an agent. In this regard, the public officers are the agents while the citizens are the principal. Accountability is a process whereby individuals and organizations are duty bound to be answerable for their activities and responsibilities (Inanga 1991). Boncondin (2007) describes accountability as the duty of persons or entities assigned with public fund to be answerable for the managerial, financial and planned responsibilities that have been given to them and to give report to those who have given them these responsibilities.

2.2. Theoretical Framework

Theories are put together to understand, explain and predict a fact and generally, to test and extend current knowledge within limits of certain analytical assumptions. Swanson and Chermack (2013) identifies Theoretical framework as “the structure that can hold or support a theory of a research study”. This paper recognizes and deliberates on two theories that have been used to support public sector accounting and accountability which are Agency and Contingency theories. Tipuric, (2008) asserted that Agency theory is established as a structure for assessing conflicting interests between important stakeholders in addition to the enhancement of procedures to settle conflicts.

A current attempt to address financial and management control is from contingency viewpoint. Contingency theory is a method which study organizational behavior in which reasons are given as to how contingent factors such as technology, culture and the external environment affect the design and function of organizations. Hayes (1977) identifies the use of contingency theory in the studies of organizational assessment and subunit evaluation where three major contingencies factors are affecting the sub-unit performances which are internal factors, interdependency factors and environmental factor. However, the viewpoint that is being assessed in this paper is the contingency theory and agency theory as the thought of accountability is most often portray in terms of principals and agents association.

To provide a clarification of a healthy relationship with variables, two theories are properly considered as the Principal – Agent theory, relating the challenges that will take place when agents and principals have disagreeing interests. Nigeria operates with fairness by granting citizens the opportunity to selecting their own Executive and Legislative body and requires transparency and accountability in public sector financial management.

2. 3. Empirical Review

Onuorah, and Appah, (2012) examined Accountability and Public Sector Financial Management in Nigeria. The research used ex-post factor and data was collected from central bank of Nigeria statistical bulletin for the period of 1961-2008 for government revenue, recurrent and capital expenditure. Data was evaluated using ordinary least square (multiple regressions). The result shows that the degree of accountability in Nigeria is very poor due to the attributes of quality, disclosure of economic, political and social information on time, reliability, relevant, comprehensiveness and accessibility about government activities which are not obtainable or partially obtainable for citizens to assess the public officers’ performance. There is meaningful relationship between recurrent expenditure, capital expenditure and government revenue.

Okpala (2012) carried out an investigation on fiscal accountability dilemma in Nigeria public sector: A warning model for economic retrogression, in this study data was collected via the administration of 100 copies of structured questionnaires drawn from Ministry of finance, Presidency, Ministry of works and National assembly. 95 valid responses was returned and analyzed. The validation of the questionnaire was carried out via public finance/ administration experts. Data was analyzed with the help of statistical package for social sciences (SPSS) and Pearson Product Movement Correlation method was use to confirm the hypotheses. The result shows that accountability is very weak in Nigeria because of poor regulatory structure, weak accounting infrastructure and the views of public representatives which indicate that Nigeria Economy is not developing due to financial indiscipline and wastages in the organization resulting from poor accountability in public sector.

Okaro and Okoye (2012) investigated the introduction of accrual accounting in Nigeria’s public sector: The perception of auditors, preparers of financial statements and accounting academics in Anambra state on the aim of Nigeria to adopt IPSAS and how its benefits of improving accountability can be achieved. A three point likert scale questionnaire was generated for data analysis and a survey research design approach was adopted. The population of the reseach was 100 which were made up of Anambra state staffs which are Auditor General, Accountant General and Federal Auditor General’s office in Awka and Universal Basic Education Commission Accounting staff. Purposively selected samples of 80 respondents go across the three groups which are accounting lecturers, Auditor and accounting practitioners. In the presentation of data, descriptive statistics including mean, percentages and standard deviation was used while data was analyzed using Chi- square test and one way ANOVA test statistics. The result shows that in the Nigeria’s Public sector, the introduction of IPSAS will lead to an improved accountability and decision making in the public sector.

3.0. Methodology

The study was a conceptual review of extant literature on public sector accounting and accountability in Nigeria. The opinions of experts from government reports, Journal articles, Text books, internet and seminar paper were the source of information.

4.0. Discussion

Government is in existence to attend to the desires of the nation effectively and efficiently. These goals are achieved by providing transparent processes and structures in all phase of the executive management. Governance is a serious matter now due to different financial scandals recently. Residents and regulators are demanding for transparency and accountability in the public service. Word Bank (1997) established a significant relationship between good administration and high level of performance which brought about the issue of using suitable accounting method which many countries government are accepting accrual basis of accounting to control and improve governance.

Accountability is achievable when there is a proven transparent association between expenditures and performance. Accrual accounting assists agencies to consecrate on results rather than budgets and disbursements. Accountability is a perception in ethics and administration with various meanings which are often used synonymously all over the world as it is the goal of every civilized and well constituted government. Bovens, (2006) asserted that Accountability is being used in political conversation and policy documents increasingly because it express an impression of transparency and trustworthiness and its suggestive powers make it indefinable. Government is assigned with the nation's funds and other resources which must adhere to ethical standards to ensure best utilization. Openness and transparency aids to instill public confidence and trust that are considered as basic operating conditions for any government.

5.0. Recommendations

After a careful conceptual review of extant literature on public sector accounting and accountability in Nigeria, the researcher therefore states the following recommendations:

1. Allocation of fund should be properly monitored to ensure that it serve its intended purpose
2. The control capacity of institutions should be strengthened through re-orientation programs in order to reduce the problem of ethical and accountability failure in public sector.
3. A proactive legislature and regulatory framework must be operational in governance.
4. There should be stiffer penalties for corrupt practices in the public sector.
5. Whistle blowers should be safeguarded to prevent all forms of negative devices.
6. There should be detailed and Proper documentation of financial transaction at all time;

5.1. Conclusion

The central perception for governance is accountability. These accountability processes must be fortified to reduce the height of corruption in the public sector. Public sector accounting was developed to show the objectives, scope, recognition, measurement and principles which entails that government entities should show definite and qualitative characteristics of fiscal information in financial reports which refer to the period and time frame of financial reporting of government at all levels.

The preparation and maintenance of complete financial records which provide full disclosures is very important in public sector. Accountability is the structural way for economic development that has to do with the removal of wastages in national resources and financial discipline in the public sector. Accountability demands that public office holders should give account of their operations to the public or their voted delegates to show the satisfaction of the public that they have used the funds given to them and have attained the established objectives efficiently and effectively.

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Firm Performance and Tax Aggressiveness of Listed Firms in Nigeria Stock Exchange

ONOMUHARA, Oke Godwin; *M.Sc*
Department of Accounting,
School of Business and Management Sciences,
Igbinedion University Okada,
Edo State,
Nigeria.
fgoken@gmail.com; 08035502874

OLOWOYO, Banji Jacob
Department of Banking and Finance,
Faculty of Management Sciences,
Ekiti State University,
Ado Ekiti, Ekiti State,
Nigeria
banjiolowoyo@yahoo.com; 08036544424

ADEWALE, Omotayo Vincent
Department of Management Science,
College of Social and Management Sciences,
Wesley University,
Ondo State,
Nigeria
dir.ptsudies@wesleyuni.edu.ng

Abstract

The study examined the relationship between firm performance and tax aggressiveness in Nigerian listed companies. The sample size of the study is base on the total population of one hundred and eighty six (186) listed companies Nigeria for 2012 to 2016 and excludes financial services and oil and gas companies. The study adopted a quantitative research design which involved panel regression and data were extracted from the annual reports and accounts of the studied companies. Descriptive and regression was used to analysed the data through E-view software 8.0 version and it was revealed by fixed effect regression model that tax aggressiveness had a positive and significant relationship with return on assets (ROA) an indicator of firm financial performance. In addition, the result indicated that tax aggressiveness had a negative and insignificant relationship with price earnings ratio (PER) an indicator of firm market performance. The study concluded that mixed result existed on the relationship between tax aggressiveness and firm performance in Nigerian listed companies and therefore recommended amongst which include that management should ensures that they maintain the optimum level of tax aggressiveness to avoid more audit fees.

Keywords: *Tax aggressiveness, firm performance, political cost theory, political power theory.*

1. Introduction

In the recent academic research, tax aggressiveness has become one of the prominent issues due to its immense practices by management and tax accountants. According to Dyreng, Hanlon, and Maydew (2008), tax aggressiveness can be substituted with tax avoidance, tax planning and tax sheltering and it is defined as any activity that can explicitly reduce a firm's tax burden, reflected in its effective tax rate, and covers tax reductions that are fully legal and those that occupy a grey area. Firms engage in tax aggressiveness or avoidance activities because of the tax savings benefit generated which help them to enhance their performance (Robinson &

Schmidt, 2013). However, these benefits vary in the cross-section due to different effective tax rate practice and the level of compliance by tax-payers. In addition, different tax rates and tax systems practice by countries create possibilities for tax avoidance (Kari, 2015) and such this can lead to different level of performance (Lee & Swenson, 2012; Delgado, Fernández-Rodríguez, & Martínez-Arias, 2014).

Therefore, since tax aggressiveness is a global concern and country' specific characteristics may affect generalization. It is against this backdrop the general objective of this study is to investigate the relationship between firm performance and tax aggressiveness in Nigerian listed companies.

1.2 Research Hypotheses

Based on the above stated objective, the following are the hypotheses formulated for testing in the study and they are in null form:

$H0_1$: Tax aggressiveness has no significant relationship with firm return on assets of listed companies in Nigeria.

$H0_2$: Tax aggressiveness has no significant relationship with price earnings ratio of listed companies in Nigeria.

2. Literature Review

2.1 Conceptual Review

2.1.1 Tax Aggressiveness

There are several definitions of tax aggressiveness by various scholars. However, this study adhered to the definition proposed by Khurana and Moser (2013), that tax aggressiveness can be substituted with tax avoidance, tax planning and tax sheltering. It is tax avoidance because it implied either managerial value-maximizing behaviour or a greater potential for agency conflicts between managers and shareholders (Wang, 2012). Tax aggressiveness can be tax planning because, according to Ogundajo and Onakoya (2016) is an integral part of financial planning and the area of financial structure decisions offers a tax manager and the company an opportunity to mitigate the company's tax liability and improve on the financial performance of the firm.

2.1.2 Firm Performance

The definition and measurement of firm performance, according to Santos and Luiz (2012) continued to challenge scholars due to its complexity. Performance comprises the actual output or results of an organization as measured against its intended outputs or goals and objectives.

Performance encompasses three specific areas of firm outcomes namely financial performance, product market performance and shareholder return (Richard, Devinney, & Johnson, 2009). This study therefore focused on both financial performance and market performance. Katz, Khan, and Schmidt (2013) measured financial performance using profits, return on assets, and return on equity. While market performance, according to Stickney, Brown, and Wahlen (2007) reflects the aggregate expectation of all the market participants following that particular stock. This implied that the market price reflects the result of the market's trading activity in that stock. Al-Materi, Al Swidi, and Fadzil (2014) classified market performance measurement indicators to include; price earnings ratio, tobin-q, dividend yield, market value added and others.

2.2 Theoretical Review

2.2.1 Political cost theory

According toWatts and Zimmerman (1987), the political cost theory stated that the larger the company, the more managers try to lower the reporting earnings by using accounting standards to do not draw attention from the politicians. This means that the political process seems a contest for wealth transfers. The wealth transfers according to Zimmerman (1983) are negative (political costs) or positive (political benefits). According to Mills, Nutter and Schwab (2012), political costs involves corporate taxes and costs of compliance of laws while political benefits are subsidies and receiving contracts or other payments. In addition, according to Mills, et al. (2012), taxes, a part of the political cost, are paid by large companies to avoid larger negative net wealth transfers. This suggests that larger and more profitable firms engage in less tax avoidance compared to smaller and less profitable firms to avoid political scrutiny. This prediction is supported by Watson (2015) that companies with lower earnings performance requires tax avoidance to retain some after-tax profit and again, a less profitable firms are less exposed to political scrutiny. Watson (2015) added that less political scrutiny makes avoiding more tax at lower political cost possible compared to companies with high earnings performance and more political scrutiny. Specifically, in the perspective of this study, the political cost theory suggests that better firm performance leads to lower tax avoidance and vice versa.

2.2.2 Political Power Theory

Siegfried (1972) was the first to consider the ideal behind this theory and he stated that larger firms have a lower effective tax rate compared to smaller firms. This theory is therefore contrary to the political cost view for many reasons. According to Siegfried (1972), larger firms have more resources to hire tax planning experts and regulation of the company's activities on such a manner to optimise the tax savings is more possible by large companies with more resources. Also, according to Belz, Von Hagen, and Steffens (2016), since larger firms have more resources, it is possible for them to influence the political process in their own advantage. Thus, the political power theory suggests that larger and more profitable firms engage in high tax avoidance compared to smaller and less profitable firms.

2.3 Empirical Review

Empirical research on the impact of corporate tax avoidance on firm value has produced mixed findings. For instance, Desai and Dharmapala (2009) indicated insignificant relationship between tax avoidance and firm value, but a positive relationship for firms with dominant institutional ownership. They suggested that stockholders consider that ability to control the manager can add value to tax avoidance. Similarly, Hanlon and Slemrod (2009) examined the market reaction to news about a firm's application for tax shelters. They reported that such news dampened stock price.

Chen, Chen, Chen, and Shevlin (2010) examined whether family firms more tax aggressive than non-family firms. The study adopted cross sectional research design and used descriptive and correlation approach to analysed data. They provided that intensive tax planning is associated with higher firm performance. On the other hand, the study revealed that tightening of the tax system is positively associated with higher market performance of firms.

Armstrong, Blouin , and Larcker (2012) investigated the relationship between the incentives of the tax director and GAAP and cash effective tax rates, the book-tax gap, and measures of tax aggressiveness. The study indicated that: tax directors are provided with incentives to reduce the level of tax expense reported in the financial statements, hiring of experts for tax services complements "aggressive" tax planning, more profitable firms have greater probability of involving in tax shelters and therefore enhancing their after tax returns, that large firms tends to engage in tax shelter compared to small firms due to huge fixed costs of entering into tax shelter transactions.

Katz, Khan, and Schmidt (2013) examined whether firm managers invest the savings from tax avoidance in positive net present value projects that enhance future profitability or divert them towards perquisite consumption, rent extraction, and value destroying projects. Consistent with the negative implications of tax avoidance (e.g. rent extraction) the study reported that, on average, the main components of current profitability: margins, utilisation of assets and operating liability leverage, result in lower future profitability for tax aggressive firms as compared to firms that are not tax aggressive.

Goh, Lee, Lim, and Shevlin (2013) investigated the relation between firm's cost of equity and corporate tax avoidance. The study used three measures that capture less extreme types of corporate tax avoidance: book-tax differences, permanent book-tax differences, and long-run cash effective tax rates. The study revealed that less aggressive types of corporate tax avoidance significantly reduces a firm's cost of equity. In addition, the study indicated that this effect is stronger for firms with better outside monitoring, firms that likely realise higher marginal gains from tax savings, and firms with good information quality.

Aghouei and Moradi (2015) examined the relationship of differences in declared and final taxes with some firm characteristics and corporate governance criteria in companies listed on the Tehran Stock Exchange including one hundred and two (102) listed companies (510 observations). The research hypotheses tested using the multiple linear regression (MLR) along with the generalised panel method of integrated data. The findings of the study indicated that there is a positive and significant relationship between interest expense coverage ratio, earnings before tax (EBT) to revenue ratio, and earnings before tax (EBT) to total assets ratio and differences in declared and final taxes; as a result, the higher the ratios are, the greater the tax wedge will be.

Ogundajo and Onakoya (2016) examined the influence of corporate tax planning on the financial performance of manufacturing firms quoted on the floor of the Nigerian Stock Exchange. The study employed Generalized Least Square (GLS) method of regression based on the outcome of Hausman's model estimation test. The study

found that tax aggressiveness has no significant relationship with financial performance as measured with return on assets.
Chen, Cheok, and Rasiah (2016) examined the impact of corporate tax aggressiveness on firms' financial performance in China. The results using structural equation modelling (SEM) showed that there is a significant inverse relationship between tax aggressiveness and firm value on the ground that China's stock market has an opaque nature which creates opportunities for managers using tax aggressiveness as an instrument to engage in rent seeking activities, which hurt shareholders' value.

Zevenbergen (2018) examined the relationship between firm performance and tax avoidance. The study used data from firms of all the member states of the European Union to study the relation. The study measured firm performance as return on assets and tax avoidance as GAAP effective tax rate. The study divided the sample into four equal subsamples to get more insight in the relation and the results showed that the relation between firm performance and tax avoidance is positive and significant. But the relation is more pronounced if firm performance is low. The results supported the political power theory.

3. Methodology

Quantitative research design is adopted in this study and it involves a panel regression to examine the relationship between firm performance and tax aggressiveness in Nigerian listed companies.

The study used the total population of one hundred and eighty six (186) firms listed on the Nigerian Stock Exchange (NSE) as at 31st December, 2016 and each firm in the population had annual reports for five consecutive years for the period of 2012 to 2016.

The study' sample size is based on the total population and however excluded the financial sector as well as oil and gas firms because of the special tax rate regulations guiding these sectors.

The study employed panel data regression method to analyse data from the secondary source and this techniques is based on the Unobserved Effects Model (UEM) which can either be fixed effect or random effect depending on the assumptions made about the distribution of the unobserved component and the error term. In addition, the result from the panel regression is evaluated using individual statistical significance test (T-test) and overall statistical significance test (F-test). In order to examine the nature among variables, the study conducted a descriptive statistics.

3.1 Model Specification

This study is based on the model of Ogundajo and Onakoya (2016) and it showed as:

$FP_{it} = \beta_0 + \beta_1 BTAG_{it} + \varepsilon_{it}$

However, the model is further categorised as:

$ROA_{it} = \beta_0 + \beta_1 BTAG_{it} + FS_{it} + \varepsilon_{it}$ 1

$PER_{it} = \beta_0 + \beta_1 BTAG_{it} + FS_{it} + \varepsilon_{it}$ 2

Where;
TAG = Tax Aggressiveness
ROA= Return on Assets
PER= Price earnings ratio
FS= Firm size

3.8 Measurement of Variable

Dependent Variable:
Return on Assets (ROA): Return on assets is calculated as the total earnings after tax divided by total assets.

Price earnings ratio (PE): Price earnings ratio is measured as the ratio of price per share to earnings per share.

Independent Variable:
Tax Aggressiveness (TAG): This is represented as the effective tax rate (ETR) and it is measured using the cash tax paid divided by the pre-tax cash flow from operation.

Control Variable:
*Firm size (FS)***:** This is measured by the natural logarithm of total assets.

4. Data Analyses and Discussion of Results

4.1 Descriptive Statistics

Table 1 Descriptive statistics of Variables

VARIABLES	MEAN	MINIMUN	MAXIMUM	STD. DEV
ROA	4.08	-22.90	47.01	8.10
PER	1.20	0.60	1.90	3.32
FS	1.90	233.2	421.03	53.1
TAG	0.17	0.01	0.26	0.19

Source: Researcher's Compilation (2018) through Eview Software, 8.0 Version

From table 1, the result indicated that on the average the return on asset was 4.08 with a standard deviation of 8.10, ranging from a minimum of -22.90 to a maximum of 47.01 Similarly, the price to earnings ratio had an average value of 1.20, standard deviation of 3.32, with a minimum of 0.60 and a maximum of 1.90. Lastly for the control variable, FS had an average value of 1.9 and a standard deviation of 53.1 with a minimum value of 233.2 and a maximum value of 421.03. The result therefore implied that on the average the sampled firms are profitable. The mean for the corporate tax aggressiveness variable measured using the ratio of cash tax paid to pre-tax cash flow from operation had an average value of 0.17 and the standard deviation was 0.19 with a minimum of 0.01 and a maximum value of 0.26. The result showed that the sampled companies are tax aggressive because as the closer the ratio to zero, the more the companies are tax aggressive.

4.2 Correlations Analysis

Table 2 Correlation Matrix

VARIABLES	ROA	PER	FS	TAG
ROA	1			
P/ER	0.33	1		
FS	0.11	0.29	1	
TAG	0.12	0.24	0.01	1

Source: Researcher's Compilation (2018) through Eview Software, 8.0 Version
From table 2, the result revealed that all the variables had a weak correlation with each other. It therefore implied that the variables do not appear to measure the same thing. In addition, the result also revealed total absence of multicollinearity between the variables.

4.3 Regression Analysis

Table 3 Fixed Effects Regression Results for Firm Performance Models

	ROA Model	**PER Model**
CONSTANT	1.71 (3.09) [0.00]***	2.29 (2.37) [0.01]***
FS	1.23 (0.31) [0.00]***	-1.70 (-1.22) [0.00]***
TAG	1.80 (0.20) [0.02]**	-3.51 (-2.10) [0.14]
R-Squared Adj-R-Squared F-Statistic Hausman Test N(n)	0.1210 0.0321 2.18 (0.00) 4.18 (0.00) 120 (5)	0.1421 0.0402 3.21 (0.00) 3.10(0.00) 120 (5)

Note: Parentheses ( ) are t-statistic, while bracket [ ] are p-value, *** for 1%, and ** for 5%
Source: Researcher's Compilation (2018) through Eview Software, 8.0 Version

In Table 3, it was observed from the fixed effect panel multiple regression results that the R-squared and adjusted R-squared values for the ROA and PER were (0.1210, 0.0321) and (0.1421, 0.0402) respectively. It indicated that the independent variable had a little systematic variation with dependent variables across the listed firms sampled in this study over the five-year period (2012-2016). The F-statistics and P-value for ROA and P/ER were 2.18 (0.00) and 3.21(0.00) respectively indicated that a significant linear relationship existed between the dependent and independent variables.

In testing the significant relationship between the dependent and independent variables, the two widely used balanced panel data regression models (fixed effect and random effect panel data estimation techniques) were estimated. The difference in the models was based on the assumptions made about the explanatory variable and cross sectional error term. In selecting from the two balanced panel data models, the Hausman Test was conducted and the result is presented in Table 4 below:

Table 4 Hausman Specification Test of Financial Performance Models

Correlated Fixed Effects - Hausman Test			
Test cross-section fixed effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section fixed- ROA	4.18	3	0.0000
Cross-section fixed- P/ER	3.10	3	0.0001

Source: Researcher's Compilation (2018) through E-view Software, 8.0 Version

The result from Table 4 clearly showed that we should accept H_1 (fixed effect model) and reject H_0 (random effect model) because of the significance of the Hausman test (0.0000).

4.4 Test of Hypotheses

Hypothesis 1 Restated: ***Tax aggressiveness has no significant relationship with return on assets in Nigerian listed companies.***

The result of the study indicated that the relationship between tax aggressiveness (TAG) and return on assets (ROA) is positive and significant at 5% level of significance ($\beta = 0.20$; $P<0.05$). This implied that an increase in tax aggressiveness activities would lead to increase in financial performance captured by return on asset. The result fails to provide support for the prediction in Hypothesis 1 that there exists no significant relationship between tax aggressiveness and return on assets.

Hypothesis 2 Restated: ***Tax aggressiveness has no significant relationship with price earnings ratio in Nigerian listed companies.***

The result of the study revealed that the relationship between tax aggressiveness (TAG) and market performance captured as price earnings ratio (PER) is negative and insignificant ($\beta = -2.10$; $P > 0.05$). This means that increase in tax aggressiveness would lead to a decrease in market performance. In addition, the result fails to provide support for the prediction in Hypothesis 2 that there exists no significant relationship between tax aggressiveness and price earnings ratio.

4.5 Discussion of Findings

The results of this study on the relationship between tax aggressiveness and firm performance in Nigerian listed companies appeared to be mixed and inconclusive. This is because it was revealed that tax aggressiveness had a positive and significant relationship with return on asset (ROA) an indicator of financial performance and however had a negative and insignificant relationship with price earnings ratio (PER) an indicator of market base performance.

However, the positive and significant relationship between tax aggressiveness and return on assets implies that increase in tax aggressiveness would lead to increase in firm financial performance. The result is consistent with the position of Zevenbergen (2018) who reported a positive and significant relationship between tax avoidance and firm financial performance. The results supported the political power theory.

Furthermore, the negative relationship between tax aggressiveness and firm market performance suggested that increase in tax aggressiveness would lead to a decline in market performance. The result is consistent with the position of Chen, et al. (2016) who reported an inverse relationship between tax aggressiveness and firm value on the ground that China's stock market has an opaque nature which creates opportunities for managers using tax aggressiveness as an instrument to engage in rent seeking activities, which hurt shareholders' value. The result collaborated with the prediction of political cost theory.

5.1 Conclusion

The study examined the relationship between firm performance and tax aggressiveness in Nigerian listed companies. The study was motivated by the gap in existing literature and limited evidence concerning undeveloped economies, specifically in Nigeria. If performance is based on financial performance the result to supports the political power theory because the theory suggests that firm financial performance is associated with tax aggressiveness in Nigerian listed companies. Whereas, if performance is based on market performance, the study's result supported the political cost theory assumption that market performance is not associated with tax aggressiveness.

Generally, it can be concluded that mixed result is provided in this study and however it might still possess some usefulness in line with the positive relationship found between tax aggressiveness and return on assets as a number of prior studies also supports that tax aggressive behavior could stimulate the firm's growth and increase its profitability. In addition, tax aggressiveness does not determine market performance but market forces such as demand and supply of stock.

Based on the findings of this study, it is recommended that: Since the firm derives tax saving benefit from tax aggressiveness activities which led to positive and significant effect on their financial performance, management should ensures that they maintain the optimum level of tax aggressiveness because companies that are more aggressive in their tax planning tend to suffer with larger audit fees. In addition, the financial statements users should be aware that not only are the tax rules being circumvented by the company to benefit tax savings, financial statements are also being manipulated. Therefore, a strong internal control system should be encouraged to prevent management involving on financial statement manipulations.

The principal contribution of this study is that tax aggressiveness practices are positively and significantly related to firm financial performance in Nigeria. However, tax aggressiveness does not significantly relate to market performance. In other words, the market forces such as demand and supply determine market performance.

The main limitation is that the study excluded sample from financial sector and oil and gas sectors. Consequently, this may hinder the generalisation of this study. Hence, the study suggests that future research could investigate the subject under these sectors. Another limitation of this study is that this study does not employ causality tests. Therefore, the findings only provided evidence for associations rather than causality. The study suggests that future research in the field of tax aggressiveness and financial performance could employ causality tests in order to not only examine the associations between these variables, but also identify causality. This would also strengthen the theoretical arguments and justifications for these associations.

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Credit Risk Management and Firm Value of Deposit Money Banks in Nigeria: Johansen Co-Integration and Granger Causality Approach

OMOREGIE, Nosa A.E Ph.D, CPA

Department of Accounting
Faculty of Management Sciences
Ambrose Alli University, Ekpoma
Edo State, Nigeria

IGBINOVIA Gloria Oghomwenyemwen

Department of Accounting
Faculty of Management Sciences
Ambrose Alli University, Ekpoma
Edo State, Nigeria
Tel: 08065161207
Email: jamoriaigbins@yahoo.com

Abstract

This study investigated credit risk management and firm valueof deposit money banks in Nigeria. The *ex-post facto* research design was adopted for the study. The population of the study covered all the deposit money banks in Nigeria. The time coverage of the study was from 2001 to 2017. This research made use of annual time series data obtained from various issues of Central Bank of Nigeria (CBN) Statistical Bulletin. The dependent variable was regressed on each of the macroeconomic indicators (independent variables) to test their effect on the dependent variables. The result showed that bank loans to small scale enterprises as percentage of total credit and capital adequacy ratio had significant direct impact on firm value while leverage ratio had significant inverse impact on firm value. The long-run relationship between credit risk management and firm value was found in Nigeria. By implication, this result shows that one period lagged value of non-performing loans ratio and capital adequacy ratio bring about changes in firm value. This explains that a credit risk management practice in the past accounting year has a carryover effect on current year firm value. It was recommended that customers and deposit money banks should always endeavour to reach an agreement on loan interest rate and loan pay-back to reduce the incidence of loan default in money deposit banks in Nigeria.

Keywords: Credit, Credit Risk Management, Firm value, Deposit Money Banks

1. Introduction

Banks are germane to economic development through the financial services they provide. Their intermediation role (through credit creation) is a catalyst for business activities in an economy. Consequently, banks credit to the public for productive activities accelerates the pace of a nation's economic growth and its long-term sustainability. Their credit function enhances the ability of investors to exploit desired profitable ventures (Kargi, 2011). Unfortunately, the performance of this intermediation functions; sometimes exposes banks to credit risk.

The Basel Committee on Banking Supervision (2001), defined credit risk as the possibility of losing the outstanding loan partially or totally, due to credit events (default risk). Chen and Pan (2012) defined it as the degree of value fluctuations in debt instruments and derivatives due to changes in the underlying credit quality of borrowers and counterparties. It is the exposure faced by banks when a borrower (customer) defaults in honouring debt obligations on due date or at maturity. This risk interchangeably called 'counterparty risk' is capable of putting the bank in distress if not adequately managed. Hence, the role of credit risk management to the banking sub-sector cannot be overemphasized.

Credit risk management is the identification, measurement, monitoring and control of risk arising from the possibility of default in loan repayments (Coyle, 2000). Credit extended to borrowers may be at the risk of default, whereas banks extend credit on the understanding that the borrower(s) will repay their loans. Some borrowers usually default, and as a result, banks income decrease due to the need for provisions for such loans. Where commercial banks do not have an indication of what proportion of their borrowers will default, earnings will vary thus exposing the banks to an additional risk of variability of their profits (Onyiriuba, 2009).

Poor credit management and inadequate credit administration are the main causes of the problems faced by the banking industry in Nigeria (Alalade, Binuyo & Oguntodu, 2014). In a quest to ensure adequate and sound credit management, lending has been characterized by high interest rate. Also, excess profit imposed by bank officials has decreased firm value and scared the public from borrowing. There has been loan limits violation in order to meet up to target expected from the bank. Inappropriate documentation before draw-down has been one of the major causes of bad loans, moral hazards which are against the principles of credit. These situations occur due to the reckless and lawless behaviour of bank officials. Hence, loans and advances poses a number of risks to the commercial banks and the banking sector in general, if not properly managed; leading to bank distress thereby affecting customers and stakeholders (Alalade, Binuyo & Oguntodu, 2014).

Marshal and Onyekachi (2014) noted that increasing level of non-performing loan rates in banks books, poor loan processing, undue interference in the loan granting process, inadequate or absence of loan collaterals among other things are linked with poor and ineffective credit risk management that could affect firm value. This is a very disturbing phenomenon because the high level of non-performing assets in the bank's portfolio if not brought under control, might erode the capital base of the banks and reduce its profitability. The worst case can happen where liquidation or bankruptcy may occur due to the banks inability to manage its credit risk efficiently.

From the foregoing, studies abound on credit risk management and profitability of banks in Nigeria. However, no study in this wise has been carried out to determine long-run relationship between credit risk management and firm value in Deposit Money banks using Johansen Cointegration and Granger Causality approach. To fill this gap, this study examined credit risk management and firm value in deposit money banks in Nigeria using the time series data for a period of 2001 to 2017. The specific objectives of the study are to:

1) examine whether credit risk management has any significant impact on firm value of deposit money banks in Nigeria;
2) determine whether any long-run relationship exist between credit risk management and firm value of deposit money banks in Nigeria; and
3) determine causality between credit risk management and firm value of deposit money banks in Nigeria

From the foregoing, the following hypotheses are formulated and tested in this study:

1. Credit risk management has no significant impact onfirm value of deposit money banks in Nigeria
2. Credit risk management has no significant long-run relationship with firm value of deposit money banks in Nigeria
3. The relationship between credit risk management and firm value of deposit money banks in Nigeria is neither unidirectional nor bidirectional

2. Literature Review

According to Hornby (2001), credit refers to a situation whereby card is issued by banks allowing the holder to draw money from its branches and use its cheque in payment for goods and services with a maximum for each occasion. Credit can be financial resources in form of overdraft, personal loan, bridging loan, local purchase, order credit, direct credit facility, probate advance, export credit, import facility, equipment leasing etc., which banks make available for its customers at a rate of interest (cost of fund) which the later will pay on the facility to pave way for profit margin.

Obalemo (2007) defined credit risk as a risk based on the assumption that a borrower would default in repayment to the lender. In addition to direct accounting loss, credit risk could also be viewed in the context of economic exposures. This encompasses opportunity costs, transaction costs and expenses associated with a non-performing asset over and above the accounting loss. It can be further sub-categorized on the basis of reasons responsible for default. For instance the default could be due to country in which there is exposure or problems in settlement of financial transaction. Moreover, it does not necessarily occur in isolation, the same source that endangers credit risk for the banking institution may also expose it to other risk. For instance, a bad portfolio may attract liquidity problem.

According to Chen and Pan (2012), credit risk is the degree of value fluctuations in debt instruments and derivatives due to changes in the underlying credit quality of borrowers and counterparties. Coyle (2000) defines credit risk as losses from the refusal or inability of credit customers to pay what is owed in full and on time. Credit risk is the exposure faced by banks when a borrower (customer) defaults in honouring debt obligations on due date or at maturity. This risk interchangeably called 'counterparty risk' is capable of putting the bank in distress if not adequately managed. Credit risk management maximizes bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable limit in order to provide framework for understanding the impact of credit risk management on banks' profitability (Kargi, 2011).

Risk management as commonly perceived does not mean minimizing risk totally; rather the goal of risk management is to optimize risk- reward trade off. The word risk, which is the centre point and target of risk management is defined as a chance of loss, chance of mishap, an unwanted and uncertain event, uncertainty of financial loss, objective doubt, concerning the outcome in a given situation or a combination of hazards. Risk is the exposure to loss arising from the variation between the expected and actual outcomes of investment activities (Nzotta, 2002; Owualla, 2000). Therefore, in a broad term, risk management can be related to a mechanism which embraces planning, organizing and controlling resources and operational activities of business for effective reduction or elimination of risk or the adverse effects of risks. Risk management is also viewed as a multi-disciplinary function. Hence, it is all embracing in the implicit actions taken by housewives, farmers, and artisans to the corporate managers. Such actions involve, consciously putting a risk management process in place to mitigate disasters such as injuries, incapacitation, and even death. It involves a management process aimed at "the effective reduction of the adverse effects of risks".

The theory of credit management (which is also known as theory of asset management) states that banks must seek and manage high returns, reduce risk and make adequate provisions by holding liquid assets. This theory is in support of the need for holding short term assets to cushion the effect of uncertainties in the banking operations and various needs for liquidity. Banks must lend to borrowers who are willing to pay high interest and unlikely to default on their loans, and raise liquidity required without bearing huge costs. Banks are not only funded by assets but they are largely financed by collateralised borrowing which cannot be relied on during financial distress (Brunnermeier& Pedersen, 2008). This refers to loans that provide the lender with a priority claim on specific asset and a general claim on the debtors' other assets. The amounts of liquid assets to be held depend on the bank's apparent need for liquidity and deposits flow, financial market conditions and monetary policy directions.

The concept of asset management has some shortcomings. It focuses on asset side of the balance sheet which makes the theory grossly deficient in the active money markets. The bank and the rate of changes in purchased funding are dependent on the market (Dietrich &Wanzenried, 2011). It also fails to consider that high returns are associated with high risks. According to Dietrich and Wanzenried (2011) achieving high returns while holding a large portion of liquid assets at a low risk can be difficult as liquid assets are costly and have the tendency of reducing profits. In addition, the assets have to be attractive and easily marketable. Failure to do so has been proven to lead to bankruptcy or the need for an emergency loan.

Cash asset is presumed to have no unique role in the process of acquisition and disposal of financial assets but the easiness of exchange for cash balance (Dietrich &Wanzenried, 2011). The easiness is defined as ratio of stock of cash balances to meeting financial obligations on maturity. The closer assets to maturity, the greater in general are the possibilities of realising them before maturity without risk of significant capital loss. The more liquid a bank is in this sense the greater is its capability to meet its obligations as they fall due. Higher ratio implies better performance, while lower ratio is an indicator of threat to the bank and would tend to inhibit bank performance.

Financial assets such as treasury bills have low risk: the risk of loss of value due to changes in interest rate policies is always very low since they are held in short term bases. Financial assets can be categorised into: running assets, reserve assets along with other liquid assets which are mostly short-term claim e.g. treasury bills and investment assets including long-term claims e.g. bonds (Hicks, 1967); money (cash), stock and bonds (Hawks, 1996); and assets 'held for trading, "held to maturity investment", 'loans and receivables' and available for sale' for treatment purposes. Keynes (1937) explained the three motives of holding financial assets to include the transactional, precautionary and speculative motives. The economics and finance literature in support of Keynes' assertion analyse four possible reasons for firms to hold liquid assets: the transaction motive (Keynes, 1937); the precautionary motive (Oppler, Pinkowitz, Stulz& Williamson, 2016); the agency motive (Jensen, 1986) and the tax motive (Foley, Titman, &Twite, 2007).

Studies on credit risk and corporate performance has been investigated in Nigeria and other nations with various missed results (Kayode, Obamuyi, Owoputi and Adeyefa, 2015;Ugoani, 2015;Alalade, Binuyo and Oguntodu, 2014;Kolapo, Ayeni, and Oke, 2012). For instance, Kayode, Obamuyi, Owoputi and Adeyefa (2015) 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 effect model framework.

This study used an unbalanced panel of six Nigeria banks spanning the period of 14 years from 2000 to 2013. The banks included for this study are: Ecobank Nigeria Plc., First Bank of Nigeria Plc., First City Monument Bank Plc., Skye Bank Plc., Wema Bank Plc. and Zenith Bank Plc. Findings show that credit risk is negatively and significantly related to bank performance, measured by return on assets (ROA). This suggests that an increased exposure to credit risk reduces bank profitability. Also, total loan was found to have a positive and significant impact on bank performance.Alalade, Binuyo and Oguntodu(2014) examined the impact of managing credit risk and profitability of banks in Lagos state. Correlation coefficient was used to decide whether or not credit risk management has an impact on profitability. It was then revealed through the analysis of data from the questionnaire that credit risk management operations play a significant role in the profitability and performance of banks in Lagos State.

Kolapo, Ayeni, and Oke (2012)carried out an empirical investigation into the quantitative effect of credit risk on the performance of commercial banks in Nigeria over the period of 11 years (2000-2010). Five commercial banking firms were selected on a cross sectional basis for eleven years. The traditional profit theory was employed to formulate profit, measured by Return on Asset (ROA), as a function of the ratio of Non-performing loan to loan & Advances (NPL/LA), ratio of Total loan & Advances to Total deposit (LA/TD) and the ratio of loan loss provision to classified loans (LLP/CL) as measures of credit risk. Panel model analysis was used to estimate the determinants of the profit function. The results showed that the effect of credit risk on bank performance measured by the Return on Assets of banks is cross-sectional invariant. That is the effect is similar across banks in Nigeria, though the degree to which individual banks are affected is not captured by the method of analysis employed in the study. A 100 percent increase in non-performing loan reduces profitability (ROA) by about 6.2 percent, a 100 percent increase in loan loss provision also reduces profitability by about 0.65percent while a 100 percent increase in total loan and advances increase profitability by about 9.6 percent

Ugoani (2015) investigated poor credit risk management and bank failures in Nigeria. The survey research was adopted in the study. Respondents were chosen from the top, middle and lower management levels of the managerial echelon of banks. They were selected using the simple random sampling technique to make sure that only those people who were conversant in the issues of interest were involved. Two methods of data collection were employed. One was a self-administered questionnaire, and the other informal in-depth interview, meant to complement, supplement and validate the data collected through each other. The data gathered were organized, coded and classified for the correction of errors and ensuring accuracy, consistency and completeness. For the systematic analysis of data, tables and the Chi-Square statistic tool were used. Results showed that poor credit risk management influences bank failures.

Ayodele and Alabi (2014) examined the risk management in the Nigerian banking industry. First Bank of Nigeria Plc was used as the case study being the oldest and the biggest bank out of the twenty- three (23) banks currently operating in Nigeria economy. The data used for the study were collected majorly from primary source through the distribution of questionnaires to respondents in the bank. Simple percentages were used to analyze the respondents' responses to each of the question while Chi-square (X^2) and the Analysis of Variance statistic (ANOVA) were used to test the stated hypothesis.

The analysis revealed that risk in the likelihood of fraud and forgery, operational risk, market risk and system risk abound in the Nigeria banking operations which needed to be managed appropriately in order to improve performances and profitability of the banks. Based on the research findings, it was discovered that Nigeria banking operations are affected more by credit risk and operational risk than market risk. Fraud and forgeries also play adverse role in banking daily operations. However, the risk management techniques put in place by the banks have really curbed or reduced the various risks confronting Nigeria banks.

Kargi (2011) evaluated the impact of credit risk on the profitability of Nigerian banks. Financial ratios as measures of bank performance and credit risk were collected from the annual reports and accounts of sampled banks from 2004-2008 and analyzed using descriptive, correlation and regression techniques. The findings revealed that credit risk management has a significant impact on the profitability of Nigerian banks. It concluded that banks' profitability is inversely influenced by the levels of loans and advances, non-performing loans and deposits thereby exposing them to great risk of illiquidity and distress. Epure and Lafuente (2012) examined bank performance in the presence of risk for Costa-Rican banking industry during 1998-2007. The results showed that performance improvements follow regulatory changes and that risk explains differences in banks and non-performing loans negatively affect efficiency and return on assets while the capital adequacy ratio has a positive impact on the net interest margin.

3. Methods

The *ex-post facto* research design was adopted for the study. The population of the study covered all the deposit money banks in Nigeria. This research made use of annual time series data obtained from various issues of Central Bank of Nigeria (CBN) Statistical Bulletin. The dependent variable was regressed on each of the macroeconomic indicators (independent variables) to test their effect on the dependent variables. The time coverage of the study covers 2001 to 2017.

The empirical model of Okeke, Isiaka and Ogunlowore (2018) was adapted for the study. In their study, they measured firm value of banks with Return on Assets (ROA) while the credit risk management predictors were: non-performing loans ratio (NPL) (measured by non-performing loans/total loans), capital adequacy ratio (measured by total capital to risk weighted assets), leverage ratio (measured by total shareholders fund divided by total assets) and loan deposit ratio (total loans and advances divided by total customer's deposit). In the course of adaptation, the dependent variable (ROA) was changed to firm value. Following the above modifications, the regression equations to measure the study objectives are given below:

$FIVA_t = \beta_0 + \beta_1 CBL_t\ \beta_2 NPL_t + \beta_3 CAR_t + \beta_4 LEVR_t + \beta_5 LDR_t + e_t$…………………………………………….. (1)

$\beta_0 > 0 \quad \beta_1 > 0, \quad \beta_2 < 0, \qquad \beta_3 > 0 \qquad \beta_4 < 0 \qquad \beta_5 > 0$

FIVA = Firm value measured with bank reserve from profit turnover (₦millions)
CBL = Bank loans to small scale enterprises as percentage of total credit (%)
NPL = Non-performing loans to ratio
CAR = Capital adequacy ratio
LER = Leverage ratio
LDR = Loan deposit ratio
$\beta_0$is the model constant while β_1, β_2, β_3, β_4 and β_5 are all parameters to be estimated
$_t$ =annual time trend (2001-2017)
e= error term

4. Results

Demographics of respondents, and result of the analysis is presented below. The results from the analysis are presented in this section. To test for the stationary of the series, the unit root test was conducted using Augmented Dickey Fuller (ADF) test. The result is presented in Table 2.

Table 1: Unit Root test result on the Variables

Series	ADF statistics	Critical values		Order of Integration
		1%	5%	
PIVA	-4.266	-3.653	-2.957	I(1)
CBL	-5.146	-3.654	-2.957	I(1)
NPL	-4.132	-3.654	-2.957	I(0)
CAR	-5.601	-3.689	-2.972	I(0)
LEVR	-5.545	-3.654	-2.957	I(1)
LDR	-6.803	-3.662	-2.960	I(2)

Source: Regression result from (E-view version 7)

Table 1 showed the test for Unit root in the series with Augmented Dickey Fuller (ADF) statistics. Results from the table showed that the NPL and CAR were stationary or integrated at level i.e 1(0). PIVA, CBL and LEVR were stationary or integrated in their first differencing i.e 1(1) while LDR was stationary or integrated in their second differencing i.e 1(2). This implies that the hypothesis of non-stationarity was retained for NPL and CAR but rejected for the rest of the series. The stationarity of the series at level, first and second differencing; justifies that the series are not spurious and contains no unit root. Hence, the regression equation can be estimated.The result of the OLS regression equation is shown in Table 2

Table 2: Ordinary Least Squares regression result

Variable	Coefficient	Standard Error	t-statistics	Prob.

C	3.5521	0.3030	11.724	0.0000
CBL	0.2299**	0.0459	5.0016	0.0000
NPL	-0.0843*	0.0387	-2.1810	0.0367
CAR	-0.4839	1.3939	-0.3472	0.7350
LEVR	-23.827*	9.6526	-2.4686	0.0312
LDR	0.2557	0.1669	1.5323	0.1537
R-squared =0.8028 Adjusted R-squared =0.7131 F-statistic = 8.9541 Prob(F-statistic) = 0.0013 Durbin Watson statistic = 1.7608				
$FIVA_t = \beta_0 + \beta_1 CBL_t\ \beta_2 NPL_t + \beta_3 CAR_t + \beta_4 LEVR_t + \beta_5 LDR_t$ $FIVA_t = 3.5521 + 0.2299CBL_t - 0.0843NPL_t - 0.4839CAR_t - 23.827LEVR_t + 0.2557LDR_t$				

Dependent variable: FIVA
Note: **Coefficient is significant at 0.05 level (p<0.05)*; *** Coefficient is significant at 0.01 level (p<0.01)*
Source: Regression result (E-view version 7)

From Table 2, the estimate of β_0 for the constant is 3.5521. This implies that if the explanatory variables are zero, the dependent variable will be approximately 35521. The estimate for β_1 is 0.2299. This shows a direct significant relationship between bank loans to small scale enterprises as percentage of total credit (CBL) and firm value (FIVA) which corroborates with the *a'priori* expectation. It also means that a unit increase in CBL will bring about .2299 in firm value. The estimate β_2 for NPL is -0.0843. This shows that a significant inverse relationship exist between non-performing loan ratio (NPL) and firm value as a unit increase in NPL will bring about .0843 decrease in firm value. The estimate of $\beta_3$and β_4 are-0.4839 and -23.827 respectively. This reveals the capital adequacy ratio (CAP) and leverage ratio (LEVR) has an inverse relationship with firm value. While the estimate (coefficient) for CAP and LDR was insignificant (prob=0.735 and 0.1537), the estimate of -23.827was significant (prob=0.031).

The R-squared (R^2) of 0.8028 showed that the overall goodness of fit of the model is good. The value indicates that the model explained about 80.3% variations in the dependent variable while the residue of 19.7% variation is attributed to error or other factors which are not captured in the model. The adjusted coefficient of determination (R^{-2}) is 0.7131. This value (R^{-2}) measures the reduced explanatory power of the model. It further explains that the independent variables are able to explain 71.3% of any systematic change in firm value while the unexplained residue of 28.7% is attributed to values in the error term or other randomized variables not captured in the model that have prominent impact on the dependent variable (FIVA).

The overall performance of the estimates in the model is measured by the F-statistic. The F-statistic of 8.9541 is jointly statistically significant at 5% and 1% (p = 0.0013). Therefore, the overall parameter estimates for the model are statistically significant. The Durbin Watson (D.W) statistic of the model is 1.7608. Since the value is approximately equal to 2. This explains that there is no presence of serial auto-correlation between or among the independent variables using the rule of thumb.

Co-integration Test

Economically speaking, two variables are co-integrated if they have a long-run or an equilibrium relationship between them (Gujarati, 2004:822). The Johansen (1991) likelihood ratio test statistics, the trace and maximal eigen value test statistics, were utilized to determine the number of co-integrating vectors. The decision rule is to reject the null hypothesis if the probability (p-value) is less than 5% (0.05). Otherwise, we do not reject. The long run among the series – FIVA, CBL, NPL,CAR, LEVR and LDR was tested. The result of the co-integration is summarized in the Tables below:

Table 3: Cointegration Rank Test (Trace) on the Series
Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.961352	99.13157	47.85613	0.0000
At most 1 *	0.876617	50.33272	29.79707	0.0001
At most 2 *	0.656323	18.94575	15.49471	0.0145

At most 3	0.177164	2.924976	3.841466	0.0872

Trace test indicates 3 co-integratingeqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Co-integration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.961352	48.79885	27.58434	0.0000
At most 1 *	0.876617	31.38697	21.13162	0.0013
At most 2 *	0.656323	16.02078	14.26460	0.0261
At most 3	0.177164	2.924976	3.841466	0.0872

Max-eigenvalue test indicates 3 co-integratingeqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

From the trace statistics and maximum eigenvalue statistics (Table 3), the first and second null hypotheses at 5% level of significance is rejected based on our decision rule that the probability value(s) is or are less than 5% (0.05). The trace and maximum eigenvalue statistic reveals that there are at least threecointegrating equations or vectors among the variables. This implies that at least three of the series have an established long-run relationship. Therefore, the null hypothesis of no long-run relationship is rejected. This existence of a long-run relationship therefore makes it possible to determine the direction of causation among the series.

Causality Test

To determine the direction of causation between credit risk management and firm value in banks in Nigeria, the Grangercausality test as developed by Granger (1969). According to this test, avariable (such as a credit risk management indicator) is said to Granger cause another variable (say FIVA) if past and present values of the former predict the latter (FIVA). Result of the causality test is presented in Table 4.

Table 4: Pair-wise Granger Causality result on selected credit risk indicators and Firm value

Null Hypothesis:	Obs	F-Statistic	Prob.
CBL does not Granger Cause FIVA	16	5.81111*	0.0312
FIVA does not Granger Cause CBL		0.00098	0.9754
NPL does not Granger Cause FIVA	16	0.12099	0.7335
FIVA does not Granger Cause NPL		6.07561*	0.0284
CAR does not Granger Cause FIVA	16	5.33476*	0.0380
FIVA does not Granger Cause CAR		0.16186	0.6940
LDR does not Granger Cause FIVA	16	0.62047	0.4450
FIVA does not Granger Cause LDR		5.82665*	0.0313
NPL does not Granger Cause CBL	16	8.30538*	0.0128
CBL does not Granger Cause NPL		0.61300	0.4477
LEVR does not Granger Cause CBL	16	0.94584	0.3485
CBL does not Granger Cause LEVR		17.6389*	0.0010

Sample: 2001 2017 Lag 1
*F-statistic is significant at 0.05 level
Source: E-view 7 result

The result (Table 6) of the pair wise granger causality tests conducted on the variables shows that there exists a unidirectional causality from CAR to FIVA; from FIVA to NPL; from CAR to FIVA; from FIVA to LDR; from NPL to CBL; from CBL to LEVR. No bi-directional relationship was found among the series. By implication, this result shows that one period lagged value of non-performing loans ratio and capital adequacy ratio bring about changes in firm value. This explains that a credit risk management practice in the past accounting year has a carryover effect on current year firm value. On the other hand, firm value was found to granger cause loan deposit ratio.

The result from the study shows that non-performing loans could adversely affect firm value of deposit money banks in Nigeria. Hence, it was concluded that the provision of credit facilities by banks to customer goes with a lot of risk but such credit risk can be managed to increase firm value. Based on results, it is concluded that credit risk management has long-run relationship with firm value of deposit money banks in Nigeria.

Recommendations

The following recommendations were made:

1. Customers and deposit money banks should always endeavour to reach an agreement on loan interest rate and loan pay-back to reduce the incidence of loan default in money deposit banks in Nigeria
2. Management of deposit money banks in Nigeria should enhance their skills in credit analysis and loan administration.
3. A special credit disbursement unit should be established in banks to maintain sound internal lending policy in disbursing credit facilities to credible customers.

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Appendix

obs	FIVA	CBL	NPL	CAR	LEVR	LDR
2001	2.503800	6.200000	4.610000	0.131816	0.033453	0.060000
2002	2.507200	8.700000	3.720000	0.160453	0.036603	0.080000
2003	2.559200	7.500000	1.040000	0.184179	0.040270	0.310000
2004	2.561300	3.600000	2.350000	0.182591	0.037920	0.150000
2005	2.712000	2.500000	1.670000	0.188396	0.038165	0.200000
2006	2.826400	1.000000	1.400000	0.110612	0.023769	0.080000
2007	2.819300	0.900000	3.280000	0.058598	0.013928	0.030000
2008	2.959400	0.200000	0.970000	0.052926	0.013250	0.070000
2009	2.717500	0.200000	1.070000	0.212104	0.012527	0.120000
2010	2.725400	0.100000	1.300000	0.224881	0.014408	0.110000
2011	3.087200	0.200000	1.530000	0.188247	0.011353	0.090000
2012	3.266500	0.100000	0.950000	0.151848	0.008849	0.130000
2013	3.504800	0.100000	1.610000	0.165857	0.008626	0.070000
2014	3.650000	0.100000	0.590000	0.157419	0.007702	0.040000
2015	3.665400	0.100000	0.020000	0.151399	0.007763	1.270000
2016	3.629200	0.000000	0.020000	0.146070	0.007802	1.290000
2017	3.640500	0.000000	0.020000	0.135435	0.007262	1.380000

Dependent Variable: FIVA
Method: Least Squares
Date: 11/09/18 Time: 18:56
Sample: 2001 2017

Included observations: 17

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.552124	0.302975	11.72415	0.0000
CBL	0.229870	0.045959	5.001631	0.0000
NPL	-0.084307	0.038654	-2.181068	0.0367
CAR	-0.483954	1.393926	-0.347188	0.7350
LEVR	-23.82789	9.652566	-2.468555	0.0312
LDR	0.255672	0.166855	1.532302	0.1537
R-squared	0.802763	Mean dependent var		3.019712
Adjusted R-squared	0.713110	S.D. dependent var		0.445579
S.E. of regression	0.238662	Akaike info criterion		0.243024
Sum squared resid	0.626553	Schwarz criterion		0.537099
Log likelihood	3.934298	Hannan-Quinn criter.		0.272255
F-statistic	8.954117	Durbin-Watson stat		1.760839
Prob(F-statistic)	0.001328			

Pair wise Granger Causality Tests
Date: 11/09/18 Time: 19:13
Sample: 2001 2017
Lags: 1

CBL does not Granger Cause FIVA	16	5.81111	0.0312
FIVA does not Granger Cause CBL		0.00098	0.9754
NPL does not Granger Cause FIVA	16	0.12099	0.7335
FIVA does not Granger Cause NPL		6.07561	0.0284
CAR does not Granger Cause FIVA	16	5.33476	0.0380
FIVA does not Granger Cause CAR		0.16186	0.6940
LEVR does not Granger Cause FIVA	16	0.44590	0.5160
FIVA does not Granger Cause LEVR		0.33630	0.5719
LDR does not Granger Cause FIVA	16	0.62047	0.4450
FIVA does not Granger Cause LDR		5.82665	0.0313
NPL does not Granger Cause CBL	16	8.30538	0.0128
CBL does not Granger Cause NPL		0.61300	0.4477
CAR does not Granger Cause CBL	16	0.48237	0.4996
CBL does not Granger Cause CAR		0.27676	0.6077
LEVR does not Granger Cause CBL	16	0.94584	0.3485
CBL does not Granger Cause LEVR		17.6389	0.0010
LDR does not Granger Cause CBL	16	0.13477	0.7194
CBL does not Granger Cause LDR		0.26821	0.6132
NPL does not Granger Cause LEVR		3.19681	0.0971
LDR does not Granger Cause NPL	16	0.73789	0.4059
NPL does not Granger Cause LDR		0.55204	0.4707
LEVR does not Granger Cause CAR	16	0.01898	0.8925
CAR does not Granger Cause LEVR		0.01799	0.8953
CAR does not Granger Cause LDR		0.02528	0.8761
LDR does not Granger Cause LEVR	16	7.3E-05	0.9933
LEVR does not Granger Cause LDR		1.38484	0.2604

ADOPTION OF IPSAS AND ITS IMPACT ON THE FINANCIAL REPORTING IN THE NIGERIAN PUBLIC SECTOR

Omoregie, Nosa A.E.; PhD, CPA
Department of Accounting,
Faculty of Management Sciences,
Ambose Alli University,
Ekpoma, Nigeria.
08060845942.

Adonor Eseohe Grace; Bsc
Department of Accounting,
Faculty of Management Sciences,
Ambose Alli University,
Ekpoma, Nigeria.
adonoreseohe@yahoo.com; 08058815592,

Abstract

The researcher intends to find out the impact of the adopting of International Public Sector Accounting Standard (IPSAS) on financial reporting in Nigeria public sector. The researcher adopted a descriptive analysis method and used Chi-square test and Krustal Wallis test to test the proposed hypothesis. This study made profound findings revealing that the implementation of IPSAS in the Nigerian public sector is necessary as it would significantly improve transparency and accountability of financial records. The literature review revealed that the cost of implementing this accounting standard is actually a big task as it would mostly involve constructing of accounting manuals, the cost of training personnel, and putting in place adequate information and communication technology programmes for the three tiers of government. From the economist perspective, Ngama (2012) pointed out that the adoption of IPSAS would provide the basis for the establishment of a harmonized budgetary system which would be of enormous benefit to the three tiers of government in solving the problem of accountability. The researcher study recommended that the adoption of IPSAS in Nigeria in preparing her financial statement based on international standard would attract investors into the country. Furthermore, it would also reveal and expose internal corruption through is transparency measures and foster more economic development for Nigeria.

Key words: *IPSAS, IFAC, Cash Basis Accounting, Accrual Basis Accounting,*

1.1 Introduction

International Public Sector Accounting Standards (IPSAS) can be best described as the hub of global revolution in the area of government accounting, paving way for a more financially accountable and transparent government (Heald, 2003). IPSAS is a recommendation made by its board and regulated by International Federation of Accountants. The International Public Sector accounting Standard Board (IPSASB) is vested with the sole responsibility of developing accounting standards for public sector entities under the umbrella of the International Public Sector Accounting Standards (IPSAS).

The International Public Sector Accounting Standards is the main body internationally that governs the preparation of accounting by entities in the public sector, giving exception to Government Business Enterprise. This according to Kara (2012) is made up of government and all publicly owned, managed and funded entities, enterprises and other agencies of government with their primary aim of accountability to the citizens to deliver goods or services.

Public sector accounting just like any accounting process, collates records, classifies, summarizes and interprets the financial events existing in the public or government sector as financial statements and provides report as required for accountability and financial transparency to provide information to its users. It involves also the receipt, custody; disbursement and accountable management of public fund entrusted (Institute of Chartered Accountants – Ghana, 2010).

Several countries in years back have defined and set standards of financial reporting in their individual countries. In view of this, globalization has brought about ever increasing collaboration such as international trade and commerce among the countries of the world, and this means a call for uniformity in the process of accounting standards to enhance communication and sharing same information to users across the world (Kara, 2012).

The European Commission (EC), North Atlantic Treaty Organization (NATO) and some members of the African Union (AU) such as Ghana, South-Africa, Zimbabwe, and Botswana have adopted IPSAS (John, 2011). According to Labode (2014) while some countries have adopted the accounting standard in totality, others adopt and modified the accounting standard.

1.2 Hypothesis for the study

H_0: The adoption of IPSAS accrual basis of accounting does not have any significant relationship with improved accountability and transparency in the Nigerian public sector financial reporting.

2.1 Conceptual Framework of the Study

The conceptual framework of this study shall be based on the two basic accounting methods which are used to determine when and how to report income and expenses in the books: cash method and accrual method. The major difference in the method is the timing of when transactions are posted to relevant accounts (Adriana, & Alexandra, 2005). Using the cash method of accounting, income is not acknowledged in the records until cash is at hand, and expenses are not accounted until actually paid. Under the accrual basis, revenues and expenses are recognized when payment is made or received (Adriana and Alexandra, 2005). In a report put together by Cletus and Tennyson (2011), a perspective was provided for both cash and accrual basis of accounting, an analysis, comparative in nature and based on existing literatures:

i. Recognition of Total Liabilities

Liabilities are obligations owed. Government accounting is expected to show accurate information on government liabilities in the accounting books., but with the cash basis of accounting, liabilities are not recognized;

ii. Revenue Recognition

Here, unlike the accrual basis of accounting, in the cash basis, only revenues will be recognized in the financial statements in the period in which cash transaction was made, (Okoye & Oghoghomeh, 2011);

iii. Recognition of Total Cost of Goods and Services Provided

The use of cash-based accounting syste***m*** makes no difference between expenditures and disbursements, and generally no distinction between current and capital purchase. Any capital expenditure is treated in the same way personnel expenses are treated, noting that they are not recognized for the productive years. Because of this, the urge to use current capital assets efficiently is reduced;

iv. Accountability and Transparency

Nkoyo (2012) asserted that accountability and transparency in public accounting in the use of taxpayers' money is better carried out in accrual basis of accounting and may not be achievable using cash accounting basis.

2.1.1 Overview of IPSAS Adoption in Nigeria

The Federal Executive Council of Nigeria in July 2010 approved the adoption of the International Financial Reporting Standards (IFRS), and international Public Sector Accounting Standards (IPSAS), for the private and public sectors. The adoption is aimed at improving the country's accounting and financial reporting system, Nwachukwu (2012). In June of 2011, the set up Federation Account Allocation Committee (FAAC), designated a sub-committee to work a module of how IPSAS could be adopted in the three tiers of government.

Nigeria's quest to reposition its economy as one of the top 20 economies of the world by the year 2020 as encapsulated in vision 20:2020 has given rise to various policies and reforms of government, all targeted at preparing a fertile ground for the actualization of the vision. Ijeoma and Oghoghomei (2014) in their findings said that adoption of IPSAS is expected to increase the level of accountability and transparency in Public sector of Nigeria.

2.1.2 Comparison of Current Cash Basis Accounting System and the Proposed IPSAS Based Cash on Accrual Basis

1. Financial Statements:
Under the non IPSAS cash basis the financial statements basically comprised of the cash flow statement. IPSAS adoption leads to enhanced disclosures which promote transparency. Financial statements under IPSAS comprise of statement of financial performance, Statement of financial position, Statement of changes in equity, Statement of cash flows and Notes (FAAC, 2013).

2. Grants and Other Income:
These are currently recorded as and when they are received. Under IPSAS these will be recorded when commitments become binding regardless of the actual receipt date.

3. Unexpended Advances:
Cash advances will not be expensed immediately but only when the underlying goal or service is acquired.

4. Obligation and Expenses:
The current system expenses commitments to disburse money in future periods. The stipulation of IPSAS is that expenses should be entered after the delivery of a product or service.

5. Staff Benefits:
The accrued benefits will not only be recorded when the employee benefit is actually disbursed but will accrue as the employee earns the benefit.

6. Property Plant and Equipment:
The cash basis expenses the cost of PPE and the costs incurred in bringing the asset to its intended use. Under IPAS accounting the purchase cost is and any cost incurred in bringing asst to use are capitalized and spread over the asset's useful life. The asset can be recorded at its market value. This encourages the maintenance of the assets register. Military equipment will also be capitalized and shown under PPE rather than being expensed.

7. Financial Instruments:
Investments are currently recorded at purchase price. Under IPSAS the fair market value for investments will be adjusted at the end of the reporting date.

8. Budget Statements:
in line with the increased focus on stewardship of, and accountability for, public funds, IPSAS 24 Presentation of Budget Information in the Financial Statements requires entities that make their annual budgets publically available to present a comparison of the budgeted and actual information as part of their financial statements (either as a separate statement or in the notes). This disclosure was not required under Cash basis, Mhaka (2014).

2.2 Empirical Review of the Study
Christiaens et al. (2013) in their research tried to find out to what extent European governments have adopted IPSAS accrual accounting. The result showed there wasn't a uniform method to the adoption process of IPSAS accrual accounting standard. It revealed that some governments' still use cash based accounting with a smaller fraction applying IPSAS.

Ijeoma and Oghoghomeh (2014) examined the expectations and challenges of adoption of (IPSAS) in Nigeria. The study employed primary data and adopted the Chi-square test, Kruskal Wallis test and descriptive analysis. The findings of the study revealed that adoption of IPSAS is expected to increase the level of accountability and transparency in public sector of Nigeria.

Udeh and Sopekan (2015) examined the adoption of IPSAS and quality of public sector reporting. It was observed that IPSAS adoption is expected to improve the level or quality of public sector financial reporting in Nigeria. The study affirms that accrual-based IPSAS has the ability to improve financial reporting compared to cash based accounting.

2.3 Theoretical Framework of the Study
Quite a number of researchers have made comparative studies in public sector accounting (Onuorah & Chichi 2012; Ejere 2012; Heerden & Stern 2012; and Lloyd 2013) to name a few, have attempted to link between Accountability and challenges in the public sector. Other researchers focused on the diversity in the timing of

the IPSAS adoption process. While some centered on the Benefits and Institutional issues of IPSAS (Ijeoma and Oghoghomei 2014; Toudas and Poutos 2013). Influenced by the above studies, this study aims to shed a light on the impact of adopting and implementing IPSAS on the Nigerian Public sector accounting.

The theoretical reasoning behind these studies is that, since accounting standards prescribe a particular way of measuring and disclosing an economic phenomenon, they restrict alternative treatments available to managers (manipulative actions) hence improving quality of financial reporting, supported by the view of Nkoyo (2012).

3.1 Study Methodology

3.1.1 Research Design

The basic research designs employed in this study were descriptive design and survey types of research will be used to enable the researcher acquire more insight and obtain relevant data for analysis and test the stated hypothesis. Primary method of data collection was adopted for this study through the use of questionnaires

3.1.2 Population of the Study

The population of this study comprised accounting professionals in the Federal Ministries, Department and Agencies in Nigeria, with particular reference to Abuja. The elements of the population consist of accountants, internal auditors and external auditors to MDAs. Out of the total population of the study put at 292, a sample size of 152 respondents was selected from fifteen (15) MDAs in Abuja. The sampling technique the researcher used in determining the sample size from the population is the Taro Yamane's statistical tool at 95% confidence level.

3.1.3 Method of Data Analysis

The data received were presented and itemized according to the responses sought in the questionnaire. The sample percentage tabular form (%) was used to present the different data collected from the administered questionnaire. The following statistical tools are considered by the researcher; Chi-square test, Krustal Wallis test and descriptive analysis.

As stated above, Chi-square was also used to test the formulated hypothesis at a significant level of 5% and (r-1) (c-1) degree of freedom.

Data Presentation and Analysis

Questionnaire Response Analysis

S/N	ITEMS	SA	A	N	SD	D	X
1	Do you think IPSAS adoption will improve accountability of financial reporting in the Nigerian Public Sector?	45	62	2	1	0	
2	Is IPSAS adoption necessary for financial reporting transparency in the Nigerian Public Sector?	47	61	1	1	0	
3	Do you think IPSAS adoption will communicate value relevance to beneficiaries of financial reporting in the Nigerian Public Sector?	36	70	3	1	0	
4	Do you think IPSAS adoption will enhance the level of reliance on financial reporting in the Nigerian Public Sector?	41	65	2	2	0	
5	Do you think IPSAS adoption will enhance comparability of financial information among public entities in Nigerian Public Sector?	37	63	91	1	0	
6	Do you think IPSAS adoption will engender overall full representation of financial reporting in the Nigerian Public Sector?	70	36	3	1	0	
7	Do you think the introduction of IPSAS will improve the overall quality of financial reporting in the Nigerian Public Sector?	62	45	2	1	0	

8	Do you think the benefits of adopting accrual basis of IPSAS will far outweigh the cost of its implementation in promoting efficient and effective financial reporting in the Nigerian public sector?	75	32	3	1	0	

Source: Field survey 2018

From table above, 45 respondents from the first question strongly agree that IPSAS adoption will improve accountability of financial reporting in the Nigerian Public Sector while 62 respondents agree as well. From the second question, 47 respondents from the sample population strongly agree that the adoption of IPSAS is necessary for financial reporting transparency in the Nigerian Public Sector, while 61 respondents also agree. From question three, 36 respondents strongly agree that IPSAS adoption will communicate value relevance to beneficiaries of financial reporting in the Nigerian Public Sector, while 70 out of 110 respondents in the same vein also agree.

From the fourth question, 41 respondents strongly agree that IPSAS adoption will enhance the level of reliance on financial reporting in the Nigerian Public Sector, and 65 respondents representing 60% of the sample population agree to this. In question 5, 37 respondents strongly agree that IPSAS adoption will enhance comparability of financial information among public entities in Nigerian Public Sector, and 63 respondents as well. Question six shows that 70 respondents strongly agree that IPSAS adoption will engender overall full representation of financial reporting in the Nigerian Public Sector, and 36 respondents share similar impression. In question 7, 62 respondents, while also 45 respondents attest. The last two questions also show a significant number from the sample population attesting to the positive impact of IPSAS.

4.2 Test of Hypothesis

H_0: The adoption of IPSAS of accounting does not have any significant relationship with improved accountability and transparency in public sector financial reporting in Nigeria.

The data below represents the hypothesis extracted from the respondent questionnaire for analysis.

Table 10: Contingency Table:

OPINION	**Accountants**	**Auditors**	**TOTAL**
SA & A	88(85.6)	17(19.5)	105
SD & D	2(4.1)	3(0.1)	5
TOTAL	90	20	110

Table 11: Data Presentation and Analysis for Hypothesis One

O	**E**	**O-e**	**(O-e)2**	**<u>(o-e)2</u> e**
88	85.6	2.4	5.76	0.06728972
17	19.5	-2.5	6.25	0.32051282
2	4.1	-2.1	4.41	1.07560976
3	0.5	2.5	6.25	12.5
110	110			**$\sum x^2$ = 13.96**

Using this formula: Determine the Degree of Freedom (D/F) = (R - 1) (C – 1); Where R = Row C = Column (3 – 1) (2 – 1) = 2 x 1 D/F = 2; When referred to Chi square Table: 0.05 under 2 in the table = 5.99

Decision Rule If calculated X^2 is greater than tabulated X^2 we can accept H1 and reject H_o but if the calculated X^2 is lesser than the tabulated X^2 we can accept H_0 and reject H_1. For Hypothesis one, the calculated X^2 is 13.96 while the tabulated X^2 is 5.99, with the above calculations the X^2 result can be interpreted thus:

4.3 Summary of Findings:

Since the tabulated chi – square X^2 which is 5.99 is less than the calculated X^2 which is 13.96, the Null Hypothesis (Ho) is rejected, which states ‘‘The adoption and implementation of IPSAS accrual basis of accounting does not have any significant relationship with improved accountability and enhanced transparency in the Nigerian public sector financial reporting’’.

From the findings of this study, it can be deduced that the implementation of IPSAS in the Nigerian public sector would significantly improve transparency and accountability. The researcher also realized that there are so many challenges that may hinder the implementation and realization of the objective such as insincerity among the government officers, inadequate skilled hands in the field of accrual basis of accounting, poor attention to training of public accountants, etc, (Adriana & Alexandra, 2014).

5.2 Conclusion

This study examined the impact of the adoption of International Public Sector Accounting Standards (IPSAS) in line with identifying the numerous advantages of the scheme on the quality of financial reporting of public sector organizations in Nigeria. From the findings of the study, it was observed that the adoption of IPSAS is expected to increase the level of reliance on public sector financial reporting in Nigeria. It was established that IPSA based standards will enable the provision of more meaningful information for decision makers and improve the quality of financial reporting system in Nigeria. The study also revealed that IPSAS accrual bases assure more financial integrity when liked to cash or modified cash basis.

5.3 Recommendations

From the result and findings of the present study, the researcher recommends that Nigerian government should implement practical and adequate reforms in public sector management to transfer to the accrual basis of accounting feasibly. Therefore, Nigerian government needs to improve the existing financial management mechanism and policy to enable the implementation of accrual-based accounting.

1. The adoption of IPSAS calls for the need to train high qualified and professional accountants as well as develop an accounting information system in line with modern information technology;
2. The factors militating against the implementation of IPSAS in Nigeria should be addressed to achieve the implementation of IPSAS in Nigeria in compliance with the trend in IFAC financial reporting convergence policy;
3. Given the findings in this study, moral-suasion is also recommended as a way to improve the acceptance of IPSAS among all the functionaries of Government, collectively, in solidarity and conformity with one another, for effective political-buy-in and ownership of the accounting change of successful implementation of IPSAS in Nigeria;
4. A timely implementation of IPSAS is desirable to enjoy the benefits of a transparent government in the best interest of Nigerians;
5. The government should develop policies and processes to support IPSAS adoption and a regulatory framework to enforce compliance;
6. Adequate funds should be availed for training, research IT procurement and ERP Implementation; and
7. Finally, since the financial reporting system in Nigeria will improve with the adoption of accrual based IPSAS standards and the implementation of IPSAS in the operation and procedures of public sector, and will be beneficial in terms of accountability and transparency, the adoption of International Public Sector Accounting Standards is strongly recommended.

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BUDGETING REFORMS AND ACCOUNTABILITY OF PUBLIC SECTOR IN NIGERIA

ONIMAWO, Janet A.; PhD
Department of Public Administration,
Faculty of Management Sciences,
Ambrose Alli University, Ekpoma, Edo State
08060746357
achijaneonimawo49@gmail.com

Nosa E.A Omorogie; PhD
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, Ekpoma
08060845942, 08057591484
mobendexcel@gmail.com

&

OSAGHE, Victor
Department of Public Administration,
School of Business
Edo State Polytechnic, Usen.
08069562658
osaghevictor@gmail.com

Abstract

Public sector entails the tiers of government (federal, state and local), ministries, departments, agencies (MDAs) and parastatals in Nigeria. To ensure accountability of the public sector necessitated the need for budgeting reforms. These include enacting legislation or regulations; delivering goods and services; redistributing income through mechanisms such as taxation or social security payments; and the ownership of assets or entities, such as state owned enterprises. Preparation of the annual budget becomes merely a statutory requirement unless budget monitoring is done in a proper manner. Efficient financial management is possible through effective use of the budget and budgetary control to ensure that the financial plan, agreed by the council or board of management, is achieved. Accountability of the public is an essential component for the functioning of any political system, as accountability means that those who are charged with drafting and/or carrying out policy are obliged to give an explanation of their actions to their electorate. Hence, this paper focused on budgeting reforms and accountability of public sector in Nigeria, while the specific objectives were to examine effect of financial regulations and management in terms of revenue and expenditure on accountability of public sector. It is a library survey of literature and information were obtained from text books, journal articles, seminars and conference papers. The study revealed that budgeting reforms by way of financial regulations and management have significant effect on accountability of the public sector in Nigeria.

Keywords: Budgeting, Reforms, Accountability, Public Sector

Introduction

The term "the public sector" includes national governments, sub-national governments, local government units and regulatory bodies. It also embraces Government Business Enterprises (GBEs). In Nigeria, public sector consists of the three tiers of government (Federal, States and the Local Governments otherwise known as grass root government) and its agencies and parastatals (Obazele, 2002; Adams, 2004). The public sectors are usually determined through a political process, the outcomes it wants to achieve and the different types of intervention. These include enacting legislation or regulations; delivering goods and services; redistributing income through mechanisms such as taxation or social security payments; and the ownership of assets or entities, such as state owned enterprises. Government at different tiers and agencies would want to put in place some mechanism that can aid resource control and accountability.

Effective governance in public sector is characterized with budgeting reforms and robust scrutiny, which provides important pressures for improving public sector confidence, performance, tackling corruption and fostering accountability (Adongo & Jagongo, 2013). Budgeting reforms of various financial activities in the public sector can have ways of promoting transparency, integrity and accountability for the interest of citizens. Okoh and Ohwoyibo (2009) opine that accountability reflects the need for government and its agencies to serve the public effectively in accordance with the laws of the land. Most governments and other public sector entities carry out budgeting reforms covering revenue and expenditure for period of time. According to Izedonmi and Ibadin (2013), budgeting reforms are built into the legal and institutional framework (such as the Constitution of the Federal Republic of Nigeria, 1999, the Finance (Control & Management) Act, 1958, the Fiscal Responsibility Act, 2007, the Audit Ordinance No. 28, 1956 and the International

The complex nature of government has consequently aided delay in budgeting which as well affects control and disclosure of public sector revenue and expenditure (Faleti, Faleti & Ojeleke, 2014). Inadequate budgetary control and reforms in public sector could lead to issues of corruption, embezzlement, misappropriation, financial mismanagement, money laundering, budgetary and financial indiscipline, lack of budget goals-clarity and procedures and unaccountability (Anohene, 2011). The Nigerian society is filled with stories of wrong practices such as stories of ghost workers on the pay roll of Ministries, Extra-ministerial Departments and Parastatals, frauds, embezzlements and setting ablaze of offices housing sensitive documents and corruption are found everywhere in the country (Omodero & Okafor, 2016).

However, most studies on budgeting reforms and accountability of the public sector were carried out in developed countries, Drury (2006) study was a library survey of cost and management accounting in both government and private sector in USA; Needles (2011) study centered on managerial accounting in public sector among Euro area countries in UK by means of library survey; Popa, Pop & Blidiel (2006) study focused on budgetary and accounting experience in public sector a comparative case study in UK by means of library survey; Reviglio, (2001) presented library survey of budgetary transparency for expenditure control in Romainia).

Few of the studies were from developing countries like Nigeria (Faleti, Faleti & Ojeleke, 2014; Nkwagu, Uguru & Nkwede, 2016; Onuorah, & Appah, 2012; Okoroafor, 2016; Omodero & Okafor, 2016). Their findings were inconsistent and inconclusive. This study is carried out to validate existing studies. Moreover, to the best of our knowledge, no study from Nigeria has carried out study of this nature. Hence there lies a gap in knowledge in this regards which this study desires to fill. The broad objective of this study is to investigate budgeting reforms and accountability of public sector in Nigeria, while the specific objectives are to examine effect of financial regulations and management in terms of revenue and expenditure on accountability of public sector in Nigeria.

Literature Review

Concept of Accountability

Accountability is a central concept for good governance. Adegite (2010) defined accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and or/plans. It means doing things transparently in line with due process and the provision of feedback. Oki and Maimako (2015) note that accountability is best understood as a norm of governance, stipulating particular mode of wielding power.

Societies that endorse accountability norm in the public sector expect power holders to provide full information disclosure. According to Dragoniur (2008) accountability is a means of concretizing relations between institutions, delineating responsibilities, controlling power, enhancing legitimacy and ultimately promoting democracy. The aim of devising accountability is creating trust in governance institutions or public sectors. Onuorah and Appah (2012) claim that accountability requires that those who hold positions of public trust to account for their performance to the public or their duly elected representatives. Nkwagu, Uguru and Nkwede, (2016) notes that accountability as a variable (term) is the act of giving account of stewardship to the concerned parties, stakeholders and other interested users on how the resources that are being entrusted on ones hand were being effectively utilized for the purpose for which it was meant for.

Okoh and Ohwoyibo (2009) opine that accountability reflects the need for government and its agencies to serve the public effectively in accordance with the laws of the land. Appah (2010) point out that with the number and monetary value of public sector activities has increased substantially. According to Omodero and Okafor (2016), the increase in activities has brought with it an increased demand for accountability of public officers who manage these activities of the public.

According to Coker (2010), the various approaches to accountability based on the language of account can be grouped into: Process Based Accountability which measures compliance with pre set standard and formally defined outcomes and these include fiscal and managerial accountability with reliance on the use of accounting methodologies; Performance Based Accountability which measures performance against broad objectives especially in terms of qualitative and the criteria against which performance is measured less precisely defined.

Adegite (2010) noted that there are three pillars of accountability, which the United Nation Development Programme (UNDP) tagged ATI (Accountability, Transparency and Integrity). Omodero and Okafor (2016) indicate that accountability is segmented into: Financial Accountability which is concerned with the obligation of any one handling resources, public office or any other positions of trust, to report on the intended and actual use of the resources or of the designated office;

Budgeting Reforms

During the last decade the public sector has been affected by the introduction of significant reforms in the public accounting system. Budgets were first introduced in the 1920s as a tool to manage costs and cash flows in large industrial organizations (Bartle, 2001). At early stage of development, budgeting was concerned with preparing and presenting credible information to legitimize accountability and to permit correct performance evaluation and consequently, rewards in the public sector (Hindereth, 2002). Kazeem, Hakeem and Reuben (2014) note that the Nigerian budgeting reform is seen as set of actions and measures involving evaluation of current process to identify what reforms are needed, approval, and carrying out the budget project, finalizing, control and approval of the budgetary execution.

The entire economic management reform, which is an integrated package of various economic reforms, started in 2004 in Nigeria. The reform programme was based on the National Economic Empowerment and Development Strategy (NEEDS). NEEDS is a 'home-grown' economic development strategy which focused on four main areas: improving the macro-economic environment, pursuing structural reforms, strengthening public expenditure management, and implementing institutional and governance reforms (Okonjo-Iweala & Osafo-Kwaako, 2007).

The implementation of the comprehensive economic reform programme is in four main areas: Macroeconomic reform; structural reforms; government and institutional reforms; and public sector reforms (Iba, 2007). During the reform process different government and agencies have put into practice numerous intermediate variants between the extremes of cash and accrual budgeting and accounting. The reasons for the different national systems may be due to the culture, the historical background or the structural elements of these government or agencies As a pathway of improving financial management and accountability in public institutions and services financing; the twentieth-century has brought heightened expectations for what systems of budgeting and finance may be expected to deliver for the public. The first step taken was budgetary procedures, the establishment of the federal project, consists of income and outlay estimation activity of the national public budget.

Financial Regulations and Accountability of Public Sector

The principles of budgetary procedure are as assemble of budgetary rules which orders the public finance resources of the allocation process for government-owned sectors and government owned corporations. The Medium Term Expenditure Framework (MTEF), Section 19 provides that the Annual budget shall be accompanied by: (i) A copy of the underlying revenue and expenditure profile for the next two years(S19 (a)); (ii) Measures on costs, cost control and evaluation of results of programmes financed with budgetary resources (S19 (d)). Sections 21(2) (b), 22 and 23 add a competitive edge to the way public enterprises are run. Part III of the FRA 2007 is titled "The Annual Budget". It provides for the guidelines in the preparation of the Annual Appropriations, as well as the components and accompaniments.

Section 18 provides for the Medium-Term Expenditure Framework as the basis for the preparation of the annual estimates of revenue and expenditure to be presented to the National Assembly under section 81(1) of the Constitution. The MTEF is not a substitute for the annual budget as annual Appropriations are still prepared every year. However, the annual estimates and appropriations are prepared in consonance with the provisions of the MTEF. In order to achieve this, Ministries, Departments and Agencies (MDAs) are required to identify and develop key initiatives in the form of projects and programmes that they will embark upon to achieve their goals and objectives. These are documented as Medium-Term Sector Strategy (MTSS). However, these goals and objectives must be consistent with the economic and developmental goals of the government. Each Ministries, Departments and Agency (MDA) is expected to clearly articulate and document their key initiatives. These key initiatives are also required to establish cost, phased over a three-year period and linked to expected outcomes. It is to be especially noted that the outcomes as contained in the MTSS are used as policy documents against which budget proposals of the Ministries, Departments and Agencies (MDAs) are evaluated (Budget Office of the Federation, 2009). Although the Fiscal Responsibility Act was signed into law in 2007, the MTSS, according to the Budget Office of the Federation (2009), has been a feature of the budget preparation process since 2005 (Omolehinwa, 2014). The Budget Office reckons that this covers at least 80% of MDAs Expenditure (Budget Office of the Federation, 2009).

The framework for the implementation of public sector reforms is the Fiscal Responsibility Act passed into law in 2007. Several provisions in this Act suggest a shift in paradigm. Public Sector Statement of Accounting Standards (IPSSAS) formed the background for developing financial regulations, treasury and financial circulars used in measuring the level of accountability in Nigeria. The Constitution contained provisions for managing government funds, external controls for operating the accounting system, and procedures for annual appropriations (Owolabi et al, 2013).

The Finance (Control & Management) Act 1958 regulates the accounting system adopted for preparation of government financial reports (Izedonmi & Ibadin, 2013). In the words of Izedonmi and Ibadin (2013), it is clear that the most important aspect of Finance (Control and Management) Act of 1958 is the fact that it specifically provided for the use of cash accounting basis in the preparation of government accounts.

The Audit Ordinance Act, 1956 as amended by Audit Act 1988 provided for the audit and accountability for the public funds by the government in Nigeria. The Act sets out the duties of the Auditor-General for the federation and timing for audit and presentation of audited financial statements to the public (Izedonmi & Ibadin, 2013). The various regulations and provisions of the budgeting reforms are expected to effect on accountability of the public sector in Nigeria.

Financial Management and Accountability of Public Sector

National budgets as part of management control device designed to promote the efficient use of resources and providing support for other critical functions. Practical guide to budgetary and management control system for improved efficiency in public sector organizations were provided. Onuorah and Appah (2012) indicate that the nation’s annual budget must be an instrument of accountability, a stewardship report of what was done in any given financial year and just a reflection of how money was allocated, unspent and subsequently returned to the coffers of the government or even wasted.

Achua (2009) should that serious consideration is being given to the need to be more accountable for the often vast amounts of investment in resources at the command of governments, which exercise administrative and political authority over the actions and affairs of political units of people. Government spending is a very big business and the public demands to know whether the huge outlays of money are being spent wisely for public interests. Omodero and Okafor, (2016) note that **a**ccountability is also important for government, since it provides government with the means of understanding how programmes and budgeting reforms may fail and finding ways that can make programmes perform better. Public expenditure management is an essential task to be performed by any government for economic development (Vukicevic & Bartholomew, 2008) and expenditure control and disclosure is an essential element of fiscal discipline by way of budgeting reforms (Radev & Khemani, 2009).

Expenditure or revenue is a comprehensive approach for appropriate fiscal management and budgetary control is used as a tool for this purpose so as to enhance accountability in public sector. Budgetary control consists of budget preparation, comparison of actual results with those forecasted and the revision of budget in the light of changed circumstances. Efficient financial management is possible through effective use of the budget and budgetary control to ensure that the financial plan, agreed by the council or board of management is achieved (Ojo, 2009).

Budgetary control may prudently be used as a tool for expenditure control not only to restrict the expenditure within the budgetary limit but also to provide relevant information for better management decisions, financial control and future planning. Budget monitoring when a system of accounting, whether cash or accrual, is in place, the ability to control expenditures depends on the accounting system for monitoring revenues and expenditures (Thurmairer, 2007). The accounting basis (cash or accrual) has been determined by the method of budgeting used in the public sector in many countries (Hughes & Minovski, 2004).

Actual spending should be monitored against budget to support the crucial form of financial control (Jones, 2007). A close relationship should exist between the accounting systems and budgetary systems to identify whether funds are expended in the manner desired by the legislature (Budget Reporting, Research Report, 2004). According to Mbedzi (2010), public expenditure management entails: (i) appropriate planning and spending within the budget processes (ii) strengthening the expenditure control systems (iii)evaluating and monitoring the expenditure control systems and (iv)evaluating and monitoring effectiveness of established systems to facilitate accountability. It is expected that budgeting reform in term of financial management by way of revenue and expenditure have effect on accountability of public sector.

Review of Empirical Studies

Onuorah and Appah (2012) carried out a study on the management of public funds in terms of how public office holders give accountability report of their stewardship. Data on total federal government revenue and expenditure, state governments' revenue and expenditure were collected from Statistical bulletin from the Central Bank of Nigeria from 1961-2008. The results were analysed using regression. The findings reveals that the level of accountability is very poor in Nigeria because the attributes of accessibility, comprehensiveness, relevance, quality, reliability and timely.

Onatuyeh, and Aniefor.(2013) investigated the impact of internal audit functions on public sector management and accountability in Edo State of Nigeria. Data were collected via a well structured and tested questionnaire administered on 245 respondents in the audit departments of 12 government ministries and parastatals in Benin City, Edo State. The data collected were analyzed using Cross tabulations, descriptive statistics and Spearman rank order correlation coefficient. The findings of the study suggest that effective internal auditing ensures proper stewardship reporting, and inadequate qualified manpower does hinder proper auditing of government accounts in Edo State. Based on these,

Nkwagu, Uguru and Nkwede (2016) examined the implications of IPSASs on accountability of Nigeria public sector with emphasis on its effects on efficient management of public funds, effective budget implementation, and checking of cases of corruption among public officers in the South Eastern states of Nigeria. It employed structured questionnaire which was administered on sample of 314 out of 1458 Accountants and Internal Auditors in the ministries of finances of south Eastern states of Nigeria. Findings unveil that IPSASs adoption enhances accountability in the Nigerian public sector as the standards pave way for improved management of public funds.

Omodero and Okafor (2016) examined the efficiency and accountability of public sector revenue and expenditure in Nigeria (1970-2014). Data on total federal government revenue and expenditure, state governments' revenue and expenditure were collected from Statistical bulletin from the Central Bank of Nigeria from 1970-2014. The results were analyzed using relevant statistical tools.

The findings revealed that the level of accountability is very poor in Nigeria because the attributes of accessibility, comprehensiveness, relevance, quality, reliability and timely disclosure of financial information, social and political information about government activities are completely non available or partially available for the citizens to assess the performance of public officers mostly the political office holders. Conclusively and evidently the study has revealed that there is significant relationship between efficiency of public sector expenditure, recurrent expenditure and capital expenditure in Nigeria from 1970-2014.

Okoroafor (2016) examined the implications of the public sector reforms on the accounting and budgeting systems in the Nigerian public sector. It employed descriptive and ex-post facto research designs. The study established that there is need for a reform of the public sector financial reporting systems if the objectives of the Nigeria Public sector reforms as provided for in the Fiscal Responsibility Act are to be achieved.

Theoretical Framework

This study is anchored on budget theory. The budget theory was propounded by Henry C Adams (1985), a classic theorist who explains the social motivation behind government budgeting. The emergence of Scientific management philosophy however laid emphasis on detailed information as a basis for taking decisions thus leading to tremendous development of management accounting and budgeting techniques (Bartle, 2008). At early stage of development, budgeting was concerned with preparing and presenting credible information to legitimize accountability and to permit correct performance evaluation and consequently, rewards (Hindereth, 2002). Bartle (2008) indicates that budgets today provide a focus for the organization, aid in the coordination of activities and facilitates control. Through budgeting, at both management level and operation level looks at the future and lays down what has to be achieved.

Control checks whether the plans are being realized and put into effect corrective measures where deviation or short-fall is occurring (Bartle, 2001). When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the public sector. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or to even provide a basis for policy revision. The theoretical framework gave a rationale for development of budget concept, and highlights the development of the budgeting reforms concept from a tool of directing actions within an organization to a more complex managerial tool that managers would use to provide focus for organizations, set objectives and undertake performance evaluations. This framework provides a basic perspective through which the researcher viewed budgetary controls as tool for influencing accountability.

Conclusion

The thrust of this study is budgeting reforms and accountability of public sector in Nigeria. Budgeting reforms are crucial issues because of its implications in financial management regarding revenue and expenditure in the public sector. The fact remains that where there is no budgeting reform when there are needs for it could permit lapses in the existing system for corrupt practices. Budgeting reforms could straighten issues that might affect effective financial management of public sector in Nigeria.

The use of various regulations framework to solidify budgeting reforms in Nigeria like the Fiscal Responsibility Act (FRA), the Constitution, The Finance (Control & Management) Act etc were structured out to promote accountability in the public sector. Accountability is all about being answerable to those who have invested their trust, faith, and resources to you. It is clear that the reform of public sector accounting and budgeting systems are essential driving force in successful achievement the public sector accountability. Following the outcomes of various review of related extant studies, it therefore concluded that budgeting reforms have significant positive effect on accountability of public sector in Nigeria. Hence the study recommended that

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Tax Evasion and Avoidance in Nigeria

Prof. Aigbokhaevbolo, O. M.,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, PMB 14,
Ekpoma, Edo State, Nigeria

Dr. Oghuma, R. I.
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, PMB 14,
Ekpoma, Edo State, Nigeria

&
Ofanson C. E.
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University, PMB 14,
Ekpoma, Edo State, Nigeria
08174702968, 08033750403, 08055256880 & 07063358944

Abstract

This study was on the causes and effect of Tax Evasion and Avoidance on the economy (Board of Internal Revenue in Edo State). The broad objective of the study is to identify the causes and effect of Tax Evasion and Avoidance in Edo state and how it is done. Also the aim of the study is to suggest ways of minimizing this ugly incidence in the state. Primary source of data was used. The statistical method used to test hypotheses is analysis of variance ANOVA. The study uses simple percentage method in analyzing the data and the major. The population of the study consist of 500 staff (Senior and Junior) taxpayers in Edo state ministries. Out of which 300 was retured. The study shows that the imposition of high tax rate will drastically reduce the level of income and profit on the part of the tax payer. The study recommends that government should find a way of checking and balancing tax payments so as not to discourage tax payment on the part of the payers.

Keywords: Tax Evasion, Tax Avoidance, Problem & Prospect

1.0 Introduction

Government needs money in other to provide social obligations. These social obligations, amongst others, are provision of infrastructural facilities and social services. The following are the three major areas taxation is meant to address: a To raise revenue to finance government expenditure; b For redistribution of wealth and income to promote welfare of the citizenry; and To regulate economy for conducive business activities.

Tax is one o the main source of Government Revenue. It is a strong social and economic tool of the government in regulating the economy and maintaining health social like of the citizens. Tax can be defined as a compulsory payment by individual and companies to the state to enable her attain the National goals objectives.

Tax is a non-punitive but compulsory levy by the Government on properties and income of individuals and corporations within the territory. The money raise there of constitutes part of source of finance for general government expenditure in the economy. Aguei (1983:276) stated that tax is the transfer of resources from the private to the public sector in order to accomplish some of the Nation's Economic and Social Goals. It is levy imposed by the government on the income profit or wealth of an individual, partnership and corporate organization. Tax is therefore the system whereby individual are assessed and the final collection of the money for and on behalf of the government. It is a machinery through which Income Earner is obliged to pay a fraction of his income to the government.

There are various type of Taxation which could be classed under two main headings: direct and indirect tax. These two types of tax may be distinguished in terms of the possibility of shifting the tax burden. However, taxes according to Economists are classified into whether the tax is proportional, progressive or regressive. The importance of taxation in Nigeria arises out of the important roles, which the government in the light of numerous imperfections and short coming that often beset the economy has to play in order to ensure greater economic development, transformation and growth.

Other objective of taxation include influencing economic activities in the country, to bridge the gap between the rich and the poor, to curtail consumption of undesirable and harmful goods and services to combat inflation, to encourage investment to protect infant industries and as well as correct the country's balance of payment. However, this phenomenon is not restricted to any part of the world. In New Zealand, the loss of revenue resulting from tax evasion and avoidance is a problem that has been described as "Reaching epidemic proportions". The unfortunate aspect of this phenomenon is that the rate of this happening in the developing countries is always higher than what is obtained in developed countries.

Onoginwa (2016) opines that "Personal Income Tax Evasion is generally over 50% in Nigeria compared to about 14% in U.K." both rich and the poor embrace this chronic problem in the state with literate population and professionals in the state been the big avoiders. Whereas evaders can be found among payer and trader, having carefully examined the above trend of events, the researcher then decides to carry out evasion study to unmask the causes and effect of tax evasion and avoidance on personal income of Board of Internal Revenue in Edo State with a view of finding solution to them.

1.1 Profile of Board of Internal Revenue in Edo State

Taxation in Edo State is not quite different from of Nigeria as a country but there are certain peculiar features in her profile so as to give detail understanding of the state in her Revenue generating effort that we have decided in the state. Prior to 1st April 1959, the direct tax ordinance Native Authorities assessed and collected income tax from Africans resident within their area of jurisdiction Non-Africans were subjected to the Income Tax ordinance operated by the federal government through its regional office. With the Nigeria (constitution) order in council 1954 power was given to each region or deriving income there from. Eastern region became effective from 1st April year. This law brought pay-as-you-Earn (PAYE) of tax collection in operation. The Raisman Fiscal Commission also applied to eastern region. To complete the Act, Eastern Nigeria passed the finance law 1963. This law was to fill the gaps which the federal legislation could legislate on example assessment appears machinery, the machinery for collection and the rates of tax. at the end of the civil war and the creation of three states new laws were made. With the promulgation of South south State edict No. 6 of 1969, the Board of Internal Revenue was established as a statutory body to take charge of tax amended the edict. Since then there has been certain amendments of the state increase.

1.2 Statement of the Problem

Tax has been a powerful instrument of revenue generation in Edo State of which tax evasion and avoidance are the major problem that obstructs the maximum collection of tax. Highly technical problems besieging the Board of Internal Revenue in the state such as lack of encouragement by the government to tax payer, poor tax administration, unforced penalties on the tax defaulters which make tax law seemed to be useless and most importantly, logistics and zeal to enforce tax payer. Therefore inefficiency of taxation system in the state deprive the government the ability to produce the citizen with the basic necessities of life. Since the problem has been identified, the researcher considers it necessary to survey as much as possible to find solution for solving these problems of tax evasion and avoidance in Abia state and Nigeria in general.

1.3 Objective of the Study

The broad objective of this study is to find out why people evade and avoid tax and suggest ways of minimizing the practices in Edo State. The broad objective is broken down to the following specific objective:

To determine the effect of tax evasion and avoidance on the revenue generated in Edo State,
To proffer solution to the problem of tax evasion and avoidance,
To examine relationship between tax rates, tax evasion and tax avoidance,
To investigate why people evade and avoid tax.

1.4 **Research Questions**

In the course of this study, the following research questions shall be examined:
Is the existence of loopholes in the Nigerian tax law system an opportunity for tax avoidance?
Is there any effect of tax evasion and tax avoidance on the Nigeria economy?

How can tax evasion and tax avoidance by minimized and eliminate in Edo State?

1.5 Definitions of Terms

Below are the meanings of the following concepts as applicable to the study;

Tax Assessment: This is the process of ascertaining the amount of tax for which an individual or company is liable to pay.

Tax Collection: This is the process of receiving or gathering taxes from tax payer.

Tax Delinquency: This refers to the failure to pay a tax obligating on the date it is due.

Tax Drive: This means raid carried out by tax officials aimed at collecting tax revenue due to government from tax payer.

Tax Evasion: This is a willful and deliberate violation by a tax payer to escape a legal tax obligation by failing to report a source of income or seeks to reduce his tax liability by understating a source of income to the Tax Authority.

Tax Avoidance: This is a situation by which a tax payer take advantage of the weakness or loopholes in the tax system in order to pay less tax than he ought to have paid.

Tax Reliefs: These are allowance to a tax payer on his circumstance prevailing in the preceding year of assessment such as personal allowance, children allowance, relatives and dependent allowances etc.

Tax Liability: This is the total amount of tax an individual or company is supposed to pay.

Tax Payable: It is any amount of tax an individual should actually pay. It is also tax liability less any tax credit or withholding tax.

Direct Assessment: This involves the assessment of self employed, e.g. trade, business, profession or vocation.

Relevant Tax Authority: This is the authority that could impose and collect on the income of a taxable person for a year of assessment.

Year of Assessment: This is a period of twelve months commencing is 1st January to 31st December.

Direct Tax: These are tax levied on factors of production. The burden of direct tax falls on the producer.

Indirect Tax: This is the type of tax that is levied on goods and services. The burden of indirect tax fall on the final consumer.

2.0 Literature Review

2.1. Conceptual Framework

This chapter of the study presents both theoretical and empirical literature reviews on influence of tax evasion on revenue collection performance put forward by different Authors. The study aimed at identifying existing literature materials which formed the basis for further research in terms of data collection and analysis.

2.1.0 Tax administration

Tax system has three components: the tax policy, the tax laws and the administration of these tax laws. Tax policy helps direct government intentions and actions towards achieving set goals. Government could decide to concentrate on consumption tax which could help reduce tax evasion or government could use tax reduction for individuals to stimulate the economy as a result of high disposable income. Nigeria has different tax laws which are reviewed periodically. Different tiers of government in Nigeria administer tax. Different machineries are set up by the federal government because of the exclusive legislative authority to ensure compliance and defaulters are penalized.

Tax administration- to ensure implementation of these tax laws, different bodies are charged with the administration of tax in Nigeria. These bodies are:

a. The Federal Inland Revenue Service;
b. The State Boards of Internal Revenue; and

c. The Local Government Revenue Committee.
Taxes and levies to be collected by State Governments are;
1. Pay As You Earn (PAYE);
2. Withholding tax on individuals;
3. Capital gains tax on individuals;
4. Stamp duties on investments executed by individuals;
5. Pools betting, lotteries, gaming and casino taxes;
6. Road taxes; and
7. Business premises registration fees, for:
(a) Urban areas as defined by each State:
• N10,000.00 (maximum) for registration
• N5,000.00 for annual renewal of registration.
(b) Rural areas as defined by each State:
• N2,000.00 for registration; and
• N1,000 for annual renewal of registration.
8. Development Levy (individuals only), not more than N100.00 per annum on all taxable individuals;
9. Naming of street registration fees in State Capital;
10. Right of Occupancy Fees on Lands owned by the State in urban cities of the state; and
11. Market taxes and levies where state finance is involved [6]. Income generated by the state helps improve the economic development of that state.

2.1.1 Taxes.
Taxes are compulsory financial contribution made by a person or body of persons towards the expenditure of a public authority. Usually is payable in monetary terms. Basically there are two types of taxes; each type is classified according to the legal and effective incidence to the final payer. These two types are Direct and Indirect taxes are the main source of government revenue despite other sources of income which are subsidiary that are, loan, grants, contribution and public trading. Nigeria Income tax Act (2004) opines that taxation is a legal accepted ways of
collecting money from qualified source of income

2.1.2. Taxation concept
Taxation as Ogundele (1999) posits, it is the process or machinery by which communities or groups of persons are made to contribute in some agreed quantum and method for the purpose of the administration and development of the society. In a similar description, Soyode and Kajola (2006) explained tax as a compulsory exaction of money by a public authority for public purposes. Nightingale (1997) described tax as a compulsory contribution imposed by the government. And Kohonen and Alemayehu, (2011) defined tax is a compulsory levy on privately held assets, work, transactions and other activities and flows as designated by the parliament and enacted by the government.

The various authors concluded that it is possible for tax payers not to receive anything identifiable for their contribution but that they have the benefit of living in a relatively educated, healthy and safe society, Fagbemi, (2010). The parliament designates taxes according to its understanding of equity, while following the prevailing constitution, which also prescribes the purpose of taxation and confirms that the rightful ownership of tax receipts ultimately lies with the citizens Kohonen and Alemayehu, (2011). In many ways the raising of tax revenues is the most central activity of any state. Most essentially, revenue from taxation is what literally sustains the existence of the state, providing the funding for everything from social programs to infrastructure investment, Prichard and Bentum, (2009). The effect of taxation is that subjects are forced to give up hard earned earnings or possessions, or, in the early days, also payments in kind, without receiving visible benefits in return, Coetzee, (1993); Theron, (1994); Lamont, (1992). Thus, of all the needs and the benefits accrued from tax, people evade tax.

2.1.3. Tax evasion
In general refers to illegal practices to escape from taxation. To this end, taxable income, profits liable to tax or other taxable activities are concealed, the amount and/or the source of income are misrepresented, or tax reducing factors such as deductions, exemptions or credits are deliberately overstated (Alm and Vazquez, 2001). Chiumya, (2006) stated that tax evasion refers to the willful or deliberate refusal of the tax payer towards his/her tax obligation (Malkawi and Haloush, 2008). It is the deliberate distortion of facts and figures relating to an assessment after tax liability has been incurred with the intention of reducing the liability. Deliberate refusal to disclose one's tax sources of income to the tax authorities with the intention of paying nothing or something less

in terms of one's tax liability is an attempt to evade tax. Tax evasion is an offense as described by the law and so the sanctions are very severe.

2.1.4 Tax avoidance

Tax avoidance is the legitimatize use of the tax loopholes in order to minimize/reduce ones tax liability (Brown, 1983) and (Pyle, 1989). (Mponguliana, 2002), Explains tax evasions as unlawful act of dodging the statutory tax obligations, tax avoidance takes advantages of any hoop any loop holes and weakness, deficiencies, and loose or vague clauses in tax legislations to minimize/reduce or eliminate tax liability.

2.2 Reasons for tax evasion and tax avoidance

The definition of tax evasion and tax avoidance seems to contradict many scholars and tax practitioners. The demarcating line between tax evasion and tax avoidance is always not clearly put forward as one may be thinking of avoiding tax but end up with evading tax. However, the concepts are always distinguished on legal basis. There are various reasons for tax evasion and tax avoidance. In order to develop methods and instruments for fighting tax evasion and avoidance, it is important to foremost establish a broad understanding of the different reasons underlying these problems. These reasons can be filed in two categories. The first category comprises factors that negatively affect taxpayers' compliance with tax legislation. These factors can be subsumed either contributing to a low willingness to pay taxes (low tax morale) or to high costs to comply with tax laws (Kirchler, 2007). The second category contains reasons for the low ability of tax administration and fiscal courts to enforce tax liabilities (Kirchler, 2007). These factors can be summarized as resulting from insufficiencies in the administration and collection of taxes as well as weak capacity in auditing and monitoring tax payments which limit the possibility to detect and prosecute violators. These facilitating factors are discussed below.

2.2.1 Low level of (voluntary) tax compliance

a. Low tax morale

Taxpayers' willingness to pay taxes differs widely across the world. It cannot be viewed as simply depending on the tax burden. Rather, Alm. (2007) indicates that taxpayers throughout the world pay more taxes than can be explained by even the highest feasible levels of auditing, penalties and risk aversion. These high levels of tax compliance result from the tax morale of society that fosters self-enforcement of tax compliance. Tax morale is, however, not easy to establish. Especially countries without a deep-rooted 'culture' and habit of paying taxes find it difficult to establish tax morale (Alm. 1992). This "willingness to pay" of the taxpayer is influenced by the following factors:

b. Low quality of the service in return for taxes: In general, citizens expect some kind of service or benefit in return for the taxes paid. If the government fails to provide basic public goods and services or provides them insufficiently, citizens may not be willing to pay taxes and tax evasion and avoidance will be the consequence (Pashev,2005).

c. Tax system and perception of fairness: Some studies suggest that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer (Chipeta, 2002). However, the level of the tax rate may not be the only factor influencing people's decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. If, for example, the tax rate on corporate profits is relatively low, but individuals are facing a high tax rate on their personal income, they may perceive their personal tax burden as unfair and choose to declare only a part of their income. Similarly, large companies can often more easily take advantage of tax loopholes, thereby contributing to the perceived unfairness of the system. Tax rates and the overall structure of the tax system, therefore, have a significant effect on the disposition to evade and avoid taxes.

d. Low transparency and accountability of public institutions: Lack of transparency and accountability in the use of public funds contributes to public distrust both with respect to the tax system as well as the government. This, in turn, increases the willingness to evade taxes (Kirchler, 2007).

e. High compliance costs

High compliance costs, these are the costs the taxpayer has to bear to gather the necessary information, fill out tax forms etc, can be an additional reason for tax evasion and avoidance. The World Bank's 2008 World Development Indicator for "time to prepare and pay taxes" shows huge differences between countries: Similarly, Everest-Philips (2008) describes a recent mapping of local taxes in Nigeria and found over 1500 different taxes, licenses and fees covering various bases at different rates. This situation led businesses to worry more about the administrative burden than about the actual tax burden. In such a situation it can be assumed that compliance costs are very high and the probability of the taxpayer complying with such a great variety of taxes low. Particularly small and medium sized enterprises (SME) suffer from high compliance costs. A survey among Nigeria firms on the regulatory costs of doing business revealed that taxes, in particular VAT, are perceived as the most problematic set of regulations followed by labor regulation (SBP, 2005).

2.2.2 Weak enforcement of tax laws

a. Insufficiencies in tax collection

Regarding tax collection, many developing countries face difficulties with respect to important premises for a well-functioning tax administration, especially with respect to identifying and administering those citizens and firms that are liable to tax payments. Problems of insufficient capacity may also occur due to the organizational set up of the tax administration and its relationship to the ministry of finance. In general, there are two approaches for the organizational set up of tax administration.

The first option is where the ministry of finance itself assumes the tax administration function and departments within the ministry of finance collect taxes.

The second option is a semi-autonomous revenue authority where tax administration is moved out the ministry of finance into a separate entity. Often, tax administration and collection by ministries of finance were considered inefficient and suffering from corruption and high compliance costs (Moore, 2009). Therefore the creation of semi-autonomous revenue authorities has been pursued.

Tax policy directly affects the costs and the organization of the tax administration. Additionally, the capacities of tax administration influence the way tax policy is implemented. Thus, both areas tax policy as well as tax administration have to be taken into consideration when designing successful tax reforms. Otherwise, the proper functioning of the overall system is affected. For this reason, the tax system should be aligned to the administrative and legal prerequisites of the respective country (Moore, 2009. In order to motivate tax officials to work in accordance with the interests of the government and to reduce their vulnerability to corruption, attention has to be given to wages and other incentives (Kirchler, 2007).

Finally, insufficiencies in tax collection according to Moore (2009) also result from the fact that economies of most developing countries are characterized by a large informal sector

b**. Weak capacity in detecting and prosecuting inappropriate tax practices**

A well-functioning body of tax investigation is essential for the detection and prosecution of cases of tax fraud. The lack of sufficient capacities in tax administrations reduce the probability of detection that again influences the decision of a taxpayer as to whether evade or not. Additionally, the legal framework is an important prerequisite for any enforcement activity. For example, the size and nature of penalties that are incurred after evasion has been detected is directly connected to the level of tax compliance (Fishlow and Friedman,1994).

c. **Source of Income**

Source of income has a significant effect on tax compliance. Bruce (2000) argues that some individuals inter to self-employed to avoid tax. This may due to cash receipts, or the weak of tax information reporting. Furthermore, the lack of visibility of income for the self-employed encourages tax payers to transform to this branch. Finally, tax laws in many countries, especially in developing countries, changes rapidly, thus producing instability and low transparency of the tax code. As a result, complicated tax legislation and ongoing changes of the tax code confuse tax administrators and taxpayers alike. This produces ample opportunity for tax avoidance (Moore, 2003). Furthermore, it results in tax evasion which is not intentional, but occurs due to lack of knowledge, that is ignorance. In extreme cases, tax evasion and avoidance even become inevitable when the tax system becomes too complex and/or contradictory to follow.

2.3 Mode of tax evasion

This subsection outlines different modes of tax flight strategies that are employed by private individuals or corporations with the purpose to minimize or circumvent their tax liability. The subsection intends to give a broad overview on the most prevalent instruments that are constraining revenue mobilization efforts in developing countries and Nigeria in particular. Note that the overview does not provide a comprehensive list of all possible modes of tax evasion but rather focuses on the most relevant ones in terms of tax losses in developing countries and Nigeria in particular.

a.VAT fraud: False statements of business transactions subject to VAT represents a type of tax evasion that has attracted increased attention in the course of broader adoption and rising rates of VAT or goods and services taxes (GST) in developing countries. For example, Sri Lanka which introduced the VAT system in 2002 had to incur major revenue losses (approximately 10 % of its net VAT receipts (Keen and Smith, 2007) from a single case of VAT fraud. Fraudulent exploitation of the VAT system thereby takes a number of different forms and is carried out within as well as across national borders. All different forms of VAT fraud rely on the principle that all registered businesses are able to credit VAT expenses from purchasing input goods against VAT due on their sales (Keen and Smith, 2007).

b. Misclassification of commodities and smuggle of goods: Another source of tax evasion stems from the misclassification of commodities subject to different VAT rates with the purpose to reduce tax liabilities or increase claims for tax refunds. Related to revenue losses stemming from tax evasion activities is the smuggling of goods across borders as a way of evading not only VAT liabilities but also other forms of indirect taxes such as customs and excise duties (Keen and Smith, 2007).

c. Bribery of tax officials: Developing countries that suffer from inefficiencies in the administration and enforcement of taxes are exposed to bribing activities by companies as shown in the case of Bangladesh where sugar importers evaded 90 % of excise taxes in collaboration with corrupt tax officials (TJN,2003). All in all, it is important to note that the above described modes of tax evasion are not mutually exclusive but may also result as a consequence of one another. For instance, illicit financial flows that are directed to offshore accounts may result from proceeds that are realized through criminal activities such as the smuggling of goods or fraudulent manipulation of VAT records or bribery.

2.4 Effects of tax evasion

Tax evasion has had a variety of fiscal effects and there are at least three reasons for concern. Fjeldstad (1996), opines that, revenue losses from noncompliance and corruption become particularly significant at a time of substantial budget deficit. Second, horizontal and vertical equity suffer because the effective tax rates faced by individuals may differ because of different opportunities for tax evasion, Alm (1991). Again, Shome (2005) stress that, an important adverse effect of tax evasion is perhaps on equity. There is horizontal and vertical inequity where in both forms of inequity, the higher-taxed person pays for the lower-taxed person since, had there been no tax evasion; the tax rates would have been lower under the premise of revenue neutrality.

Third, there is a growing concern about the expanding underground economic activities, and how these activities affect economic policies, Tanzi and Shome, (1993). Acts of corruption by tax collectors often play a role in promoting or sustaining underground economic activities and in facilitating tax evasion, (Tanzi,1994). Tax evasion and fiscal corruption thus contribute to undermining the legitimacy of government. Furthermore, citizens' disrespect for the tax laws may expand disrespect for other laws.

Russo (2010) reported that, in Italy, one of the effects of tax evasion is loss of revenue to the government. Estimates from the Ministry of Finance indicate that roughly 20% of the income earned within the national border is not reported, resulting in a loss of more than 300 million naira every year in forgone tax revenue. This example is not an exception because it is prevalent across the globe. Marion and Muehlegger (2008) have added that lack of compliance with tax laws are likely to alter the distortionary costs of raising a given level of government revenue and may affect the distributional consequences of a given tax policy. Furthermore, resources spent evading taxes represent a deadweight loss to the economy.

2.5 Determinants of causes of tax evasion

All modern contemporary societies are grounded on the compulsory payment of taxes. Hence, enforcement efforts are made everywhere to encourage tax compliance, Lago-Peñas and Lago-Peñas, (2010). Cummings, (2009) in their research discovered that, one of the more vexing problems for policy makers in developing and transition economies is encouraging high levels of tax compliance.

2.6 Controlling tax evasion

The role of tax administration in maximizing revenue generation and minimizing tax evasion cannot be over-emphasized. These remain challenging tasks at every stage of development of a tax administration. This is because it is not just a matter of maximization or minimization but, rather, one of optimization, Shome, (2005).

2.7 Theoretical Review

Several economic theories have been proposed to run an effective tax system according to its importance. Taxes are generally classified under different theories as given: ability to pay theory, benefit received theory, socio political theory and equal distribution principle as well as economic of crime model.

a. Ability-to-Pay theory: As the name suggests, it says that, the taxation should be levied according to an individual's ability to pay. It also says that, public expenditure should come from "him that hath" instead of “him that hath not”. This principle is indeed the basis of ‘progressive tax,’ as the tax rate increases by the increase of the taxable amount and most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal use. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as: (i) Each taxpayer surrenders the sane absolute degree of utility that she/he obtains from her/his income; (ii) Each sacrifice the same proportion of utility she/he obtains from her/his income; (iii) Each gives up the same utility for the last unit of income; respectively.

b. Benefits-received theory: This assumes an exchange or contractual relationship between the state and the tax-payers. Certain goods and services are provided by the state and the cost of such goods and services are contributed in the proportion of the received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of tax policy for bringing about economic growth or stabilization. Chigbu, Akujuobi & Appah (2012) see the cost of service theory as very similar to the benefits-received theory. The theory emphasis on semi commercial relationship between the state and the citizens to a greater extents. The implication according to Chigbu, *et.a*l, (2012) was that the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this theory, costs of services are scrupulously recovered unlike the benefits-received theory where a balanced budget is implied.

c. Socio political theory of taxation: Ogbonna and Appah (2012) affirmed this reasoning justifies the imposition of taxes for financing state activities and for the provision of a basis for apportioning the tax burden between members of the society. They see the theory that advocates for a tax system which is not designed to serve individuals but one that cures the ills of the society as a whole. The society is made up of individuals but is more than the sum total of its individual members; consequently, the tax system should be directed towards the health of the society as a whole, since individuals are integral part of the broader society (Chigbu, 2012)

d. The Economics of Crime Model: The basic theory used in nearly all compliance research builds on “the economics of crime model” was first applied to tax compliance by (Allingham and Sandmo, 1972) cited in Macharia (2014).Nehemiah (1997) stressed that, a rational individual maximises the expected utility of the tax evasion gamble, balancing the benefits of successful cheating against the risky prospect of detection and punishment. This approach concludes that compliance depends purely on audit verifications and the severity of penalties handed out to culprits. The model gives a sensible result that, compliance depends on enforcement and it is straightforward to show with comparative analysis that declared income increases with an increase either in the probability of detection, penalty rate and frequency of audit and verification.

2.7 Empirical literature review

From their study, ethics of tax evasion, Fagbemi (2002) used a survey for their study. The researchers focused on business tax payers and left out likely tax evaders like the contractors and professionals like the lawyers, doctors and accounting firms. The analysis of the study used both descriptive and inferential statistics. They found out that the level of tax evasion is significantly higher when government is corrupt than any other views. In their study, effect of tax avoidance and tax evasion on personal income tax in Nigeria, Adesi and Gbegi (2013) administered questionnaires on employees of Federal Inland Revenue Service in Abuja. Just like Fagbemi (2002) some of the elements in personal income tax like contractors and professionals are left out of the study.

ANOVA was used to analyse two hypotheses; the relationship tax avoidance, tax evasion and personal income tax administration in Nigeria, and the relationship between tax rates, tax avoidance and tax evasion. The researchers’ use of ANOVA to test relationship brings to question whether the study is measuring ‘effect’ or ‘relationship’. The study found out that good governance will discourage tax avoidance and tax evasion. It equally found out that tax avoidance and tax evasion is as a result of high tax rate. Okafor (2012) in his study used regression to analyze a hypothesis on federal tax collected and GDP in Nigeria. The study found out that there is a strong significant relationship between GDP and federally tax revenue generation. The researcher failed to discuss what economic development is. Economic development of a country is more than just GDP, which is one of the dimensions of economic development. This study will not use a survey like other researchers but will however use actual tax generated compared with the expected tax of the state.

3.0 Methodology

3.1 Research Design

The study adopted the survey approach involving selected taxpayers and employees in the Ministries. This study employed the Analysis of Variance (ANOVA) as statistical tool for data analysis. The basis for arriving at the 300 sampled staff is by the use of arithmetic formula adopted from Yamani (2008). The statistical formula is stated, thus:

$$n = \frac{N}{1+N(e2)}$$

Where:

n	=	Sample size
N	=	Population size
e	=	Level of significance
1	=	Constant

$$n = \frac{1200}{1+1200\,(0.05)^2}$$

$$n = \frac{1200}{1+1200\,(0.0025)}$$

$$= \frac{1200}{1+3}$$

$$= \frac{1200}{4}$$

$$= 300$$

4.0 Conclusion

Tax evasion and avoidance are an illegal act of intentionally reducing accrual taxes or completing skipping the payment of such taxes by under reporting income, overstating expenditures, deductions or exemptions (Aguolu, 2010). Tax evasion is a serious problem in Nigeria which arises from many sources including outright ignorance of extent tax laws, lack of faith in the ability of government to utilize tax revenue well and high tax rates which make evasion very attractive and economical. Thus, as stated by Kiabel and Nwokah (2009), the problem of tax evasion and avoidance have reduced government revenue which has led to government inability to create employment opportunities for her teaming populace.

Tax evasion and avoidance is a problem which seemed to have defied solution, some people argue that the Nigerian tax system has not been right from the colonial times. While some have blamed the situation on the tax authorities for not living up to expectation with regards to tax administration, others attribute it to the unpatriotic attitude of the taxpayers. It is in line with the above issues that the researcher examines the effect of these interlocking problems on economic development and growth of the Nigerian economy, government revenues and unemployment rate as measures of development and growth indicators in Nigeria. Thus, this study contributes significantly to the volume of literature available in this area of accounting as it pertains the perception of tax evasion and avoidance in Nigeria.

A nation's tax system is often a reflection of its communal values and the values of those in power (Ross, 2007). Therefore, to create a system of taxation, a nation must make choices regarding the distribution of the tax burden and how the taxes collected will be spent. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as businesses, or to redistribute resources between individuals or classes in the population in addition, taxes are applied to fund foreign aid and military ventures, to influence the macroeconomic performance of the economy, or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive (Parkin, 2006).

Tax evasion and avoidance have adverse effect on government revenue. Tax avoidance generates investment distortion in the form of the purchase of assets exempted from tax or under-valued for tax purposes (KIabel and Nwokah, 2009). Avoidance takes the form of investment in arts collection, emigration of persons and capital. And as observed by Toby (1983) the taxpayer indulges in evasion by resorting to various practices. These practices erode moral values and build up inflationary pressures.

This point can be buttressed with the fact that because of the evasion of tax, individuals and companies have a lot of money at their disposal and companies declare higher dividends and individuals have a high take home profit. This increases the quantity of money in circulation but without a corresponding increase in the goods and services, this then build up what is known as inflationary trends where large money chases few goods (Toby, 1983).

5.0 Recommendations

1. The overriding objective of any tax system should be to achieve economic growth and development. As such, the system should allow for stimulation of the economy and not stifle growth. Thus, this study recommends that government policies and measures as it pertain fiscal policies in Nigeria should be streamlined to stimulate economic growth and development by ensuring that there tailored towards growth of the economy.

2. Secondly, this study recommends that there should be strict adherence to the tenets of fiscal federalism, which will include the basic understanding of which revenue functions and agencies are best centralized, which should run concurrently and which are better placed under the sphere of decentralized levels of Government.

3. Essentially, since taxpayers are the single most important group of stakeholders in the tax system as they are the bedrock of the tax system and the source of all revenue generated by tax authorities. The study recommends that in other to ensuring growth of the Nigerian economy, fund generated from tax revenue should be strictly employed to creation of employment opportunities to Nigerians.

6.0 Contribution to Knowledge

This work is importance in many respects. It is therefore, intended that a successful completion of this project help in reducing and even eliminates the problems associated with taxation. Therefore the significance of this study are as follows: (a) It will help to inform the tax payers of the numbers of benefits gained by paying tax. (b) The project will as well highlight on the importance of high efficiency and effectiveness required of tax officials. (c) The study will also be of immense benefit to the government by alerting them on the war against tax evasion and avoidance and impose the necessary penalty on any offender. (d) The study will help to suggest ways of removing inherent bottleneck in taxation. (e) Finally, the study is useful to individual, tax authority and government in general.

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Composition of Population Size

Ministry	**Top Management**	**Middle Management**	**Lower Management**	**Total**
Ministry of Environment & Public Utility	54	87	59	200
Ministry of Health	27	46	35	108
Ministry of Local Govt. & Chieftaincy	37	65	48	150
Ministry of Education	29	68	48	145
Ministry of Transport	19	58	38	115
Ministry of Justice	19	43	38	100
Ministry of Works	23	42	32	97
Ministry of Finance	15	51	28	94
Ministry of Commerce	16	42	38	96
Ministry of Budget Planning & Economic Development	15	42	38	95
Grand total				1,200

The researcher used questions 1,2,3 and 4 to test hypothesis one, question 5,6,7 and 8 were used to test hypothesis two, question 9,10 and 11 were used to test hypothesis three while question 12,13 and 14 were used to test hypothesis four.

Here:

$\mathrm{SST} = \sum\sum xj^2 - \frac{T^2}{rc}$ = Sum of Square for Total

$\mathrm{SSR} = \frac{T^2}{c} - \frac{T^2}{rc}$ = Sum of Square for Row

$\mathrm{SSC} = \frac{T^2}{r} - \frac{T^2}{rc}$ = Sum of Square for Column

$\mathrm{SSE} = \mathrm{SST} - \mathrm{SSR} - \mathrm{SSC}$ = Sum of Square for Error

$\mathrm{MSR} = \frac{\mathrm{SSC}}{\mathrm{r-1}}$ = Mean Square for Row

$\mathrm{MSC} = \frac{\mathrm{SSC}}{\mathrm{c-1}}$ = Mean Square for Column

$\mathrm{MSE} = \frac{\mathrm{SSR}}{\mathrm{r-1\ c-1}}$ = Mean Square for Error

$\mathrm{F.Ratio} = \frac{\mathrm{MSR}}{\mathrm{MSE}}$

$\mathrm{F.Ratio} = \frac{\mathrm{MSC}}{\mathrm{MSE}}$

1 = Constant

c = Column

r = Row

n = Number of elements or cells in each group

DF = Degree of freedom

4.20 Hypothesis One

Ho: The role of forensic accounting does not significantly reduce the occurrence of fraud detection and prevention in the public sector.

4.21 Distribution of Administered Questionnaires and the Response Rate

Variables	Question 1	Question 2	Question 3	Question 4	Total
Strongly agree	113	74	97	99	383
Agree	122	98	100	111	431
Strongly disagree	8	30	20	20	78
Disagree	12	53	38	25	128
Total	255	255	255	255	1020

Source: Field Survey, 2014.

SST = $\sum\sum \boldsymbol{xij^2} - \frac{T^2}{rc}$

SST = SST

SST = $\mathbf{113^2 + 122^2 + 8^2 + 12^2 = 27,861}$

$$\mathbf{74^2 + 98^2 + 30^2 + 53^2 = 1,789}$$
$$\mathbf{97^2 + 100^2 + 20^2 + 38^2 = 21,253}$$
$$\mathbf{99^2 + 111^2 + 20^2 + 25^2 = 23,147}$$
$$\mathbf{= 91,050}$$
$$\frac{T^2}{rc} = \frac{\mathbf{1,020^2}}{\mathbf{16}} = \frac{\mathbf{1,040,400}}{\mathbf{16}} = \mathbf{65,025}$$

SST = $\mathbf{91,050 - 65,025 = 26,025}$

SSR $= \frac{T^2}{c} - \frac{T^2}{rc}$

$$\frac{T^2}{c} = \frac{\mathbf{383^2}}{\mathbf{4}} + \frac{\mathbf{431^2}}{\mathbf{4}} + \frac{\mathbf{78^2}}{\mathbf{4}} + \frac{\mathbf{28^2}}{\mathbf{4}} = \mathbf{84,829.5}$$
$$\frac{\mathbf{146,689}}{\mathbf{4}} + \frac{\mathbf{185,761}}{\mathbf{4}} + \frac{\mathbf{6,084}}{\mathbf{4}} + \frac{\mathbf{784}}{\mathbf{4}}$$

366, 72.25+ $\mathbf{46,440.25 + 1,521 + 196 = 84,830}$

$$\frac{\boldsymbol{T^2}}{\boldsymbol{rc}} = \frac{\mathbf{1,020^2}}{\mathbf{16}} = \frac{\mathbf{1,040,400}}{\mathbf{16}} = \mathbf{65,025}$$

$\mathbf{SSR = 84,830 - 65,025 = 19,805}$

$$\boldsymbol{SSC} = \frac{\boldsymbol{T^2}}{\boldsymbol{r}} - \frac{\boldsymbol{T^2}}{\boldsymbol{rc}}$$

$$= \frac{\boldsymbol{T^2}}{\boldsymbol{r}} = \frac{\mathbf{255^2}}{\mathbf{4}} + \frac{\mathbf{255^2}}{\mathbf{4}} + \frac{\mathbf{255^2}}{\mathbf{4}} + \frac{\mathbf{255^2}}{\mathbf{4}} = \mathbf{65,025}$$

$$= \frac{\mathbf{65,025}}{\mathbf{4}} + \frac{\mathbf{65,025}}{\mathbf{4}} + \frac{\mathbf{65,025}}{\mathbf{4}} + \frac{\mathbf{65,025}}{\mathbf{4}}$$

$$= \mathbf{16,256.25 + 16,256.25 + 16,256.25 + 16,256.25 = 65,025}$$

$$\frac{\boldsymbol{T^2}}{\boldsymbol{rc}} = \frac{\mathbf{1,020^2}}{\mathbf{16}} = \frac{\mathbf{1,040,400}}{\mathbf{16}} = \mathbf{65,025}$$

$$SSC = 65,025 - 65,025 = 0$$

$$SSE = SST - SSR - SSC$$
$$SSE = 26,025 - 19,805 - 0 = 6,220$$
$$MSR = \frac{SSR}{r - 1}$$

$$MSR = \frac{19,805}{4 - 1} = \frac{19,805}{3} = 6,602$$

$$MSC = \frac{SSC}{c - 1}$$

$$MSC = \frac{0}{4 - 1} = \frac{0}{3} = 0$$

$$MSE = \frac{SSE}{r - 1\, c - 1}$$

$$MSE = \frac{6,220}{4 - 1, 4 - 1} = \frac{6,220}{9} = 691.1$$

$$F.Ratio = \frac{MSR}{MSE}$$
$$= \frac{6,602}{691.1} = 9.6$$

$$F.Ratio = \frac{MSC}{MSE}$$
$$= \frac{0}{691.1} = 0$$

ANOVA Result

Source	**Sum of square**	**DF**	**Mean square**	**F-Ratio**	**F - Critical**
SSR	19,805	3	6,602	9.6	3.86
SSE	6,220	9	691.1		
SSC	0	3	0	0	

Critical value at 5% of significance with degree of freedom 3 to 9 is 3.86

Decision rule:
Since the calculated value 9.6 is greater than the critical value of 3.86, the alternate hypothesis (Ha) is accepted and Null hypothesis (Ho) is rejected. Therefore we can conclude that the application of forensic accounting significantly reduce the occurrence of fraud detection in the public sector entity.

4.3.2 Hypothesis Two

Ho: The application of forensic accounting does not significantly reduce the occurrence of fraud prevention in the public sector entity.

Table 4.3.2.1: Distributions of Administrated Questionnaires and the Response Rate

Variables	**Question 5**	**Question 6**	**Question 7**	**Question 8**	**Total**
Strongly agree	90	95	97	99	381
Agree	127	131	100	111	469
Strongly disagree	10	12	20	20	62
Disagree	28	17	38	25	108
Total	255	255	255	255	1020

Source: Field Survey, 2014.

$$SST = \sum xij^2 - \frac{T^2}{rc}$$

$$SST = 90^2 + 127^2 + 10^2 + 28^2 = 25,113$$

$$= 95^2 + 131^2 + 12^2 + 17^2 = 26,619$$
$$= 97^2 + 100^2 + 20^2 + 38^2 = 21,253$$
$$= 99^2 + 111 + 20^2 + 25^2 = 23,147$$
$$= 96,132$$

$$\frac{T^2}{rc} = \frac{1,020^2}{16} = \frac{1,040,400}{16} = 65,025$$

$$SST = 96,132 - 65,025 = 31,107$$

$$SSR = \frac{T^2}{c} - \frac{T^2}{rc}$$

$$\frac{T^2}{c} = \frac{381^2}{4} + \frac{469^2}{4} + \frac{62^2}{4} + \frac{108^2}{4} = 95,157.5$$

$$= \frac{145,161}{4} + \frac{219,961}{4} + \frac{3,844}{4} + \frac{11,664}{4}$$

$$36,290.25 + 54,990.25 + 961 + 2,916 = 95,158$$

$$\frac{T^2}{rc} = \frac{1,020^2}{16} = \frac{1,040,400}{16} = 65,025$$

$$SSR = 95,158 - 65,025 = 30,133$$

$$SSC = \frac{T^2}{r} - \frac{T^2}{rc}$$

$$\frac{T^2}{r} = \frac{255^2}{4} + \frac{225^2}{4} + \frac{225^2}{4} + \frac{225^2}{4}$$

$$16,256.25 + 16,256.25 + 16,256.25 + 16,256.25 = 65,025$$

$$\frac{T^2}{rc} = \frac{1,020^2}{16} = \frac{1,040,400}{16} = 65,025$$

$$SSC = 65,025 - 65,025 = 0$$

$$SSE = SST - SSR - SSC$$

$$SSE = 31,107 - 30,133 - 0 = 974$$

MSR=$\frac{SSR}{r-1}$

$$MSR = \frac{30,133}{4-1} = \frac{30,133}{3} = 10,044.3$$

$$MSC = \frac{SSC}{c-1}$$

$$MSC = \frac{0}{4-1} = \frac{0}{3} = 0$$

$$MSE \frac{SSE}{r-1\,c-1}$$

$$MSE = \frac{974}{4-1, 4-1} = \frac{974}{9} = 108.2$$

$$\boldsymbol{F.Ratio = \frac{MSR}{MSE}}$$

$$\boldsymbol{= \frac{10,044.3}{108.2} = 92.8}$$

$$\boldsymbol{F.Ratio = \frac{MSC}{MSE}}$$

$$\boldsymbol{= \frac{0}{108.2} = 0}$$

ANOVA Results

Source	**Sum of square**	**DF**	**Mean square**	**F-Ratio**	**F-Critical**
SSR	30,133	3	10,044.3	92.8	3.86
SSE	974	9	108.2		
SSC	0	3	0	0	

Critical value at 5% of significance with degree of freedom 3 to 9 is 3.86

Decision rule:

Since the calculated value 92.8 is greater than the critical value of 3.86, the alternate hypothesis (Ha) is accepted and null hypothesis (Ho) is rejected. This means that the application of forensic accounting significantly reduce the occurrence of fraud prevention in the public sector entity.

The Impact of the Performance and Contribution of Private Entrepreneurship in the Non-Oil Sector on Nigeria's Economic Growth (2000-2017)

Patrick Ohunmah Igudia, PhD
Department of Business Administration,
Faculty of Management Sciences,
AmbroseAlli University,
Ekpoma, Edo State; Nigeria
poigudia@yahoo.co.uk ; patrickigudia@aauekpoma.edu.ng

&

Paul Itua Ohue
Department of Business Administration,
Faculty of Management Sciences,
AmbroseAlli University,
Ekpoma, Edo State; Nigeria
ohuepaulitua@yahoo.com

Abstract

Official statistics show that the Nigerian economy has grown in leaps and boundsover the years and particularly since the return todemocratic governance (1999-date). This phenomenal growth has been attributed principally to the oil sector. Without doubt, the non-oil sector as the underdog has also contributed to the publicly acknowledged growth even though minimally. The interest of this study is to determine how much the private entrepreneurship content in the non-oil sector has contributed to thisaverred growth? Thus, the objective of this paper is to assess the impact of the performance and contribution of private entrepreneurship in the non-oil sector on Nigeria's economic growth. Expo-facto research design was adopted using a panel data covering between 2000 and 2017.The augmented Dickey Fuller root test was used to test the stationarity of the data while the analysis of the data was done using regression analysis. The findings revealed that there is a relationship between economic diversification and business development since (R^2=0.92, R^{-2}=0.88, F=49.13). The conclusion is that the performance of the private entrepreneurship in the non-oil sector impacts economic growth.Againstthis backdrop, the researchers recommend inter alia that: the Nigerian government should strive towardsimproving and actually delivering reasonable credit facilities to private operators (entrepreneurs) in the non-oil sector, the Nigerian government should lower taxes paid by local entrepreneurs and producers as such could positively impact the performance of the non-oil sector.

Keywords: private entrepreneurship, performance of non-oil sector, economic growth, economic diversification, business development.

Introduction

The non-oil sector of the Nigerian economy can generally be described as including all groups involved in economic activities which are outside the petroleum and gas industry or not directly linked to them. These include telecommunication services; financial sector (banking and insurance) services; tourism services (hotels, restaurants, parks, carnivals, movies), wholesale and retail trades; health services; export trade; agricultural activities; solid mineral activities; power(conventional and renewable); manufacturing; environmental services(cleaning, waste management – collection and recycling); research and development (R&D) activities; information and telecommunication technology (ICT), etc. (Adulagba, 2011 &Onwualu , 2012).Each of these activities consists of various businesses which engage a large chunk of private entrepreneurship within the Nigerian population (Onwalu,2012; Dauda, Asinbo, Akinbode, Saka&Salihu, 2009).

Given that the Nigerian economy since 1980s has remainedmonolithic in nature asituation which has also been persistently threatened by theinstability of crude oil prices in the international market, the Nigerian government through various programmes has tried to diversify the economy. Hence, the development of the Nigerian non-oil sector has become necessary in other to address the challenges of rising unemployment and other social political crisis by expanding the horizon of employment generating activities especially in the non-oil sector where the potentials remain great and largely unexploited.However, the effort of the government has not yielded the desired result as the performance level of organisations in the non-oil sector has not yielded the desired outcome. This by extension has impacted the growth rate of the Nigerian economy(Onwalu, 2009).

However, it must be stressed that, without the mobilisation of long-term savings to support theconsolidation of the future growth of the Nigerian entrepreneurs, there cannot be any sustainable economic growth.Thus, to achieve inclusive growth, macro-economic stability and sustainable development of theNigerianeconomy, we must begin to de-emphasise the habit ofconsumption,consumerism and ostentatious living as a nation (i.e.consuming what we do not produce) and imbibe the culture of savings and wealth creation, based on increasedproductivity/output, value addition, economic diversification and self-sustenance. We cannot achieve sustainable economic growth as long as the economy depends on justone product. The sole dependence of the economy on crudeoil export as the main source of revenue and foreign exchange earner puts the country in a risky position and on a precipice thatmakes it vulnerable to oil price volatilities. Consequently, there is the urgent need to move away from thepresent monolithic economy to diversify the country'seconomic base within and away from crude oil, andexplore other sources of revenue (Onwalu, 2009)which can only be realised through private entrepreneurship.

The need for the diversification of the Nigerian economy from over-dependence on oil to the non-oil sector cannot beover emphasised. This has become even more urgent especially going by the unstable and fluctuating global oil prices in recent times. To do this is to minimise thecountry's vulnerability to macro-economic risks such as a fall ineither production quantity or in demand and/or price, and also a runout of reserves (Olorunfemi&Raheem, 2008) since oil is a perishable commodity. The fact is that Nigeria has continuously dependedmajorly on a mono product (oil). Expectedly, the dependence on oil has negatively impacted the performance of the non-oil sectorand this by extension has hindered the growth of the Nigerian economy. The Nigerian government has failed to invest in the other sectors of the economy. Although efforts have been made by various governments towards diversifying Nigeria's economy through sectors such as telecommunications and transformation in the agricultural sector (Igudia, 2017), yet eighty five percent of Nigeria's total revenue and about ninety percent of foreign exchange earnings stillcome from oil (Ameh, 2009) an indication that the government has not done enough of what is needed to be done in this regard.

Most of the developed economies create and rely on several dependable sources of national revenue earnings. This is not the situation with most African countries including Nigeria. Nigeria relies solely on oil as the sole means of revenue generation and survival.The ever dwindling oil prices haveeven made Nigeria's situation more precarious. There is indeed the urgent need to diversify her economy before it is too late. This will ensure that Nigeria benefits from such endeavour as has been experienced in developed economies.

Despite the overwhelming evidence of the lop-sidedness of the contribution of the oil sector unenviably dominated by public funding, civil service and institutions of government like the Nigerian National Petroleum company (NNPC) to the growth of the Nigerian economy, there is sparse empirical study on the contribution of the less than 5% share of the non-oil sector which is predominantly led by private entrepreneurship and initiatives. Besides, literature seems to be silent on the impact of the economic diversification on business development. This arethe gapsin literature that this study is set to fill. Given the foregoing, this study investigates the impact of the performance and contribution of private entrepreneurship in the non-oil sector on Nigeria's economic growth and development. The study also takes a look at the effect of the various efforts of successive administrations towards economic diversification from the oil sector on business development and how private entrepreneurs took advantage of same in developing business strategies to booster Nigeria's economic growth and development.

Review of Related Literature

Conceptual Review

The Performance of Nigerian non-oil sector under Different Policy Regimes

The Nigerian Government has displayed determination over the years to grow the non-oil sector of the economy by putting in place supportive policies and incentives. These policies have been targeted at encouraging the diversification of the economy. These policies can be categorized into three, namely: Protectionism policy, Trade liberalization policy and Export promotion policy. To evaluate the growth pattern of the non-oil sector, it is necessary to look at how the non-oil sector has performed under these different policy regimes.

Protectionism Policy Era

In the early 1960s and late 1970s, agricultural production was encouraged by the removal of agricultural export and sales taxes and by the increased tariffs on agricultural imports. Agricultural inputs, particularly fertilizers, were subsidized. By 1982, all exports except cotton and all food crops were positively protected (Adeloye, 2012). The Pre – SAP era featured an era of import substitution industrialization. The policies under the erawas aimed at expanding the industrialization-base, enhancement of cash crop exports, encouraging farmers to expand their farms and increase the production of cash crops with guaranteed external markets by the marketing boards, adjustment in the demands for foreign exchange, introduction of trade barriers (regulation ofimport licensing and import tariffs) to control imports. The ultimate goal was to protect domestic industries that were set up to produce import substitutes.

The customs tariff structure was deliberately discriminatory, biased in favour of capital goods and raw materials. Items considered as luxury goods were either put on import prohibition list or had very high import tariffs placed on them. Protectionism ended in 1974with the removal of restrictions on imports. By theThird National Development Plan (1981 – 1985) trade policies were relaxed due to falling oil revenue and decline in foreign exchange.

Trade Liberalization Policy Era

Trade policies since 1986 have been aimed at liberalization of the economy as well as achievement of greater openness and greater integration with the world economy. The policies thus ranged from abolition of marketing boards, to introduction of the second tier foreign exchange market (SFEM), various export expansion incentive schemes, establishment of the Nigeria Export- Import Bank etc. Thus, in July, 1986, the Structural Adjustment Programme (SAP) was introduced to tackle the problem of imbalances in the economy and thereby pave way for stable growth and development. The Export Incentiveand Miscellaneous Provisions Decree of 1986 were promulgated to encourage exports. As a result of the various policy supports, significant growth was experienced in the agricultural, telecommunication and business sectors (Analogbei, 2000).

Export Promotion Policy Era

The restoration of democracy from 1999 witnessed a rapid transformation of the non-oil sector, following intensified policy support to SMEs to enhance the export of their products.

In all considerations, current government policies are aimed at facilitating the diversification of the economy. One of the incentive policies in this regard has been the Export Expansion Grant (EEG) Scheme, which operates under the legal context provided under the Export (Incentives and Miscellaneous Provisions) Act 1986. The export grant is given to exporters to cushion the impact of infrastructural disadvantages faced by Nigerian exporters and make our exports competitivein the international market. No incentive has beenas effective as the EEG in encouraging exports in the non-oil sector (Adeloye, 2012). The Nigerian ExportPromotion Council (NEPC) is responsible for the administration of the policy.

Economic Diversification

Economic diversification is the process of allocating capital in a way that reduces the exposure to any one particular asset or commodity. A common path towards diversification is to reduce risk or volatility by investing in variety of assets or commodities (O'Sullivan &Sheffrin, 2003). Recent research conducted by Varghese (2011) suggested that economic diversification primarily depends on the growth of the non-oil sector of the economy. The importance of economic diversification was further highlighted by Siddiqui and Al Athmay (2012) in their research on the Brunei economy, which is highly dependent on the oil industry. They observed that Brunei's current unemployment rate was 12% and that this was largely due to a lack of private sector investment in the industries other than oil and gas. Sharma, Garg and Sharma (2011) opine that the development of the non-oil sector could aid the diversification strategy of any economy of the world.

Economic Growth

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time (IMF, 2013). It can also be measured in terms of the total annual export rate of a country. An increase in economic growth is caused by more efficient use of inputs like increased production of labour, physical capital, energy or materials (Bjork, 1999). Development of new goods and services by the non-oil sector of a country also leads to economic growth (Gordon, 2016). Over the period under review, the Nigerian private entrepreneurs were found to have assiduously invested private capital with the intent to overcome the gap created by the skewed economic policies of government in favour of the oil sector.

Business Development

Business development concerns all activities involved in realizing new business opportunities, including product or service design, business model design and market. It entails growing an enterprise with a number of techniques (Kotler, 2006). An idea central to new business development is that different product-market-technology combinations can require different market strategies and business models to make them successful (Tidd, Bessant & Pavitt, 2005). In other words, the new business development process is to recognize chances and opportunities in a fast changing technological environment.

Theoretical Framework

This study is anchored on Harrod-Domargrowth theory. This theory was propounded independently by Harrod (1939) and Domar (1946). The similarities in their prepositions made economists to call the theory Harrod-Domar growth theory. This theory is considered as the extension of Keynes' short-term analysis of full employment and income theory. These economists started paying attention to economic stability after the great depression of 1930s. This model focuses on the requirements necessary for steady economic growth. According to them, capital accumulation constitutes a major factor for the growth of an economy. They also emphasized that capital accumulation not only generates income, but also increases the production capacity of the economy.

This theory is relevant to this study because it focuses on the requirements necessary for economic growth. And one of the requirements necessary for the economic growth of Nigeria is the effective performance of the non-oil sector of the economy.

Empirical Review

Olanrakise and Bayo (2012) examined the impact non-oil sector on economic growth in Nigeria. A panel data from 2000-2008 used for the study was obtained from CBN statistical bulletin. Ordinary least square regression analysis was used to analyse the collected data. The findings of the study revealed that non-oil export positively impacts Nigeria economic growth. However, the performance in terms of output level and revenue generation was below expectation.

Ogunjimi, Aderinto and Ogunro (2015) examined the relationship between non-oil export and economic growth in Nigeria. A panel data from 1980-2012 used for the study was obtained from CBN statistical bulletin. Neo-classical growth model was used for the study, Augmented Dickey Fuller and Phillips Peron unit root test was used to ascertain the stationarity of the data, ordinary least square regression analysis was used to analyse the collected data. The study revealed that non-oil export was significant but negatively related to economic growth. This is an indicator of the dismal performance of the sector.Aladejare and Saidi (2014) examined the determinants of non-oil export and economic growth using the bound test approach. Augmented Dickey Fuller and Phillips Peron unit root test was used to ascertain the stationarity of the data, ordinary least square regression analysis was used to analyse the collected data. The study revealed a significant effect of non-oil export on economic growth in both the long and short run.

Anthony and Somiara (2010) carried out a research on the impact of macro-economic variables on non-oil export performance in Nigeria from 1986-2010. Ordinary least square regression analysis was used to analyse the collected data. The study showed that foreign exchange rate, government capital expenditure and government recurrent expenditure have contributed greatly to non-oil export, while agricultural sector, manufacturing sub-sector and interest rate did not greatly impact non-oil export.Kolawole and Okoduwa (2010) carried out a research on foreign direct investment, non-oil export and economic growth in Nigeria using granger causality test. The study revealed that foreign direct investment impacts non-oil export which by extension impacts economic growth in Nigeria.

Given the above scenarios arising from the empirical studies, these authors believe and assume that some of the factors used in the said studies are also relevant to this present study. For example, the agro-business in Nigeria is predominantly private entrepreneurship driven. Thus, large exports in this sector can be said to be a wholesome contribution by private entrepreneurs to the growth of the Nigerian economy in the area of foreign exchange earnings. In the same vein, the direction of the movement of exchange and interest rates will determine the possible direction of the contribution of the private entrepreneurship to the economic growth. A higher interest rate or exchange rate would negatively affect the capacity of private entrepreneurs to contribute to the growth of the economy. Also, foreign direct investment is, most often, in the area of private rather than public investment. Thus, 70% of foreign direct investment to this country is usually a venture between foreign private investorsand their domestic private collaborators. Hence, it can be said that foreign private investment impacts domestic private business development.

Research Design

Expo-facto research design was used for the study. It was used because of the nature of the study.The data used for this study was collected from a secondary source. The study made use of annual time series data which was collected for a period of seventeen (17) years (2000-2017). The data was collected from the National Bureau of Statistics, 2017.The researchers made use of ordinary least square (OLS) regression technique. This was aided by e-views (version 10). In this study, total export (TEX)was used as a proxy for economic growth (Business development) while credit to Non-oil sector(CNS), gross domestic product (GDP), money supply (MS), manufacturing capacity utilization (MCU) and non-oil export (NEX) were collectively used as a proxy for the performance of the non-oil sector representing economic diversification. Hence our model was specified as in equations (1) and (2):

$TEX=f(CNS, GDP, MC, MCU, NEX, \mu)$………………………………………………. (1)

Where:

TEX= Total Export
CNS=Credit to Non-oil sector
GDP= Gross Domestic Product
MC= Money Supply
MCU=Manufacturing Capacity Utilization.
NEX= Non-oil export
μ = stochastic or error term

Our theoretical model is as specified in equation (2).

$TEX = a_0 + a_1CNS + a_2GDP + a_3MC + a_4MCU + a_5NEX + \mu$ ………………….…..……. (2)

So, μ = error term and

a_0, a_1, a_2, a_3, a_4 and $a_5$are parameters to be estimated

Our a'priori expectation is that $a_0>0$, $a_1>0$, $a_2>0$, $a_3>0$ $a_4>0$and $a_5>0$

Data Presentation and Analysis

Table 1: Unit Root Test

The Augmented Dickey Fuller unit root test was used to test the stationarity of the data.

Variables	ADF at Level	ADF at First Difference	Critical Value at 0.05 Level	Remark
LNTEX	-1.578813 (0.4683)	-2.584371 (0.0205)*	-3.119910	Stationary at First Difference
LNCNS	2.406294 (0.9999)	-4.147319 (0.0086)*	-3.119910	Stationary at First Difference
LNGDP	3.290219 (1.0000)	-6.704702 (0.0001)*	-3.098896	Stationary at First Difference
LNMC	3.137144 (1.0000)	-7.845576 (0.0000)*	-3.098898	Stationary at First Difference
LNMCU	-4.482546 (0.0631)	-3.153014 (0.0426)*	-3.065585	Stationary at First Difference
LNEX	-1.185780 (0.6550)	-3.522801 (0.0214)*	-3.065585	Stationary at First Difference

Source: Compiled from e-views 10 printout

The result in table 1 shows that all the selected series are not stationary at level. This is evidenced by the fact that the ADF value for each of the series at level is greater than critical value (at 0.05 confidence level) in absolute terms. But when they were differentiated at first difference, they became stationary. This is because all the ADF values at first difference are greater than (0.05). The stationarity of the data shows that the data can be used for the analysis.

Test of Hypothesis

Ho: ***There is no significant relationship between economic diversification and business development.***

Dependent Variable: TEX

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.407448	1.958476	3.149235	0.0005
CNS	-0.989864	0.657395	-1.505737	0.2510
GDP	0.233944	0.126423	4.850486	0.4320
MC	-0.158194	0.923213	-0.171351	0.3668
MCU	1.322117	0.296694	5.147302	0.3553
NEX	1.289546	0.153282	6.280415	0.3241

R-squared	0.918723	Mean dependent var	12.29828
Adjusted R-squared	0.884858	S.D. dependent var	2.545295
S.E. of regression	0.542339	Akaike info criterion	1.778119
Sum squared resid	11.54715	Schwarz criterion	2.707798
Log likelihood	-32.0307	Hannan-Quinn criter.	1.982211
F-statistic	49.12864	Durbin-Watson stat	1.639089
Prob(F-statistic)	0.000000		

An explanation of the OLS result is presented below;
LNTEX=f (LNCNS, LNGDP, LNMC, LNMCU, LNEX)
LNTEX= a_0+a_1 LNCNS + a_2LNGDP + a_3LNMC + a_4LNMCU + a_5 LNEX
LNTEX= 5.407448-0.989864LNCNS + 0.233944 LNGDP -0.158194 LNMC + 1.322117 LNMCU + 1.289546 LNEX + U
T Statistics= (3.149235) (-1.505737) (4.850486) (-0.171351) (5.147302) (6.280415).
Critical T-statistics at 0.05 =2.120
R^2=0.918723
R^{-2}= 0.884858
F-statistics =49.12864
Critical F-statistics at 0.05 =3.63
DW statistics=1.639089

The above result shows that the estimate of the constant is 5.407448. This implies that when all the explanatory variables are zero, total export earnings (LNTEX) will be approximately 5.407448. This value is consistent with a'priori expectation and it is statistically significant at 0.05 level. This significance is on the ground that the T-statistics (3.149235>2.120) at 0.05 level. The coefficient of SME credit (LNCNS) is -0.989864. This indicates a negative relationship between (LNTEX) and (LNCNS). This relationship is consistent with a'priori expectation and but it is not statistically significant at 0.05 level. This significance is on the ground that the T-statistics (-1.505737<2.120) at 0.05 level. The coefficient of GDP (LNGDP) is 0.233944. This indicates a direct relationship between (LNTEX) and (LNGDP). As such, a unit increase in GDP will bring about a 0.233944 increase in total export earnings.

This relationship is consistent with a'priori expectation and it is statistically significant at 0.05 level. This significance is on the ground that the T-statistics (4.850486>2.120) at 0.05 level. The coefficient of money supply (LNMC) is -0.158194. This indicates a negative relationship between (LNTEX) and (LNMC). This relationship is consistent with a'priori expectation and it is not statistically significant at 0.05 level. This significance is on the ground that the T-statistics (-0.171351<2.120) at 0.05 level. The coefficient of manufacturing capacity utilization (LNMCU) is 1.322117. This indicates a direct relationship between (LNTEX) and (LNMCU). As such, a unit increase in manufacturing capacity utilization will bring about a 1.322117 increase in total export earnings.

This relationship is consistent with a 'priori expectation and it is statistically significant at 0.05 level. This significance is on the ground that the T-statistics (5.147302>2.120) at 0.05 level. The coefficient of non-oil export (LNEX) is 1.289546. This indicates a direct relationship between (LNTEX) and (LNEX). As such, a unit increase in non-oil export will bring about a 1.289546 increase in total export earnings. This relationship is consistent with a'priori expectation and it is statistically significant at 0.05. This significance is on the ground that the T-statistics (6.280415>2.120) at 0.05 level. The F-statistics is 49.12864 while the critical F-statistics is 3.63 at 0.05 level. Since calculated F-statistics is greater than the critical-F, it shows that the F-statistics is significant.The Durbin Watson value is 1.639089. By rule of thumb, there is absence of correlation.

Discussion of Findings

The findings reveal that there is a significant relationship between economic diversification and business development in Nigeria. This is because the findings of the study revealed that gross domestic product, manufacturing capacity utilization and non-oil export impacts total export.- This corroborates the work of Olanrakise and Bayo (2012). They examined the impact non-oil sector on economic growth in Nigeria. The findings of the study revealed that non-oil export positively impacts Nigeria economic growth. The work of Ogunjimi, Aderinto and Ogunro (2015) is also in line with the findings of the study. They examined the relationship between non-oil export and economic growth in Nigeria. The study revealed that non-oil export was significantly related to economic growth. The work of Aladejare and Saidi (2014) on the determinants of non-oil export and economic growth using the bound test approach is also in line with the findings of the study. The study revealed a significant effect of non-oil export on economic growth in both the long and short run.

Conclusion

The study concludes that the performance of the private entrepreneurship in the non-oil sector showed a clear sign could impact economic growth in Nigeria. The study shows that availability of credit to non-oil sector, GDP, money supply, manufacturing capacity utilization and non-oil export could impact the total export of Nigeria.

Recommendations

Following the results and findings of this study, the researchers recommendas follows:

1. That the Nigerian government should strive towards improving the credit facilities made available to the non-oil sector of the economy so as to facilitate and enhance its level of contribution to general Nigerian economy.
2. That the Nigerian government should lower the taxation paid by local producers and companies particularly those in the non-oil sector as high tax rate impedes profitability and low tax rate has the possibility to positively impact the performance of the sector.

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Appendix A: SELECTED INDICATORS

Year	Total Export (#'Billion)	Total Non-Oil Export (#Billion)	Credit to Non-Oil Sector (#'Billion)	Money Supply^2 (M_2) (#'Billion)	GDP at Current Basic Prices (#'Billion)	Manufacturing Capacity Utilisation (%)
2000	1,945.7	24.8	530.37	878.46	6,897.48	36.1
2001	1,868.0	28.0	764.96	1,269.32	8,134.14	42.7
2002	1,744.2	94.7	930.49	1,505.96	11,332.25	54.9
2003	3,087.9	94.8	1,096.54	1,952.92	13,301.56	56.5
2004	4,602.8	113.3	1,421.66	2,131.82	17,321.30	55.7
2005	7,246.5	106.0	1,838.39	2,637.91	22,269.98	54.8
2006	7,324.7	133.6	2,290.62	3,797.91	28,662.47	53.3
2007	8,309.8	199.3	3,680.09	5,127.40	32,995.38	53.4
2008	10,387.7	525.9	6,941.38	8,008.20	39,157.88	53.8
2009	8,606.3	500.9	9,147.42	9,411.11	44,285.56	58.9
2010	12,011.5	711.0	10,157.02	11,034.94	54,612.26	55.8
2011	15,236.7	913.5	10,660.07	12,172.49	62,980.40	57.7
2012	15,139.3	879.3	14,649.28	13,895.39	71,713.94	56.8
2013	15,262.0	1,130.20	15,751.84	15,160.29	80,092.56	58.0
2014	12,960.5	953.5	17,129.68	17,679.29	89,043.62	59.3
2015	8,845.2	660.7	18,675.47	18,901.30	94,144.96	57.2
2016	8,835.6	656.8	21,082.72	21,607.68	101,489.49	50.1
2017	8,322.5	645.7	24,067.54	23, 508.72	108,537.94	52.7

Source: National Bureau of Statistics of various editions/years

Accounting Evaluation on Financing and Implementation of Tertiary Education in Nigeria

Prof. E. J. Ofanson,
Department of Banking & Finance,
Faculty of Management Sciences,
Ambrose Alli University,
Ekpoma,
Nigeria,

Dr. N.A. Omoregie,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University,
Ekpoma,
Nigeria,

Ofanson, C. E.,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University,
Ekpoma,
Nigeria,

Isabu Peter,
Department of Accounting,
Faculty of Management Sciences,
Ambrose Alli University,
Ekpoma,
Nigeria,
; ofansonce@aauekpoma.edu.ng; 07063358944

Abstract:
This paper critically examines the degree of success or failure of Financing tertiary education over a period of time and the adequacy of the level of financing and implementation that are required to prepare and equip tertiary education to deal with the changing demands of the dynamic tertiary education in Nigeria. Unfortunately the Federal Government educational financing has declined very seriously and the much desired objective of producing skill and technological manpower through educational system is not being met. It is against this background that this paper with content analysis to examines the financing and implementation of tertiary education in Nigeria. The methodology involved the use of library research and a review of available documentary evidences on the subject matter. The analysis reveals an unimpressive investment of finance in the educational sector. However, the federal government is not conforming to the UNESCO recommendation of a minimum of 26 percent of budgetary allocation and this is hampering the adequate implementation of national policy on education in Nigeria. What's more, the federal government cried that the national policy on education in Nigeria (6-3-3-6) has failed. The paper therefore recommended certain strategies such as political will and commitment of the federal government, introduction of affordable tuition, collaboration, self-reliant and transparency and accountability in the educational sector as the way forward to adequate educational financing in Nigeria.

Keywords: Accounting Evaluation, Financing and Implementation of Tertiary Education.

Introduction

Education is a primary instrument for identification and analysis of the resources of any nation, as well as seeking to provide solutions to, or amelioration of, the problems and impediments that beset the people in practically all their endeavours (Yusufu, 2006). Education is a way to development and training of one's mind capabilities and character of by formal schooling or instruction teach. It has been identified that education helps in increasing scale of awareness and integration, military power, development new and increasing sophisticated technology which are used to transform the environment and resources to satisfy increasingly sophisticated consumer palate and national security.

From the above, it clear that education is not an end in its self, but a means to an end, namely to understand, control, alter and redesign the human environment in its widest sense to the end of achieving a better life. For these nature and impotence of education, nations across the world including Nigeria always devote much of their time planning for the best and realistic educational system for their citizenry. For example, at Nigerian independence in 1960 Nigerian educational system was entangled with myriad of problems. Some of the major problems were identified by Okolie (2004) as follows: (a) structural imbalance in the country's educational system, (b) low level of enrolments, (c) shortage of teaching staff, (d) uneven distribution of educational facilities, (d) neglect of adequate education for handicap children, and (f) low enrolment in higher education.

Most probably, in recognition of these afore mentioned problems and others the Federal Government of Nigeria in 1963 constituted a special seminar which met under the chairmanship of Chief Simon Adebo to deliberate on all aspects of a National Policy on Education. The resulting white paper entitled National Policy on Educational which was launched in 1977 set out the national aims and objectives as follows: (1) the inculcation of national serious consciousness and national unity. (2) the inculcation the right type of values and attitude for the survival of the individual and the National society. (3) the training of the mind in the understanding of the world around and (4) the acquisition of appropriate skills, abilities and competence both mental and physical as equipment for the individual to live and contribute to the development of his society .

It is of note that the policy was revised in 1981 to reflect the changing times. One of the highlights of the revision was structural reform of the educational system otherwise known as 6-3-3-4 structure. It comprises of six years of primary education, six years of secondary which is divided into two types of three years each known as the junior and senior secondary respectively, and four years of tertiary institution including polytechnics and universities.

In 1989, the Decree No. 14 of 1989 introduced and formalised for nomadic children and pupil. In 1991 a National school curriculum review came up with a lot wide range of recommendations on the curriculum aspect provisions of the national policy on education at the primary and secondary schools. Approvals of the recommendations was to be followed as a review of the syllabus and content of specific individual subject at the two levels(primary and secondary).in 2004 the Universal Basic Education (UBE)Act of 2004 was passed which made the first nine years of education basic and compulsory . Although in early 2010 the Federal Government reintroduced the junior secondary component.

A brief look at the growth in Nigerian educational system it is amazing in terms of numbers of institutions and enrolment: Federal unity colleges have grown from only two (Kings and Queens Colleges) in 1960 to the present 104 there also exist countless states and private secondary schools / colleges all put together producing over million students every year seeking admission to tertiary institutions (Olatunji, 2010). For example, at independence in 1960 primary school enrolment was 649,000 and by 1973 the number of primary school enrolment increased to 4,746,808, an increase of over 632 percent and by 2003 primary school enrolment was 26,768,000 an increase of over 4,024 percent.

Universities have grown from only two university of Ibadan and University of Nigeria Nsukka in 1960 to 13 in 1980 the present figure of 105, 27 of them federal , 34 state, and the rest 44 universities are private(Yusufu,2006; Obanya, 2010; & Awuzie, 2010) . To most educational analysts with the enrolment explosion at all levels of education, the financing has declined very seriously.

The main objective of this paper is to examine issues in the Federal Government of Nigerian budgetary allocation to implement its National policy on education. In particular the paper will look at the profile of educational financing , the causes and the effects of poor educational financing as well as recommend strategies that would help to improve the Federal Government financing in Nigeria.

Federal Government Educational Financing: Magnitude and Trend

No doubt provision education is expensive to bring to bear and it requires adequate finance. For this reason section 12 of the Nigerian National Policy on Education highlights the financing of education and subsection 106 of the said section says Government ultimate objective is to make education free at all level and the financing of the education is a joint responsibility of the Federal, State and local Government ... However, in line with the objective of this study, this section stare at the Federal Government education financing in a bid to meet the national policy on education aims and objectives.

Before independence, about 40 percent of the budget was devoted to education (Folayan, 2006). Unfortunately according to Federal Office of Statistics (FOS) (1982) education sector is the fastest growing sector in the Nigerian economy in terms of output. From the available statistics Federal Government has continue to invest a meager amount of money in the sector thereby not conforming to the UNESCO recommended minimum of 26 percent of budgetary allocation and this is hampering the achievement of educational goals (Mohammed,2010,& Fafuwa, 2010)

As stated earlier, in 1960 Federal Government percent of budgetary allocation to educational sector was 40. Table 2.1 above confirms unimpressive financing of the educational sector in Nigeria. 4.6 percent of the budgetary allocation in 1990 and 10.8 percent of the budgetary allocation in 2008. In addition the Federal Government is not conforming to the UNESCO recommendation of a minimum of 26 percent of budgetary allocation and this is hampering the achievement of educational goals.

Causes of Poor Financing of Tertiary Education in Nigeria

Corruption: Corruption can be identified as misappropriation or misrepresentation of organization's fact, figure or material for personal gain (Aigbokhaevbolo, 2001). Corruption is a bane of Nigerian economic development (Obasanjo, 2005). Unfortunately, corruption has been entrenched in Nigerians daily life and very rampant in high places. In Nigeria, people in political and administrative power have to demand or accept bribes before they carry out their constitutional responsibilities for example, it was alleged that ₦55 million bribe was given out by minister of education (Professor Osuji) to some members of National Assembly to increase the 2005 budgetary allocation of Federal ministry of education (This Day Newspaper, 2005). Corruption ,lack of accountability and transparency have provided opportunities for well-connected elites and interest groups in the society to corner for themselves a sizable proportion of the society's resources meant for education and others at the expense of the masses. According to Lawan (2010) (a law maker) there is corruption in the educational sector and called for accountability.

Bad Governance: There are evidence that political leadership in Nigeria has been largely characterised by low moral character, poor knowledge of the society and complete disregard for the tenets of good educational policy. According to Jonathan (2010) 6-3-3-4 system, an education policy introduced in 1981 has failed and those behind the policy should apologise.

Political Instability: Since independence in 1960, Nigeria has had fourteen heads of state: Late Alhaji Abubakar Tafawa Balewa (1960-66), Late Maj-General. Johnson Aguyi Ironsi (1966), General Yakubu Gowon (1966-75), Late General Ramat Mutala Mohammed (1975-76), General Olusegun Obasanjo (1975-79), Alhaji Shehu Shagari (1979-83), Maj- General Muhamadu Buhari (1984-85), General Ibrahim Babangida (1985-93), Chief Ernest Shonekon (1993), Late General Sani Abacha (1993-98), General Abdulsalam Abubakar (1998- 99) and Chief Olusegun Obasanjo (1999- 2007), Alhaji Musa Yaradua (2007 -5th May 2010) Dr. Goodluck Jonathan 5th May 2010 – date).Seventy-five percent of these heads of state came to power by coup. Coup is usually an unintended, wild and retrogressive change effort. It does not create confident environment for education. Accordingly the military rulers were not interested in what happened to infrastructures in schools because the education sector was not their focus instead defence and administration sector takes the largest portion of the nation's budgets.

Insecurity (Social, political and religious unrest): Nigeria is heavily bedeviled by social, political and religious conflicts. Since the present civilian administration in 1999, there are cases of religion conflicts in some part of Northern Nigeria due to introduction of Sharia Law, ethnic conflict between the Hausas and the Yorubas in the South West, Niger Delta crisis that is associated with youth unrest, pipeline vandalization , oil bunkering, seizure of oil workers and platform, Obaship crises in Ogun state and October 1 2010 bomb attack at Abuja. Others social menace are kidnapping, attitude and political conflicts in all part of the country due election fraud as well as constant labour unions demonstration due to bad governance and non-provision of people oriented programmes. All these conflicts require money that could have been meant for educational sector and other useful sectors.

Adverse geographic and demographic conditions: Nigeria geographical location exposes the country to adverse malaria ecology and it is vulnerable to erosion. Nigeria like some other countries in Africa to a large extent is highly populated (estimated 140 million). Nigerian government usually spent huge sum of its funds on health and erosion control, provision of many welfare programmes and well as subsidy to support its teeming population.

Failed microeconomic institutions: Most regulatory institutions such as Central Bank of Nigeria has not be able to live to expectation since its inception in 1959. It has failed to maintain price stability. Therefore, Nigeria is always in exchange rate problems: Nigeria currency (Naira) continues to depreciation against international currencies due to the multiple exchange rates regime and inconsistency in monetary policy in Nigeria. The resulting effects are poor balance of payments position and low productivity, high cost of doing business and more especially buying of educational inputs from abroad with ever depreciating Nigerian currency (Naira).

Effects of Under Financing of Tertiary Educational in Nigerian

The effects of underfunding of Nigerian educational sector are enormous and ruinous. Some include

Social economic problems: Wastage in terms of repeated years in schools and eventually dropout has led to many social dangers in Nigeria. Many young miscreants in police net and prisons are victims of school dropout due to inability of parents to pay their school fees and government to provide the necessary finance as aid.

Poor learning environment: This includes inadequate basic infrastructure, instructional materials, obsolete educational equipments, inadequate class rooms in quantity and quality, supply of electric light and water. Schools in Nigeria also lack modern information technology equipment such as computers and internet services. Many lectures' theatres are in a state of disrepair; halls of residence are wearing leaking dilapidated roof, science laboratories are poorly equipped all as a result of poor financing (Obikaya, 2001). *Wastages:* This includes frittering away of time, money and effort. In most cases nonpayment or irregular payment of salary and poor conditions of service due to inadequate funding could bring about various types of industrial conflicts more especially teachers' strike. There are situations where teachers go on strike for over one year . In some cases schools are closed done when students demonstrate over food, poor accommodation, poor staffing and consequently students are forced to spend more than the stipulated time in a programme. Thus wastages are unnecessary costs to the country.

Reduction in economic growth: Normally there is positive relationship between economic growth and good education. Good education involves effective training to acquire technical and scientific skills to enhance the quality of the labour force. It is therefore obvious that half-baked school leavers cannot contribute meaningfully to economic growth.

Reduction in quality of teachers: Teachers are supposed to be trained in teacher training schools and universities but unfortunately, a persistent decline in the quality of teacher training has been observered. The consequent of declining quality of teachers is production of half-baked school leavers. The latest reports say that the country of 8.2 million children out of schools, majority of them, who are mainly in the public school system come out as good as illiterate. This observers explained that why the percent of those who obtained credit passes in five subjects, including Mathematics and English language at one setting , has not exceed 30 percent in the past five years(Mohammed, 2010).

Reduction in the quantity of teachers: There is shortage of qualified teachers in Nigerian schools. As a result of poor funding, teachers lack motivation for self-actualization. Most graduates prefer to either work in other sectors like mining (oil companies), financial (banks), manufacturing etc were big salaries are paid or move abroad for hard currency than to teach in schools with little and irregular salaries. This shortage of qualifies teachers has led to higher teacher–student ratio in our educational system. For example, the teacher–student ratio in Nigerian primary schools is average of 1: 35; in secondary schools the average of teacher-student ratio is 1:30 and in tertiary the average of teacher-students ratio is 1:20 all these teacher-student ratios are higher than the UNESCO recommended norm for tertiary of 1:10.

Conclusion

This paper has made an attempt to explain issues in Federal Government of Nigeria financing and implementation of National policy in Nigeria. The paper looked at the profile of Federal Government national budgetary allocation to educational sector in Nigeria , which was found to be unimpressive . Furthermore the Federal Government is not conforming to the UNESCO recommendation of a minimum of 26 percent of budgetary allocation and this is hampering the adequate implementation of National Policy on Education in

Nigeria. As expected, the effects of poor financing to educational system were found to be destructive to economic development. The paper therefore recommended certain strategies such as political will and commitment of the Federal Government, introduction of affordable tuition, collaboration, self-reliant and transparency and accountability in the educational sector as the way forward to adequate educational financing n Nigeria.

RECOMMENDATIONS

Based on the devastating effects of poor financing in the Nigerian educational system, the following strategies are recommended.

Transparency and accountability: Transparency and accountability are tools for financial improvement . While transparency offers framework at informing stakeholders on the monitoring and implementation of rules, procedures and principles such as budget allocation, accountability stresses the need for to conform to the rule , procedure and principles such as budgetary allocation . Sum of money allocated to school should be ascertained. Good record keeping , effective budgeting and budgetary control system will minimise waste and fraudulent spending of schools' finances.

Introduction of affordable tuition fee: Government ultimate objective is to make education free at all levels. This is practically impossible and considering the high cost of living and the world economic meltdown. Federal Government needs to introduce tuition fees in Federal schools as being paid in state schools . The tuition fee must be affordable by all in order not to make schools private goods. To arrive at realistic affordable tuition fee the actual unit cost per student must be ascertained by the all stakeholders in line with World Bank's recommended $1000 per student per annum. The stakeholders will then negotiate with the Federal Government how much students and sponsors will pay.

Self-reliance effort: Schools more especially tertiary institutions could tackle financial problem on their own. For example, since they have most of the top brains in all categories in high level man power they should be more self-reliant and more in word looking in their execution of their development programmes (e.g. structural designs and surveying) by making effective use of their own professionals: architects, surveyors, engineers, accountants and enumerated them below cost . If universities dons are allowed to handle some of the consultancy work below market competitive price, it will help to improve the finances of schools.

Political will: Proper funding of education requires political will and commitment to the set objectives either in the constitution or in any programme. Nigerian political leaders need to reframe from their extrovert attitude of being boastful, talkative, and rendering of lips service. Nigeria government should thrive to meet at least the UNSCO and World Bank minimum recommended 26 percent of the annual budget. Some nations exceed the recommended 26 percent, for example 40 percent in case of Israel, Japan, the Republic of Korea, the United States and Zambabwe.30-40% in Latin America (Rosen and Weinberg, 1997).

Collaboration: Educational finances could be improved to a large degree of effective collaboration among government, private sector, Non-governmental organisations, international organisation, Nigerian at home and in Diaspora and other stakeholders. Acloser cooperation is necessary between ministry of education and industries and other employers of labour in the financing of education in training of students so that students will readily satisfy the manpower needs of such establishment in particular and Nigeria in general Some collaborators can give aid and grant in terms of research , donation of laboratory equipment building, etc.

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<u>Appendix 1</u>

Table 2.1 presents the Federal Government total budget and budgetary allocation to education (1995-2017)

Year	Total Budget	Federal allocation to education	Allocation to education as % of total budget
1995	61,149.10	2,819.1	4.6
1996	67,529.70	1,553.3	2.3
1997	107,723.30	2,414.2	2.2
1998	190,728.90	6,331.5	3.3
1999	160,893.30	9,434.7	5.9
2000	248,768.10	12,272.8	4.9
2001`	288,094.50	14,882.7	5.1
2002	346,235.30	16,791.3	4.8
2003	470,443.3	24,614.1	5.2
2004	806,610.7	31,563.8	3.9
2005	959,627.60	66,473.2	6.9
2006	1,077,327.6	48,399.2	4.5
2007	1,208,734.6	109, 445.2	9.0
2008	1,225,956.7	79,436.1	6.5
2009	1,384,001.3	85,580.8	6.1

2010	1,743,240.0	114739.9	6.5
2011	1,842,587.7	151,723.5	8.2
2012	2,091,655.8	126547.3	6.0
2013	2619785.8	283018.0	10.8
2014	3.049 trillion	183.3 billion	6.0
2015	4.079 trillion	249.086 billion	6.1
2016	4.971 trillion	306.3 billion	6.2
2017	4.7 trillion	400 billion	8.5

Source: Central Bank of Nigeria Annual Report and Statement of Accounts (Various Years)

Strategic Management of Small and Medium Enterprises: A Panacea for Youths Employment in the Niger Delta Region

Vincent Oyovwevotu ERAKPOTOBO (Ph.D.)
Department of Business Administration
Faculty of Management Sciences
University of Benin,
Benin City, Nigeria
mayovglobalresources@gmail.com
vintobo55@yahoo.co.uk
08147667993

Mirhiga Peter OKUWHERE
Department of Entrepreneurship
Faculty of Management sciences,
University of Benin, Benin City
omomirhiga@gmail.com. +2348038557136

Abstract

In recent years, Niger Delta stakeholders have made tremendous efforts in trying to proffer solution(s) to the crises of youth's unemployment in the region orchestrated by severe environmental pollution by oil multinationals that has rendered over 65% of the regions' habitat unfertile, thus, giving rise to militancy in the region, as alternative means to make a living. While some of the regions' stakeholders agitated for amnesty which Nigerian government has adopted since 2008, others have been campaigning seriously for resource control, as a way out for the youth's unemployment saga. However, this article demonstrates how a good management of small and medium enterprises (SMEs) will become a panacea for youth's unemployment in the Niger Delta region. Methodologically, the paper employed qualitative research design by way of interview. A total of 20 managers or SMEs owners were selected through convenience sampling method fromYenegoa in Balyasa State, Port-Harcourt in Rivers State, Asaba in Delta State and Uyo in Akwa Ibom State. The study showed that high rate of unemployed youths in Niger Delta region was due to oil activities by oil companies operating in the area. Also the few SMEs were not strategically managed coupled to challenges faced from government policies. It therefore recommended that government should create enabling environment that will enhance strategic management of SMEs towards jobs creation and youth employment in the Niger Delta region.

Keywords: Oil Companies, Small and Medium Enterprises, Strategic Management, Employment

Introduction

It is an indisputable fact that small and medium sized Enterprises (SMEs) occupy an important position in the economic development of any country. It has the great potential for creating employment opportunities, poverty alleviation, reduction in crime, economic growth and development of indigenous technology, diversification of the economy etc. No wonder, Abbakin observed that the small and medium sized Enterprises are the Backbone of successful economies like the USA, EU and the people Republic of China-Where over 43 million small business employ more than 50% of the workforce and generate more than half of the Nations' Gross Domestic Product(GDP) (Abbakin, 2017).

The above view was supported by the Office of Advocacy, U.S. Small Business Administration. According to the agency, Small business constitutes a major force in the U.S. economy. There are more than twenty-seven million small businesses in this country, and they generate about 50 percent of our gross domestic product (GDP) (Office of Advocacy, 2010).

Also, in Nigeria, despite the uncountable challenges confronting SMEs in an oil-dependent economy, yet that sector of Nigerian economy captures above 80% of Nigerian total labour force. The above view was succinctly attested to quite clearly and distinctly by the survey carried out by The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in conjunction with the National Bureau of Statistics (NBS) in 2013, which among other thing, revealed that the total number of MSMEs in the country as at 2013 stood at 37,067,416.With Micro Businesses recording 36,994,578, Small Businesses recording 68,168, and Medium Businesses recording 4,670.The total number of persons employed by the sector as at December, 2013 stood at 59,741,211, representing 84.02% of the Nigeria total labour force. While the Micro, Small and Medium Scale Enterprises contribution to the nation's Gross Domestic Product (GDP) in nominal terms stood at 48.47%;MSMEs' contribution to exportation also accounted for 7.27% (SMEDAN & NBS, 2013, p.2).

The above realization of SMEs, as the highest driver of Nigerian economy, made the country in the 1980s to take measures to establish Nigeria Industrial Development Bank Ltd (NIDB) and the Nigeria Bank for Commerce and Industry (NBCI) specifically dedicated to the development of SMEs in Nigeria. Also, in 2005, the Central Bank (CBN) of Nigeria started the process of reforming of community banks to reposition SMEs in the country. This resulted in the licensing of microfinance banks (MFBs), to replace community banks, with the goal of making MFB more effective in granting credit to SMEs in order to develop this sector. Thus, private sector operators were statutorily empowered by the provisions of section 33 subsection (1) (b) of the CBN Act 7 of 2007 to operate MFBs in place of the community banks in Nigeria (CBN, 2008). Despite all these measures, many SMEs have shut down operations due to liquidity problems and other related environmental business factor (Obokoh 2011). The above scenario has affected the Niger Delta Youths who are largely unemployed due to environmental pollution and degradation by oil multinational, which affected fishing and farming which are the chief primary sources of occupation of most of the Niger Delta Youths. In fact, over 65% of the people depend on the natural environment- living and non-living-for their livelihood (Omoweh, 2005). Oil from the Niger Delta region remains the key to Nigeria's source of revenue. It generates up to 40% of Nigeria's GDP, 70% of government revenues and up to 90% of all government receipt (Ojo, 2010). Yet, the region "after over 40 years of oil extraction, the reality was that oil wealth brought nothing to the people of Niger Delta, except ecological catastrophe, social deprivation and political marginalization and high unemployment rate (Onah, 2001; Medaye, 2004). Hence this paper examines strategic management of SMEs on employment reduction in oil rich Niger Delta region of Nigeria.

Conceptualizing Small And Medium Scale Enterprises (SMEs)

There is no universally accepted definition of small and medium scale enterprises (SMEs). This is as result of variations adopted by different countries of the world (developed and undeveloped economies) in accessing annual turnover and employment levels. The above view of non universality of SMEs definition is made clearer by Onugu (2005), when he posited that the classification of businesses into large-scale or small-scale is a subjective and qualitative judgment. For instance, most developed market economies like the United States of America (USA), U.K. and Canada, the definition criterion adopted a mixture of annual turnover and employment levels. In Nigeria, the definition of SMEs is pegged on the annual turnover of N500.000 naira. The above definition was made clearer by the Central Bank of Nigeria, (CBN 1998) in its Monetary Policy Circular No. 22 of 1988 that defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira. In the same vein, in the 1990 budget, the federal government of Nigeria defined small-scale enterprises, for purposes of commercial bank loans, as those with an annual turnover not exceeds 500,000 naira, and for Merchant Bank Loans, as those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of 5 million naira.

Equally, the National Economic Reconstruction Fund (NERFUND) and Small and Medium Industries Equity Investment Scheme (SMIEIS 2002) put the ceiling for small-scale industries at 10 million naira. Companies and Allied Matters Act (CAMA, 1990) defines a small company as one with:

a) an annual turnover of not more than 2 million naira;

b) net asset value of not more than 1 million naira.

Similarly, the Nigeria Small and Medium Industries Enterprises Investment Scheme (SMIEIS) defines SME as any enterprise with a maximum asset base of N200 million excluding land and working capital and with a number of staff employed not less than 10 or more than 300. Furthermore, Nwokoye (1988) defines Small and Medium-Scale business as any enterprise employing between five and one hundred workers with an annual turnover of about four hundred thousand Naira (N400, 000). Also, the Nigeria Federal Ministry of Commerce and Industry defines SMEs as firms with a total investment (excluding cost of land but including capital) of up to N750, 000, and paid employment of up to fifty (50) persons.

However, SMEs exist in the form of sole proprietorship and partnership, though some could be registered as limited liability companies and characterized by: simple management structure, informal employer/employee relationship, labour intensive operation, simple technology, fusion of ownership and management and limited access to capital.

Overview of Youth Unemployment in the Niger Delta region

The Nigeria National Bureau of Statistics (NBS) report stated that an estimated eight million Nigerians became unemployed between January 2016 and September 30, 2017 (Jannah, 2017). However, Niger Delta States which is our focus here comprised of the Present Delta, Edo,Bayelsa, River, Imo, Abia andAkwa-Ibom States. Ithas an estimated number of 388.2% of Unemployed youths, according to NBS (2010) (See Table 1). The unemployment rate is too severe in the region that most of youths have devised different illegal and criminal ways to sustain a living.

Table 1: Unemployment Rate in the Oil-Producing/NDDC States

State	Composite	Urban	Rural
Abia	10.6	8.7	10.8
AkwaIbom	36.9	29.8	37.1
Bayelsa	23.6	20.7	24.1
Cross River	16.6	7.3	18.3
Delta	23.3	23.5	19.0
Edo	14.3	24.0	11.8
Imo	22.3	23.8	32.8
Ondo	17.0	14.0	19.8
Rivers	34.2	27.5	35.2
All Nigeria	8.1	14.2	19.8

Source: Adapted by the authors from the National Bureau of Statistics, 2010

No wonder the current Chairman of the board of Niger Delta Development Commission (NNDC) in the senate, Senator Victor NdomaEgba, on June 10, 2017 has described the level of unemployment in the Niger Delta region as a time bomb waiting to explode. According to him: The armies of jobless youths found in the region is a time-bomb …we need peace in the region, but importantly, we need urgent development of the region in order to sustain the desired peace in the region. We owe our youths a responsibility of ensuring they remain resourceful and not a curse, like the oil (Onukwugha, 2017).

The youths of Niger Delta region especially the present day Delta, Bayelsa and Rivers States remain largely unemployed because Nigeria government does not take into account the interest of oil-producing communities whose environment, health and source of livelihood have come under severe impacts by oil multinational who operated since 1956 oil was discovered at Oloibiri in the present day Bayelsa State. Nigeria government simply through the Petroleum Act of 1969 which vests the entire ownership of all petroleum in the state and the land use Decree of 1978 which also vests land ownership in the state, take over the Niger Delta Region.

As the state lack the competitive financial power on oil multinational, and most importantly, the mutual interest that exist between the Nigerian ruling elites and the oil multinationals, the oil companies take advantage of these weaknesses of the state to carry out corporate abuse in the region with impunity, despite a raft of environmental and mineral-related laws ostensibly to regulate exploration and production of oil and gas in the country. Apart from the land use Decree of 1978, others such as oil in Navigable Waters Act of 1963, oil Right of way Act of 1965, the Federal Environmental Protection Agency (FEPA) Decree (1983), and the Federal Environmental Control and Protection Agency Bill of 1993, the Oil Spill Detection and Response Agency (NOSDRA) Act 2006, all strive to regulate oil industries. Yet, government lacks the political will to enforce such regulations leading to poor environmental standards (Ojo, 2010, p.24). For instance, the Department of Petroleum Resource (DPR) put the volume of crude oil spilled in the region between 1979 and 2005 at about 3,121, 909. 8 barrels in about 9,107 incidents (See Table 2).

TABLE 2: Records of oil in Nigeria, 1976-2005

Year	No of spills	Qty spilled (Barrels)	Qty Recovered (Barrels)	Year	No of spills	Qty spilled (Barrels)	Qty Recovered (Barrels)
1976	128	26,157.00	7,135.00	1991	201	106,827.98	2,785.96
1977	104	32,879.00	1,703.01	1992	378	51,187.96	1,476.70
1978	154	489,294.00	391,445.00	1993	428	9,752.22	2,937.08
1979	157	694,170.00	63,481.20	1994	515	30,282.67	2,937.08
1980	241	600,511.00	42,416.83	1995	417	63,677.17	3,110.02
1981	238	42,722.00	5,470.20	1996	430	46,353.12	1,183.02
1982	252	42,841.00	2,171.40	1997	339	81,727.85	
1983	173	48,351.30	6,355.90	1998	399	99,885.35	
1984	151	40,209.00	1,644.80	1999	225	16,903.96	
1985	187	11,876.60	1,791.30	2000	637	84,071.91	
1986	155	12,905.00	552	2001	412	120,976.16	
1987	129	31,866.00	6,109.00	2002	446	241,617.55	
1988	208	9,172.00	1,955.00	2003	609	35,284.43	
1989	195	7,628.16	2,153.00	2004	543	17,104.00	
1990	160	14,940.82	2,092.55	2005	496	10,734.59	
				Total	9.107	3,121,909.80	550,232.90

Source: Compiled based on data obtained from Department of Petroleum Resources, (Egberongbe, Nwilo, &Badejo, 2006).

The DPR stopped recording oil spill incidents in 2006, ostensibly due to violent conflicts in the Niger Delta.The impact of this oil pollution especially on Niger Delta Waters has led to acute reduction of fishes and fish stocks in the Niger Delta. Table 3 shows that some fish such as Fauna and Flora; electric fish, Iku-evwevwe, cat fish, ohorhe fish, okerhe (edible frog), iseun (fish), igieneba (fish), epepete (fish) in (Urhobo), butterfly, and cocoyam have almost gone extinction in the region. The disappearance of the above and as shown in Table 3 increased the suffering and numbers of unemployed persons especially those that depend on their sales for livelihood.

TABLE 3: Effects of oil pollution on sampled flora and fauna of the Niger Delta

Flora and Fauna	Significance	Remarks
Coco yam	Major staple food widely grown in the region: a main source of carbohydrate like yam and cassava	Farmers stopped farming it since the mid1970s due to very poor yields
Electric fish	A dominant fresh water fish: a major source of protein found mostly in fish ponds	Extinct since the early 1980s
Iku-evwevwe	Tiny reddish fresh water crayfish: Not eaten by Urhobos, sold and also used for sacrifice (appease sprit of bed wetting)	Decrease catch noticed in the early 1980s and now, in it is virtually extinct
Cat fish	A common fresh and salt water fish in the region found in natural water bodies: a major source of protein	The fresh water type has been very scarce since the 1990s: now found in the commercial fish farms
Ohorhe fish	Large scale fresh water fish, not eaten by the	Has become virtually extinct since

	Urhobos but killed for sale	the early 1980s, in the area
Edible frog (Okerhe)	A dark smooth skinned water frog found in natural water bodies: a source of protein and also used for medical purposes	It has now virtually extinct as it is hardly found now
Iseun	A type of small fish that moves in a very large school, caught by fisher men along with crayfish: source of protein for most poor people as it sold at very cheap rate	It has now virtually extinct as it is hardly found now though crayfish is still available in the markets
Igieneba	A small fresh water fish that move in a very large school, caught usually in shallow streams and rivers	It has now virtually extinct as it is hardly found now in the markets
Epepete	A small fresh water fish found in large school usually at the beginning of the rainy season, caught by people even with ordinary basin in the early mornings or late evenings and sold very cheaply	It has now virtually extinct as it is hardly found in the markets.
Butterfly	A beautiful insect with wide wings commonly found amongst flowers and flowering plants in the region	It has now virtually extinct as it is hardly found pollinating flowers in the region

Source: **Omoweh 2005; Emuedo&Emuedo, 2010**

Theorizing active learning model

This research is based on the active learning model of Erickson and Parkes (1995) which states that a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm. The potential and actual growth changes over time in response to the outcomes of the firm's own investment and those of other actors in the same market. According to this model of learning, owners or managers of SMEs could raise their efficiency through formal education and training that increases their endowments while government may support their activities through the creation of the enabling environment. Entrepreneurs or managers of SMEs with higher formal education, work experience, training and government assistance would therefore be expected to grow faster than those without these qualities. This implies that SMEs in Nigeria have prospects of experiencing growth and contributing meaningfully to employment generation only when appropriate investments are made into them by all the stakeholders.

This could best be achieved by government intervention through the provision of financial assistance, social infrastructures, capacity building of SME operators and favourable taxation policies (Okechukwu&Emeti, 2014).When applied to management of SMEs in the Niger Delta region, active learning model suits the analysis of strategic management of SMEs vis-à-vis youths employment as the only avenue managers and staffs of SMEs could raise efficiency, increase productivity and reduce unemployment in the Niger Delta region.

With this model, managers of SMEs will know that they need training, workshops, conferences etc, to update their knowledge in different arrears of their specialization. This explains why West and Wood (1972) observed that 90% of all small and medium businesses failures result from lack of experience and competence. In the same vein, Rogers (2002), also states that inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.

Methodology

A field survey was carried out in Yenegoa in Balyasa,Port-Harcourt in River,Asaba in Delta andUyo in AkwaIbom States of Nigeria. It is a qualitative type of research. The researcher randomly interviewed twenty (20) (5 from each state) successful SMEs Managers or owners who have excelled in their respective business from Bayelsa, Delta, AkwaIbomand Rivers States. Each respondent was asked to indicate what measures he/she has taken to grow in their small-scale businesses. Data so collected were processed, tabulated, and analyzed. These formed the basis for conclusion and recommendations.

Conclusion and Recommendations

Small and medium enterprises (SMEs) remain engine room for youths employment. Outcome of interviews conducted revealed that there is high rate of unemployed youths in Niger Delta areas of Nigeria due to oil activities by oil companies operating in the area. These situations resulted to many numbers of unemployed youths taking up crimes as alternative means to earn living. Also, few small and medium enterprises in the Niger Delta region were not strategically managed towards assisting in youth unemployment reduction because of challenges being faced and unfavourable government policies biting hard on them. Moreover, it was observed that Delta State Government established entrepreneurial centre in Songhai near Sapele for the training of some selected renounced militants and jobless youths in areas of fish farming, snail rearing, soap, piggery, poultry, etc. Engaging the youths in small and medium enterprises could be a better avenue of addressing increasing numbers of school leavers without jobs. Therefore, strategic management of small and medium enterprises is a panacea for youths employment and development in the Niger Delta region.

Hence this study recommended as follows:

(1) Youths should be encouraged to pick up entrepreneurial activities for the purpose of acquiring needed skills before starting-up ones small business.

(2) Government should make it deem necessary to reduce taxes and remove unnecessary charges on small and medium enterprises especially those engage services of youth in Nigeria. In effect, government should create the enabling environment for SMEs owners in Niger delta region and Nigeria in general.

(3) Government of different tiers (federal, state and local) should partner with small and medium enterprises owners for training of university graduates especially during the service year in different entrepreneurial activities. On completion of training, government should give grants to successful graduates to set up the business learnt.

(4) Oil companies in Niger Delta should be involved in the training of unemployed youths in different trades and entrepreneurial activities. Equally trained youths should be fully settled to enable him or her establish business of choice under thorough supervision of the oil company until it is stabilised.

(5) Small and medium enterprises owners should be attending business seminars and conferences on strategic management of businesses so as to enhance their performance and increase their employment of qualified work force.

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The Nexus between Inventory Control and Financial Performance of Companies in Nigeria

Ikhuoriah Abdul-Jalil Osagie
Department of Accounting
Faculty of Management Sciences
University of Lagos, Akoka, Lagos State.
Jalil.francis@gmail.com
08139176247

and

Ehizele Dean Okoduwa
Department of Accounting
Faculty of Management Sciences
University of Lagos, Akoka, Lagos State.
ehizele.okoduwa@gmail.com

Abstract

Inventory control implies the coordination of materials controlling, utilization and purchasing. It has also the purpose of getting the right inventory at the right place in the right time with right quantity because it is directly connected with the production. This study seek to analyzed the importance inventory control on companies financial. The study comprises of secondary data, which includes journal, bulletins, the internet, etc. The study was anchored on Economic Order Quantity (EOQ) and Just in Time (JIT). From the study it was observed that inventory control is increase companies profit, improve gathering of information and the overall running of the day to day operations of firms. It is recommended that firms should install and maintain good inventory control systems such as Economic Order Quantity (EOQ) and Just in Time (JIT). This should ensure that firms are maintaining ideal levels of inventory that have an effect of increasing profitability of the firms. The management should ensure that the staff is qualified to perform duties assigned and ideal inventories levels are maintained. It should also ensure that the staffs are maintaining accurate inventoryrecords. Furthermore companies should install inventory control management system to help improve profit and help give efficient control and management of stock in their organization.

KEYWORD: Inventory Control, Profit, Companies Profit

Introduction

In recent years, Inventory control has attracted a great deal of attention from people both in academia and industries. A lot of resources have been devoted into research in the inventory management practices of organizations. It represents one of the most important assets that most businesses posses, because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company.

In the manufacturing companies, nearly 60% to 70% of the total funds employed are tied up in current assets, of which inventory is the most significant component (Carter, 2002). Thus, it should be managed in order to avail the inventories at right time in right quantity. Inventory can be also viewed as an idle resource which has an economic value. So, better management of the inventories would release capital productively. Inventory control implies the coordination of materials controlling, utilization and purchasing. It has also the purpose of getting the right inventory at the right place in the right time with right quantity because it is directly connected with the production. The objective of any organization is to get a good return out of every cedi invested in the company. According to Pandey (2005) management through their policies, coordination, decision and control mechanisms must maximize the return on investment(ROI).

Peterson and Joyce (2007) while supporting Pandey (2005) states that it is clear that ROI can be maximized either by increasing profit margin or by reducing the capital employed or by both. In the market situation, sales price cannot be increased (rather there is a demand to reduce it) and as such profit can be increased only by reducing the material costs. On the other hand, the opportunity to reduce the overheads and capital employed is more by inventory reduction (Drury, 2002). It is thus evident that the ROI can be maximized by either reducing the material cost or reducing the current assets by way of inventory of materials or can be optimized by increasing profits. Peterson and Joyce (2007) maintain that it is evident that the inventory management can make a direct contribution in increasing profitability in the following ways:

(a) By deciding inventory norms nationally and through control systems. Inventory turnover can be maximized which in turn will maximize current assets turnover andROI.

Byproperplanningandcontrolofspareparts,capacityutilizationcanbeincreased which will increase the turnover of fixed assets and consequently increase ROI.

(a) By developing dependable sources and purchasing quantity materials at competitive prices. Materials cost per naira of sales can be brought down which will increase the profitmargin.

(b) By developing proper systems and control on issue of materials, the consumption can be minimized, reduction in wastes and rejects, resulting in reducing the materials cost, which will increase the profit margin.

(c) Establishment of farms to grow the major raw materials and less dependent onimportation.

Unless operators in the manufacturing industry understand the true costs associated with inventory management and poor inventory productivity, and can review the benefits of alternative approaches, they will continue to be complacent, accepting average profit instead of better performance. This study is of the view that the operators in the industry adopting a holistic operating model that improves inventory productivity, enhances sales margin, and saves millions of Cedis in operating costs and especially on costs associated with inventory. Saving costs on inventory starts with a comprehensive organizational focus on inventory management. Therefore, the focus of this study is achieving profitability through effective management of inventory with emphasis on procurement, receipt of materials, holding and ordering costs, inventory control, and foreign currency forimport.

Conceptual Framework

Ghosh and Kumar (2007)defined inventory as a stock of goods that is maintained by a business in anticipation of some future demand. The definition was also supported by Brag (2005)who stressed that the inventory management has an impact on all business functions, particularly operations, marketing, accounting and finance. He established that there are three motives for holding inventories, which are transaction, precautionary and speculative motives.

Inventory refers to the value or quantity of raw materials, supplies, work in progress (WIP) and finished stock that are kept or stored for use as need arises (Lyons and Gillingham, 1981). Raw materials are commodities such as steel and lumber that go into the final product. Supplies include items such as Maintenance, Repair and Operating (MRO) inventory that do not go into the final product. Work in progress is materials that have been partly fabricated but are not yet completed. Finished goods are completed items ready for shipment (Kothari, 1992).

Sharma (2003) defines inventory as the quantity of goods, raw materials, or other resources that are idle at any given point of time. From the definition above, inventories consist of raw materials, component parts, supplies or finished assemblies etc which are purchased from an outside source, and goods manufactured in the enterprise itself. In simple words, inventory refers to stocks held by a firm. Relating the definition to the brewery industry, this paper defines inventory as the stock of the product a company is manufacturing for sale and components that make up the product. Inventory is the stock of any item or resource used in an organization.

An inventory system is the set of policies and controls that monitors levels of inventory and determines what levels should be maintained, when stock should be replenished, and how large orders should be, (Chase and Aquilano, 1995).

Inventory management is the art and science of maintaining stock levels of a given group of items incurring the least cost consistent with other relevant targets and objectives set by management (Jessop, 1999). It is important that managers organizations that deals with inventory, to have in mind, the objective of satisfying customer needs and keeping inventory costs at a minimum level. Drury (2004) asserts that inventory costs include holdingcosts, ordering costs and shortage costs. Holding costs relate to costs of having physical items in stock. These include insurance, obsolescence and opportunity costs associated with having funds which could be elsewhere but are tied up ininventory.

Ordering costs are costs of placing an order and receiving inventory. These include determining how much is needed, preparing invoices, transport costs and the cost of inspecting goods. Shortage costs result when demand exceeds the supply of inventory on hand. The costs include opportunity costs of making a sale, loss of customer goodwill, late charges and similar costs.

There have been numerous attempts to explain financial performance of companies in the fields of strategic management, accounting, finance, marketing and management science. Naturally each of these areas concentrates on different explanatory variables and therefore this study limits the survey to papers that are perceived as immediately relevant. In the US, Sanghal (2005) studied the effect of excess inventory on long term stock price performance. The study estimated the long-run price effects of excess inventory using 900 excess inventory announcements made by publicly traded firms during 1990-2002.

Empirical Review

Koumanakos (2008)studied the effect of inventory management on firm performances. The study comprised of 1358 manufacturing firms operating in three industrial sectors of Greece, food, textiles and chemicals were used in the study covering period of 2000-2002. The hypothesis that lean inventory management leads to an improvement in a firm's financial performance was tested. The findings suggests that the higher the level of inventories preserved by a firm, the lower the rate ofreturn.

Roumiantsev and Netessine (2005)investigated the association between inventory management policies and the financial performance of a firm. The purpose of the study was to assess the impact of inventory management practice on financial performances across the period 1992-2002.

Etale and Bingilar (2016) examined effect of inventory cost management on profitability of listed brewery firms in Nigeria was used. Secondary data from the annual reports and accounts of selected brewery firms from the Nigeria Stock Exchange from 2005 to 2014 was used in the study. Using the multiple regression technique the study found that efficient inventory cost management has a positive effect on profitability of brewery firms in Nigeria. The study recommended that brewery companies should adopt effective and efficient inventory cost management practices; deploy appropriate modern technology for effective inventory cost management; and employ capable and qualified staff who should be trained regularly on proper and efficient inventory cost management. Naliaka and Namusonge (2015) investigated the role of inventory management on competitive advantage for Kenyan manufacturing firms. A descriptive research design was used in the study. Self-administered questionnaires were used in data collection. The findings of the study revealed that inventory control systems, information technology, inventory lead-time and inventory control practices are vital factors in achievement of a competitive advantage for Kenyan's manufacturingfirms.

Sitienei and Kioko (2015) examined the effect of working capital management on the profitability of cement manufacturing firms in Kenya. The study used secondary data for a 15 years period from 2000 to 2014. The study established that inventory conversion period positively and significantly influences profitability while average receivables period had a positive insignificant relationship with profitability. The study establishedapositivesignificantrelationshipbetweenleverageandprofitability while liquidity and size of the firm had a positive but insignificant relationship with the profitability. The study concluded that inventory days, receivables period, liquidity, advantage and firm size positively influences profitability of cement manufacturing firms in Kenya.

Mwangi and Thogori (2015) explored the role of inventory management on the performance of food processing firms in Kenya. The study used a sample of 110 respondents and a questionnaire for data collection. The study findings established that a unit increases in maintaining production, cost control, record reduced loss and continuous supply will lead to an increase in the scores of the performance of food processing company. The study recommended that inventory management should be well articulated and there should be a good management on cost control such as carrying cost, ordering cost as well and maintain production should be managed to meet demand, increase production turnover and identify opportunity.

Munyao et al. (2015) examined the role of inventory management practices in performance of the production department by manufacturing firms in Mombasa County. The study adopted the descriptive research design and a sample of 45 manufacturing firms while data was collected using questionnaires. The study findings revealed that manufacturing firms use various inventory management techniques such as the action level methods, JIT, EOQ and periodic review technique. The study found that despite the fact that that MRP was most effective in contributing to performance of the production department most organizations in the manufacturing industry used action levelmethods.

Nwosu (2014) examined the impact of materials management on profitability of Nigeria brewing companies using a sample size of 368 companies. The study used questionnaire and oral interviews to collect data. The study established that materials procurement and storage has significant effect on profitability of brewing companies. The study also found that materials inventory has a significant contribution to profitability of brewing companies; and that interdepartmental collaboration significantly contributed to the profitability of brewing firms. The study concluded that effective materials management is indispensible to brewing firms in making profits.

Anichebe&Agu (2013) assessed impact of proper inventory management on performance of organizations in Nigeria. The study used a sample of 248 respondents and collected data using questionnaire and oral interviews. The study revealed that there is a significant relation between inventory management and effectiveness in an organization. The study also deduced that inventory management had a significant impact on productivity of an organization and there was a strong positive correlation between inventory management and profitability of an organization. Hence from the observation of the study, it was therefore concluded that good management of Inventories is key to growth and success of anorganization.

Kariuki (2013) examined factors that influence effectiveness of the inventory control at the Ministry of State for Provincial Administration and Internal Security in Kenya. The study established that procurement of goods delays, stock-outs and unpredictable change in prices were the effects of the long bureaucratic procurement procedure. The study also found that untimely funds dispatch has a negative effect on inventory control. The study further found that inaccessibility stores records, lack of qualified and well- trained employees hinder an effective inventory management and control system.

Panigrahi (2013) examined the relationship between inventory conversion period and profitability of top five cement firms in India from 2001-2010 using regression analysis. The results of the study established a negative significant linear relationship between the inventory conversion period and the profitability. The study also established that the Inventory conversion period has an inverse relation with profitability of the firms.

Theoretical Framework

This study will be anchored on the following theories of Inventory Control.

The Theory of Economic Order Quantity

The economic order quantity (EOQ) theory was proposed by Haris (1913) to determine the optimal inventory level. EOQ refers to an inventory level that can minimize both inventory holding cost and inventory ordering cost (Lwiki et al., 2013). The EOQ model is used to determine an optimal ordering size that will minimize the sum of ordering and carrying costs (Ziukov, 2015). This model was found on the assumption that demand equals annual total quantity ordered by the firm at any point in time (Milicevic, Davidovic&Stefanovic,2010).

The EOQ model considers a tradeoff between storage cost and ordering cost when making a decision on the quantity to use when replenishing inventory items. Ordering frequency is usually reduced by a larger amount of quantity ordered, hence reduced ordering cost but increases storage costs and requires a larger space for storage too (Schwarz, 2008). Some costs declines with holding inventory, while others holding costs increases and that the total inventory-associated cost curve has a minimum point (l wiki et al., 2013). Ordering costs refers to those costs which are incurred when additional inventories are being procured or purchased while carrying costs are the costs incurred for inventory holding. Thus, EOQ is determined by intersection of ordering cost curve and carrying cost line. At this point total carrying cost and total ordering cost are equal to each other (Kumar, 2016).

The EOQ method is used in determining an optimal order quantity which will minimize total inventory cost. The EOQ is very useful tool for inventory control and it can be applied to finished goods inventories, work- in-progress inventories and raw material inventories. It regulate the purchase and storage of inventory in a way to ensure that an even production flow at the same time restricting excess investment on inventories (Kumar, 2016).

Just in Time Model

Just in Time (JIT) is a strategy that is meant to improve the financial performance of a business by reduction of excess inventory together with associated cost (Shin, Ennis &Spurlin, 2015). The JIT model is based on three crucial principles: waste elimination, continuous improvement in product and service quality and involvement of staff/workers in planning and implementation of the firm’s strategies (Obiri-Yeboah, Ackah&Makafui, 2015). JIT is a management concept that was invented to specifically help firms in waste avoidance/reduction. JIT encourages waste minimization as well as productivity enhancement.

JIT model is able to identify the value chain challenges and helps in reduction of production waste in the system (Kootanaee, Nagendra & Hamidreza, 2013). Just-In-Time (JIT) is about having right items, right quality and right quantity at the right time and place. If JIT is implemented well, it has the potential of enhancing production quality, increase productivity, improve production efficiency and finally reduces wastes and other avoidable costs associated with production (Kootanaee, Nagendra & Hamidreza, 2013).

JIT help in reduction of inventory levels within a firm. As such, firms end up lowering their investments in inventories. JIT emphasize on having in hand the minimum required quantity of materials for immediate use. As such, inventory holding costs are substantially reduced (Kootanaee, Nagendra&Hamidreza,2013).

Pareto (ABC) Model

The Pareto principle was proposed by Vilfredo Pareto in 1887. ABC analysis is a categorization technique which is based on Pareto Principle. This principle helps in determination of what items to be given priority in management of a firm's inventory. In ABC analysis inventories are usually categorized to three classes. That is, class A, class B, and finally class C. Management efforts and oversights are expended in management of class A items. Class C items usually get the very least attention from the management while class B items are in-between (Ravinder&Misra, 2014). With the ABC model, products are categorized depending on their importance levels. Importance may be from the amount of cash flows to be generated from a product, stock out cost associated with a product,theproductssalesvolume,profitabilityandsoon.Oncecategorizationisdone, breaking points are also decided for each class (Class A, class B and class C) (Obiri- Yeboah, Ackah&Makafui, 2015).
ABC analysis is a basic critical management tool that allows management to put much of their effort where returns will be greatest or highest. ABC inventory analysis is beneficial to classify materials based on demand of the items. It also holds good control over finance, since costly items are under close observation under A category. Items in-group B have moderate demand and moderate control. Items in-group C are very economic and needs not to be taken care accurately (Priyank&Hemant, 2015).

Conclusion and Recommendation

Inventory is the most important part of any business especially for manufacturing companies. It is hidden costs which are to be controlled for sustaining in present competitive market. Apart of costs, customer satisfaction is also the most important factors for the businesses. Inventory management also improves the level of customer satisfaction because customer wants product at least time as possible. So, firms must install the optimal inventory control techniques or improve their asset turnover as much as possible. Also, by different analysis it is concluded that inventory turnover ratio is correlated with the net profit of the companies. Hence, it is concluded that there is impact of inventory management on the financial condition of thefirm.

Therefore, it was recommended that companies install inventory control management system to help improve profit and help give efficient control and management of stock in their organization.

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Transport and Communication Infrastructure and the Attainment of the Sustainable Development Goals (SDGs) in Nigeria

Agweda, F.,
Department of Accountancy,
Auchi Polytechnic,
Auchi

Akhalumeh, P.,
Ogunkuade, Zaccheaus

Abstract

This study examines the significance of transport and communication infrastructure in the attainment of the Sustainable Development Goals (SDGs) in Nigeria. The SDGs which could be summarized as an ambitious plan to achieve better quality of life for the citizens of the world through the attainment of economic development include to: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, combat HIV/AIDS, malarial and other diseases, ensure environmental sustainability, and develop global partnerships for development. The data used in the study were obtained from secondary sources and the correlation and regression analyses were done using STATA statistical package. The findings of the study are that the state of infrastructure in Nigeria is currently very dismal with road transport being the most relied upon means of transportation, the road infrastructure in Nigeria is in a state of decay, the railway infrastructure has been in comatose and abandonment, the scanty air transport system is largely off the limit of the poor of society. This study recommends that: government should as a matter of urgency and priority invest massively in the infrastructure networks to stimulate the needed developments in the sub-sectors; urgent steps should be taken to fix the nation's road networks, equally urgent is the need to fix the nation's energy sector as not much can be gained in the real sector if change does not come in the energy sector, ICT infrastructure should be further developed to improve access to ICT services; concerted efforts should be made to rescue the railway sub-sector from total collapse; and navigational facilities should be improved upon at the nation's airports so as to improve the safety of our air transport system.

Keywords: Infrastructure, SDGs, Road, Power, ICT, Railway.

1.0 Introduction

Over the years the need to reduce extreme poverty has been emphasized and several efforts (or pseudo-efforts) have been put into trying to alleviate poverty, particularly African and other Third World nations. For instance, in Nigeria we have had "Operation Feed the Nation (OFN), Better Life for Rural Women/Dwellers, Directorate for Food, Road and Rural Infrastructure (DFRRI), Family Support Programme (FSP), National Directorate of Employment (NDE), national poverty eradication programme and many others. The results of these and allied programmes showed near dismal failure (Aluko, 2003; Oyemomi, 2003; Adawo 2011; Ajulor, 2013).

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development requires meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for better living (Sachs & Warner, 2001; Otto & Cordes, 2000). The Sustainable Development Goals articulated 17 goals as shown in Table 1 below.

Table 1: Sustainable Development Goals

SDG 1 End poverty in all its forms everywhere **SDG 2 End hunger, achieve food security and improved nutrition, and promote sustainable agriculture**	**SDG 3 Ensure healthy lives and promote well-being for all at all ages**
SDG 4 Ensure inclusive and equitable quality education and promote life-long learning opportunities for all	SDG 5 Achieve gender equality and empower all women and girls
SDG 6 Ensure availability and sustainable management	SDG 7 Ensure access to affordable, reliable,

of water and sanitation for all	sustainable, and modern energy for all
SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	SDG 9 Build resilient infrastructure, promote inclusive and sustainable industrialization
and foster innovation	SDG 10 Reduce inequality within and among countries
SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable	SDG 12 Ensure sustainable consumption and production patterns
SDG 13 Take urgent action to combat climate change and its impacts	SDG 14 Conserve and sustainably use the oceans, seas and marine resources for sustainable development
SDG 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably	manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
SDG 16 Promote peaceful and inclusive societies for sustainable development, provide	access to justice for all and build effective, accountable and inclusive institutions at all levels
SDG 17 Strengthen the means of implementation and revitalize the global partnership for sustainable development	

--Source: Lowe and Rippin (2015)

By 2015, the achievement of the MDGs had apparently become unsustainable; hence the world leaders gathered again together to adjust and re-orientate development goals focusing on sustainability and branded the targets to be achieved by 2030 as Sustainable Development Goals (SDGs). On September 25, 2015 member countries of the United Nations adopted a set of 17 SDGs as part of their global “2030 Agenda.” This Agenda officially came into effect in January, 2016. One major introduction into the Agenda is “inclusiveness”. The aim of the MDGs which has been replace by the SDGs is to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop global partnerships for development (Osei-Assikey and Grey, 2013). Thus, the aim of the SDGs is principally the reduction of extreme poverty and suffering across the world. From the target principal activities aimed at achieving world development, it appears that infrastructure would play a key role in driving development, opening of opportunities to the less developed world, generate employment and income to the “not-so-fortunate” members of societies, transform the remote areas of the world, engender equal access to citizens in different communities, and reduce barriers to trade and exchange of values between the seekers and holders.

The challenges facing the underdeveloped world are numerous, enormous and daunting. There is accelerated population growth, low productivity, poor capacity utilization and structural bottleneck. These continue to undermine developmental efforts and inhibit sustainable growth. There are low capital development indicators, widespread poverty, low per capita income and inhibitive customs and cultural practices (Diaz-Bonilla, Robinson, Lofgren & Ahmed, 2015). It seems that as there are infrastructural deficiencies/deficits and the eradication or reduction in these problems may not be so quick in forth coming as would be desirable. To sustainably eradicate or reduce poverty would be impracticable if income generation is not enhanced and this can only be attained through employment opportunities especially through small and medium scale enterprises which feel the burden of the absence of infrastructure the hardest (Joseph, 2016; Ahmed, 2016). Oyemomi (2003) noted that Human Capital Index (HDI) of 0.461 indicates the deplorable state of the nation’s level of poverty and low human development despite the generous endowment of the nation in all kinds of resources. He noted that Nigeria’s proportion of the poor has doubled over the last two decades. This possibly reflects the level of infrastructural decay. This index over the last decade has not risen much, it was just 0.514 in 2016 ranking 152 out of 188 measured countries in the world (Nwabughiogu, 2016). This is the position Nigeria has held since 2014.

Balogun (2016) noted that Nigeria will not be able to sustain her current levels of population and economic growth without enhancing her infrastructure. He noted that diversifying the Nigerian economy will required huge investment in infrastructure. Olufemi, Olatunbosun, Olasode and Adeniran (2013) noted that under investment in infrastructural development in Nigeria could be the bane of her vision of becoming a top 20 economy by the year 2020. Michael (2016) noted that though empirical literature is far from conclusiveness, majority of studies report a significant positive effect of infrastructure on output productivity or long-term growth rates, noting that infrastructure investment is complementary to other investments in the sense that insignificant infrastructure investment constrains other investments but excessive investment has no value added. Olaseni and Alade (2012) observed that it has been noted that infrastructural capacity grows step by step with economic output.

Given the above this study seeks to assess the state of Nigerian infrastructure against the demands of the Sustainable Development Goals (SDGs). To achieve the above, the remainder of the paper is structured as follows: Section 2 provides a systematic review of literature on the state of Nigeria infrastructural sub-sectors, and empirical findings on the effects of infrastructure on economic development growth and development and the theoretical underpinning of the study. Section 3 provides an explanation of the methods employed in the study. Section 4 provides an analysis and discussion of relevant data and findings of the study.

Section 5 provides the conclusion and recommendations of the study.

i. Road transport does not significantly impact GDP growth in Nigeria.
ii. Information Communication Technology does not significantly impact GDP growth in Nigeria.
iii. Railway and pipeline infrastructure does not significantly affect GDP growth in Nigeria.

2.1 Conceptual Framework

Physical infrastructure refers to the basic physical structures required for an economy to function and survive, such as transportation networks, power grid and sewerage and waste disposal systems. Viewed by some developmental economists as part of a three-pillar system, along with human capital and good governance, physical infrastructure is a prerequisite for trade and other productive activities. In a functional sense, a society's physical infrastructure facilitates the production of goods and services (Wikipedia).

2.2 **State of Infrastructure in Nigeria**

In investigating, the challenge of infrastructural development in Nigeria's Vision 20:2020, Imbua and Ecoma (2014) observed that the state of Nigeria's infrastructure is grossly inadequate. They agreed with Anya (2008) that the most objective and optimistic assessment of the Nigerian condition would concede that we have not done well and that there is no practical basis to expect any better. It has been noted that Nigeria currently generates about 3879 MW of electricity with a population of about 177 million compared to South Africa's 45645 MW with a population of 54 million, other infrastructure sectors such as transportation (roads, rail, seaports and airports) have equally significant gaps and similar challenges. They noted that road transport which is the predominant mode of transportation and accounts for 80% of goods traffic in Nigeria have only 20% paved road network. There are also noticeable gaps in both rural and urban landscapes across the country in terms of the availability of basic infrastructure such as housing, healthcare, water and waste management and other enabler infrastructure such as: ICT, hospitality and industrial/commercial real estate (Balogun 2016).

It has been observed that the infrastructure of Nigeria is in a deplorable state and this has adverse effects on output. The increased expenditure on own infrastructure leads to increased cost of production for all firms (Adawo, 2011). There is a disparity between energy demand and supply in Nigeria both in the present and the foreseeable future. Apart from the gross deficit in infrastructure in Nigeria there is also a problem with the quality of infrastructure due to lack of maintenance which has led to the dilapidated state of infrastructure.

Significant portions of the road network are in poor conditions meaning that there is poor capacity constraint. About 40% of the federal primary road network is in poor condition or worse, only about 27% is in good condition, the remainder can only be described as in fair condition. As for the secondary and tertiary roads only 6% is in good condition while 84% is in poor condition (African Development Bank Group, 2013). The Group also noted that the declining quality of railway assets and train services have led to the disappearance of intermodal transport modes, the situation has been exacerbated by both managerial and institutional weaknesses. Also, the performance of Nigeria's major ports has been poor by any standard (African Development Bank Group, 2013). The Bank Group noted that available statistics paint a dismal picture of the power sector of Nigeria, noting that power consumption per capita in Nigeria is the lowest among all eight comparator countries including Bangladesh, Pakistan, Japan, Brazil, Russia Morocco, Indonesia and South Africa, and concluded that the economic impact of Nigeria's power deficit is substantial because Nigeria is affected by power outages more than 320 days a year (which is many times higher than is found in other African countries).

2.3 **Theoretical Background**

This study hinges heavily on the neoclassical theory.

Neoclassical Theory

The neoclassical economic models tend to give the government a greater role in the economy. This contrasts with the classical economic discourse which sees little or no role for government in the market system (Crosby, 2011). Neoclassical economics calls on government to be closely involved in monitoring the economy with a view to regulating it as and when necessary. This is the basis for frequent government intervention such as fiscal policy usage. Thus government would need to inject massively into the economy to stimulate aggregate demand when there is a slump in economic activities leading to recession and depression. The massive interventionist programmes of Europe and the United States immediately following the economic crises of 2008 and the pace of recovery following those interventions have made a strong case for such neoclassical ideas (Steen, 2009, Ha & Kang, 2015).

One clear area of such government injections is infrastructure. Roland-Holst (2006) observed that the direct macroeconomic benefits of public investment have long been recognized, and infrastructure spending itself is a popular means of direct medium-term or transitory employment stimulus. He cited programmes such as the Worker Protection Act in the United States, work relief in China and the recurrent fiscal commitments to public works in Japan as examples. Investments in infrastructure will not only create developments, create jobs/incomes but will also stimulate aggregate demand and create smooth foundations for other developmental strides to be taken. This is the thinking of the Keynesian theory as a counter-cyclical measure of government intervention. The framework doubts the equilibrating tendencies of market forces. It thus believes that the government has to play a positive role of regulating and controlling the economy. The framework also argues that the aggregate demand function of employment does not automatically adjust itself to the aggregate supply of employment; this adjustment is achieved through deliberate, positive and dynamic operation of fiscal policy (Iyagi, 2013; Abubakar, 2016).

2.4 Infrastructure and Sustainable Development

Power: Power is central to all developmental efforts of any economy. Oyedepo (2012) noted that energy plays the most vital role in the economic growth, progress and development, contributing to poverty eradication and security of any nation, and concluded that the future economic growth crucially depends on the long-term availability of energy from sources that are affordable, accessible and environmentally friendly. Currently, Nigeria and other African countries have the lowest consumption rates of energy in the world. Total national installed capacities of the 14 generating stations (3 hydro and 11 thermal) is about 8039 MW but average availability is about 4176.24 MW (which represents about 53% of the installed capacity). Transmission is over a network of 5000km of 330KV lines, 6000km of 132KV lines, the network has 23 330/132KV substations with a combined capacity of 6000-4600 MVA at a utilization factor of 80% (Oyedepo, 2012). The major problems bedeviling the power energy sector in Nigeria include: lack of both preventive and routine maintenance of facilities and frequent major breakdowns, resulting from the use of outdated and heavily overloaded facilities. There is nothing to write home about Nigerian infrastructure, including power and energy infrastructure (Oyedepo, 2012; Oyedele, 2012).

Electricity tariffs across the Sub-Saharan region are relatively high (about US$0.13 per KW-hr). This is still not able to cover operating costs, much less the capital costs. In 2007 nearly two-thirds of the countries in the region experienced an acute energy crisis (with the attendant extended electricity outages) (UN-HABITAT, 2011). If there must be development concrete strides must be taken in the area of power supply so as to spur industrialization. Without this, with the huge costs in overhead resulting from poor public power system industrialization is a mere wishful thinking (Teitel, 2004). Stable and cost efficient power availability has been widely identified as key to successful economic development. Substantial income is lost through erratic power supply particularly for the artisans in Nigeria. The power outages in Nigeria brought a loss of about N126 billion (US$984.38 million) annually. Nigeria has an abysmally low power consumption compared to most other economies with per capita consumption (KW) of 0.03 against 0.27 in Egypt, 1.02 in South Africa, 1.10 in South Korea, 0.42 in Iraq, 1.33 in Ukraine, 1.1 in UK, 0.38 in Cuba, 3.2 in USA (Oyedepo, 2012; Balogun, 2016).

Infrastructure contributes to raising the quality of life by creating amenities providing consumption goods. Olaseni, and Alade (2012) noted that at the moment Nigeria faces a serious energy crisis due to declining electricity generation from domestic power plants, with increasing frequency of power outages, the power sector operates well below installed capacity with one of the lowest per capita consumption in Sub-Saharan Africa, the low consumption level resulting from suppressed demand caused by deteriorated electricity supply infrastructure. Thus, energy has been identified as one of the critical factors inhibiting the development of productive capacities in the Sub-Saharan region (UNCTAD, 2014). The place of power/energy in sustainable development is unmistakable. It has a direct bearing on poverty eradication. It is also directly related to income improvement, though access to electricity benefits the rich and the poor (Fan, Zhang, & Zhang, 2012; Balisacan, Pernia & Asro, 2002).

Transport: The importance of transport to sustainable development is so crucial that a myth is created around transport network. Many people assume that people die of famine because of logistical difficulties in getting food to areas of needs. This appears to make sense as the logistical difficulties make food more expensive which makes such food items more inaccessible to the poor (Hook & Howe, 2005).

In the study by Fan and Chan-Kang (2055) on the impact of road investment in promoting growth in China provided evidence showing the importance of road investments in promoting production growth. Just as transport is the link between locations, it is also a link between the roles of other infrastructural facilities. Oyedele (2012) noted that Nigeria's lack of basic infrastructure to facilitate sustainable development and trade and to promote competitiveness globally is well known, particularly, in the access to markets and storage facilities and further worsened by weak transport and energy infrastructure. Apart from contributing directly to the development process by providing access to facilities, better transport also creates good health needed to drive economic development. It contributes to easier access to healthcare as well as easier staffing and operation of clinics; this is a catalyst for economic development (Leipziger, Fay, Wodon & Yepes, 2003). Roland-Holst (2006) noted that improved road and other transport facilities are very growth-friendly and pro-poor. Mensah (2011) found access to public transport to have significant and positive impact on welfare irrespective of asset endowment in Ghana, focusing on agricultural households.

ICT: A good information and communication technology infrastructure is required to promote outsourcing, sub-contracting and joint-venture arrangements. This represents the most important public good for reducing transaction costs and perceived risk premium. Interestingly, the scope of interactions is becoming global. Lack of access to information and communication technology networks contributes to inefficient allocation of resources (UNIDO, 2014). The Sustainable Development Goals specifically identified information and communication technology among the economic infrastructure that have to be provided because of its vital place in sustainable development. Improved access to information reduces marketing costs, increases farm-gate prices and productive efficiency. ICT is now widely accepted to play a major role in national development (UN-HABITAT, 2011). The use of ICT can make governments more transparent, thereby reducing corruption and inefficiency and improving accountability leading to better governance (Osei-Assibey & Grey 2013). The UN ICT Task Force (2003) identified three tiers of goals to be achieved by ICT, viz:
Tier 1: Increase access to market information and lower transaction costs for poor farmers and traders.

Tier II: Increase efficiency, competitiveness and market access of development country firms.
Tier III: The direct benefits of using ICTs need to translate into economic growth in rural and urban areas, indirectly creating more jobs in traditional sectors such as farming and fishing.
To achieve the SDGs, the Africa Development Bank Group (2013) included the following targets to be achieved in Nigeria:

(i) expansion of ICT infrastructure and communication services to underserved urban and rural areas and achieve at teledensity of 75% by 2015 and 100% by 2020;
(ii) establish a national ICT backbone network;
(iii) promote competition among service providers within the country;
(iv) establish a national digital library;
(v) promote a range of e-applications, including e-learning e-governance, commerce; and
(vi) promote access to interest resources in all education and research institutions.

3.0 Methods and Data

The data for this study were obtained from secondary sources. The parameters of the adopted model were estimated using the STATA Statistical package. To demonstrate the relationships between GDP growth (a proxy for economic growth) and some sub-sectors of infrastructure (rail and pipeline, road transport and information and communication technology) the following causal model was used.

$$GDPGRTH = ß_0 + ß_1 RPGRTH + ß_3 RDGTH + ß_4 COMGTH + \alpha$$

Where:
GDPGRTH = Growth in GDP
RPGRTH = Growth in rail and pipeline transport
RDGTH = Growth in road transport infrastructure
COMGTH = Growth in information and communication technology
$\beta_0 - \beta_4$ = Parameters
α = Error Term

4.0 Data Analysis

4.1 Empirical Analysis

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max	Pr(Skewness)	Pr(Kurtosis)
GDPGT	31	52.409	168.87	-96.98	945.29	0.0000	0.0000
RPGRT	31	0.812	24.008	-95.1	37.5	0.0000	0.0002
RDGRT	31	39.482	102.91	-19	583	0.0000	0.0000
COMGT	31	25.535	34.610	2.3	156.5	0.0000	0.0003

Source: **Computed from Figures Extracted from Nedozi, Obasanmi and Ighata (2014)**

Table 2 shows that there is normality in the distribution of variables' data. The probabilities of the Jargue-Bera statistics show that the data are significantly normally distributed at 5% level of significance. The table shows that mean growth rate in GDP is about 52.4%, the mean growth rate that occasioned the growth rates in the GDP are about 0.81% for rail and pipeline infrastructure, 39.5% for road transport infrastructure, and 25.5% for telecommunication infrastructure. The maximum growth rates are about 945.3%, 24.0%, 102.9% and 34.6% for GDP, rail and pipeline, road transport and telecommunication infrastructure respectively.

Table 3: Correlation Matrix

	GDPGRTH	RPGRTH	RDGRTH	COMGRTH
GDPGRTH	1.0000			
RPGRTH	-0.0147	1.0000		
RDGRTH	-0.0041	0.1325	1.0000	
COMGRTH	-0.0496	-0.3982	-0.0083	1.0000

Source: **Computed from Figures Extracted from Nedozi et al (2014)**

Table 3 shows that there is a positive correlation between each of the explanatory variables and the dependent variable. The table also shows the absence of the problem of autocorrelation since no two of the explanatory variables are perfectly or early perfectly correlated.

Table 4: Regression Results

Variables	Coefficient	Std. Err	t-stat	p-value
RPGRT	-0.2894	1.4877	-0.19	0.847
RDGRT	0.0014	0.3184	0.00	0.997
COMGT	-0.3218	1.0229	-0.31	0.756
CONS	60.8064	42.9987	1.41	0.169
VIF				1.14
F-stat				0.03
Prob > F				0.0010
R-squared				0.0139
Adj R-squared				0.0068
Heteroskedasticity				2.31(0.1282)

Source: **Computed from Figures Extracted from Nedozi et al (2014)**

Table 4 shows that the combined effects of the changes in the explanatory variables can explain only about 7.0% of the systematic variations in the dependent variable (changes in GDP). The table shows that all the explanatory variables positively impact GDP growth rate. Examining the specific relationships between the GDP growth rate and the growth rates of the explanatory variables the following analysis is done:

Rail and Pipeline Growth (RPGRTH): a regression coefficient of 0.195 and a probability of 0.896 show that rail and pipeline growth positively impacts growth in GDP. A probability of 0.195 shows that the impact is not statistically significant. This finding conforms to the finding of Fan and Chan-Kang (2005). It is for these perceived benefits that several nations have increased budget capital outlays in these directions (Joseph, 2016).

Road Transport Growth (RDGRTH): with a coefficient of 0.118 and a probability of 0.0494, road transport growth positively impacts growth in GDP and this impact is significant at a 5% level of significance. This finding conforms to the findings of Olaseni et al (2012) and Balogun (2016). This is why many reports strongly recommend the massive investment in road infrastructure (African Development Bank Group, 2013; World Bank Group, 2015).

Telecommunication Growth (TEGRTH): with a regression coefficient of 0.553 and a probability of 0.011, telecommunication has a positive and significant impact on growth in GDP. This finding conforms to the conclusion of United Nations ICT Task Force (2003), Fan and Chan-Kang (2005) and African Development Bank Group (2013).

4.2 Analysis of Sector Specific Characteristics

Road Transport

The road transport sector of Nigeria has performed dismally. At independence in 1960 Nigeria had a total road network of 6500km. By 2010 the road network had grown to a total of 1970000km with only about 18% paved, made up of 9% of federal roads and 24% of state roads. This has created a high density of vehicles on the road networks. The road density in Lagos is about 222 vehicles per km of road; the average road density across the national road network is about 11 vehicles per km of road network.

In the urban centers, Nigeria seemed to have experienced higher proportion of minibuses and shared taxis than other African Urban centers with Lagos having 77%, Nairobi having 62%, Johannesburg having 56%, with large buses being very much lower. For Lagos 2% were large buses, compared to Abdijan that had 13%. Large buses seat 3 per 1000 passengers, and for mini buses it is 137 seats (African Development Bank Group, 2013).

Air Transport

Nigeria has a mixture of international airports, domestic airports and private airstrips. The inter-national airports, which are four (4) in number, are owned by the federal government, the domestic airports which are controlled by the Federal Aviation Agency of Nigeria are twenty (20) in number. There are sixty two (62) private airstrips out of which only 34 have paved runways. In terms of passenger density it has however grown in recent years. Passenger traffic grew from about 9.4 million in 2004 to about 14.8 million domestic and international arrivals/departures in 2011 representing an annualized growth rate of about 8.2% over the seven-year period.

Of the total passenger traffic about 75% are domestic; Nigeria ranked 100 out of 144 in the 2012-2013 Global Competitiveness Report of the World Economic Forum. In terms of the nation's aviation infrastructure, Nigeria is rated 23rd out of 25 in Aviation safety. It had the worst air traffic accidents between 2005 and 2006. (African Development Bank Group, 2013).

Railways Transport

Nigeria's railway network consists of 4332 track kilometer and 3505 route kilometer (on Cape Gauge of 1067 mm). Only 30 of the track km are double track. In terms of vehicles, the system has 200 locomotives (out of which 54 are shunt locomotives). Out of the total number of available vehicles only 25% were functional in 2009. In its fleet are 480 passenger coaches and 4900 freight wagons (less than 50% which are in serviceable conditions).

Comparing Nigeria's railway traffic density with others, while Nigerian Railways Corporation (NRC) of Nigeria had a traffic density of an average density of 250 in 2007 and 725 in the 1990, SETRA of Gabon had a density of 3000, CAMRAIL of Cameroon had a density of 1400 and TRANSNAMIB of Namibia had a density of 700. The Global Economic Forum ranked Nigeria's railway transport infrastructure at 95 out of 144 studied countries (African Development Bank Group, 2013)

Electricity

Nigeria's electricity generation has a maximum capacity of 6978 MW and in 2010 only 3360 MW (representing 48%) were generated and this grew to 4300 (representing an annualized growth rate of about 14% in 2012. An installed capacity per million people of 64 MW was achieved in 2011 compared to 800 MW for middle income group countries in Africa.

Comparing power consumption in Nigeria with other countries, while Nigeria per capita consumption (MW) was 136 in 2010, in Pakistan it was 457 (almost 3.5 times Nigeria's), in South African it was 4803 (more than 3500% of Nigeria's), in Russia it was 6452 (over 4700% of Nigeria's), in Japan it was 8394 (over 6100% of Nigeria's consumption), and even in Bangladesh, with per capita consumption of 279 is over twice Nigeria's per capita consumption. It was estimated that 40% of households had access to electricity in 2009. To increase national generation and consumption of electricity, the country had focused on.

(i) Completion of all on-going and proposed rehabilitation of the existing facilities owned by the government.
(ii) Addition of 4775 MW of private power projects (proposed for 2014).
(iii) Privatization of 5203 MW of thermal plants (proposed for 2014).
(iv) Expansion of hydropower to bring hydro capacity to 6170 MW for the country.
(v) Attracting a substantial amount of new private investment in generation facilities.

Among the problems identified as constituting barriers to the adequate supply of energy in the country, the lack of investment by succession of governments over the past 30 years is identified is the major. In 2011 the composition of energy consumption (in GWh) was 24,347 distributed as: households 13,428 (55%), industries and others 10,163 (42%), power sector 726 (3%) (African Development Bank Group, 2013).

Obviously, the amount of energy available for industries and related activities is inadequate. This means that a great deal of businesses have to self-generate electricity at a vast cost which puts them at a competitive disadvantage. Thus the lack of reliable electricity supply in Nigeria is one of companies' biggest weaknesses (This is Africa, 2014). It is noted that this has led to huge transfer of costs on the products and services of the industrial and allied sectors (Oyedepo, 2012).

Information and communication Technology (ICT)
There has been a significant growth in the ICT sector in Nigeria. Internet and mobile and fixed line phone users grew from about 660000 in 2000 to about 143 million in 2011. There was been a huge amount of investment in the sector within the period, standing at about US$3.4 billion. However, Nigeria has continued to perform sub-optimally compared to other countries. Nigeria ranked 13 out of 29 Sub-Saharan African countries in a recent ICT-related survey, it also ranked 122 out of 142 countries in terms of ICT-related infrastructure, affordability and availability of internet-related skills. Internet affordability in Nigeria has continued to remain a major constraint to internet services (African Development Bank Group, 2013).
ICT has been identified alongside electricity, water, education, healthcare and transport network to be critical in stimulating the growth and development processes of any economy (Mensah, 2004). According to UNIDO (2004), a technical progress in transport and communication means the death of distance and this has led to unprecedented fragmentation of economic activities across countries, which has meant that both manufacturing and service activities could be spread in search of low cost. Estache, Speciale and Veredas (2006) used pooled OLS and conclude that road, power and telecommunication infrastructure contribute significantly to long-run economic development in Africa.

Geographical impediments can be redressed through adequate provision of transport and telecommunication infrastructure (such as the case of landlocked countries). The spending on infrastructure and the increments in the access to infrastructure are more significant influence on growth in the Sub-Saharan African region than the sheer stock/access or quality of infrastructure (Kodongo & Ojah, 2016). In Uganda, telecommunication sub-sector was identified to be among the high productivity sectors, thus increasingly driving the economy (Ministry of Finance, Planning and Economic Development, Uganda, 2013).

5.0 Discussion, Conclusion and Recommendations
Nigeria has unique characteristics in the Sub-Sahara African region. Successions of government have ignored (or at best paid lip services to) the infrastructure sector of the Nigerian economy. The resulting decay in infrastructure leaves one to wonder how the massive oil exploitation over the past decades could not leave any positive sign in its trail to show future generations how rich their fatherland was (except this can be explained in the archives by the greed, corruption, wickedness, thoughtlessness and the lack of foresight of successive leaders).

The roads are death traps, leading to loss of countless man-hours. Power is so epileptic that users resort to self-generated sources even though this is at a huge cost which makes them uncompetitive in the international market that has been reduced to one giant village because of growth in communication; this has placed Nigerian manufacturers at the weak-end of competitive advantage. Air transport system has since become an exclusive preserve of the resource-rich few, so the benefits are not wide spread as the not well-offs and the middle class cannot take advantage of the speed offered by such services. The railway system in Nigeria had been comatose meaning that even long distance haulage of heavy cargoes have to be ferried over road networks leading to higher costs and road congestion and higher selling prices.

Government has in recent past tried to reverse the trend in the railway sub-sector. Infrastructural growth and development positively and significantly impact economic growth and development. Improved quality of infrastructure directly increases the quality of life for the citizenry by increasing employment opportunities, income generation and access to modern technology. Better road transport would reduce road carnages and tragedies, loss of man-hours and increase productivity and reduce cost of production. Improvement in railway transport will take a great deal of burden off the road transport system, reduce cost of transportation, and ease up the process of evacuating produce and raw materials from the interior to processing centers or for export.

Growth in ICT infrastructure is most directly related to economic growth. More employment prospects have been opened up both directly and indirectly through ancillary services. It has broken the distance barrier between locations reducing cost of transportation and has greatly enhanced the exchange system through improved on-line real time payment and notification systems. Based on the findings of the study, the following recommendations are made.

(i) The road networks in Nigeria need to be adequately maintained to avoid decay even if that means the re-introduction of a restructured toll-gate system to provide funds for regular maintenance of our roads.

(ii) The current road network need to be expanded through dualization of existing major roads and the construction of new ones to meet the challenges of the millennium

(iii) There is an urgent need to concertedly revitalize the railway system in the country. The railway networks should comprise of railway lines linking east to west and linking south to north. Maximum impact would be achieved by linking all state capitals in Nigeria.

(iv) Though ICT has had a tremendous growth since the advent of mobile telephony, internet infrastructure should be upgraded and modernized so that the cost can be reduced and wider access can be achieved.

(v) There is the need to also invest massively in the air transport system particularly the navigational facilities at the airports and the acquisition of modern aircrafts.

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Firm Attributes and Performance in Nigeria

Izevbekhai, Monday Olade, (PhD)
Accountancy Department,
Auchi Polytechnic, Auchi.
E-mail: mondayizevbekhai75@gmail.com
Phone: +234-806691858

Ohonba, Nosa, (PhD)
Department of Accountancy,
University of Benin,
Benin city.
Phone: +234-8056504726

Odion, Abuere Oziegbe, (PhD)
Accountancy Department,
Auchi Polytechnic, Auchi.
Phone: +234-8034725638

Obagah, Yakubu, N.
Accountancy Department,
Auchi Polytechnic, Auchi.
Phone: +234-8035672405

Abstract

This study examined firm attributes and performance with reference to some listed Nigerian firms. In order to arrive at a better conclusion about the study, the study made use of some variables such as, return on asset (ROA) as a proxy for firm performance, firm size, liquidity and leverage as proxy for firm attribute. The research design for this study was panel data (cross sectional/ longitudinal design) with time series properties. The data obtained from the secondary source were analyzed using E-View Computer software and multiple linear regression statistical tools. The result from the analysis at 5% level of significance revealed that; firm size has a significant relationship with firm performance, and that such relationship is negative, liquidity significantly affects firm performance, and that such effect is positive and leverage has no significant relationship with firm performance, and that such relationship is negative. The study recommends that a high consideration of increasing the company assets. This is because the size of the company is an important factor as it influences its competitive power, the study also recommends that regulatory authority should consider introducing cash reserve requirement for companies so as to put in place measures that oversee the performance of the companies in times of unexpected eventualities. This will increase the financial performance of these companies as they will have enough reserves.

Keywords: Firm performance, leverage, liquidity, firm size

Introduction

The performance of any firm not only plays the role to increase the market value of the specific firm but also leads towards the growth of the whole industry which ultimately leads towards the overall prosperity of the economy. Assessing the attributes of performance of some firms in Nigeria has gained the importance in the cooperate finance literature because of intermediaries, this firms not only provide the mechanism of risk transfer, but also help to channel the fund in an appropriate way to support the business activities in the economy. However, it has received little attention particularly in developing economies (Ahmed, 2017).

The subject of firm performance has received significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since firm performance has implications to organization's health and ultimately its survival. High performance reflect management effectiveness and efficiency in making use of company's resources and this in turn contributes to the company's economy at large (Naser & Mokhtar, 2016).

Performance is a difficult concept in terms of both definition and measurement. In has been defined as a result of activity, and the appropriate measure selected to assess cooperate performance is considered to depend on the type of organization to be evaluated, and the objective to be achieved through the evaluation. Researchers in the strategic management field has offered a variety of models for analyzing firm performance. Researches has suggested that studies on firm performance should include multiple criterial analysis. This multidimensional view of performance implies that different models or patterns of relationship between firm performance and its determinants will emerge to demonstrate the various sets of relationships between dependent and independent variables in the estimated models (Ostroff & Schmitt, 2017).

The effect of firm attributes has received little consideration in the developing economy. Much attention has been given in the developed world. This study therefore intends to concentrate on the developing economy with a view of analyzing the effect of these firms attribute on firm performance using Nigeria data.

The empirical literature on the nexus between firm attribute and firm performance have reported mixed result over the years. This study is aimed at doing an in-depth analysis of this divergent views with the aim of identifying the causes of the gap and possibly close these gaps by using Nigerian data.

Another problem that create knowledge that motivated this study is divergent view of researchers on criteria to analyze firm financial performance which some researches opine the use of multiple criterion to analyze firm financial performance, others do not agree to this.

Judging from the above, it is clear that this study has some fundamental problems to address which when dealt with will bring to fore the effect of firm attributes on its performance.

Review of Empirical Literature

Firm Attributes

Firm attributes are factors that are mostly under the control of management. The firm characteristics include firm size, liquidity, leverage, sales growth and firm age. On the other hand, the macroeconomic indicators are those factors that are beyond the control of management. This includes interest rate, GDP, and industry size (Sumaira & Amjad, 2013).

This means that the profitability of consumer goods companies could be ascertained using firm specific attributes (internal attributes) and macroeconomics variables (external attributes) as major determinants of profitability of the companies.

It has been known from literature that the profitability of corporate organizations has been one of the major concerns of management experts, investors and as well as researchers. In view of this, profitability is the most important and reliable indicator of corporate growth as it gives a broad indicator of the ability of companies to raise their income level (Ahmed, Naveed, & Usman, 2011). This therefore makes profitability(performance) to become one of the most important objectives of financial management, because one of the goals of financial management is to maximize company owner's wealth and profitability which in turn indicates better financial performance (Malik, 2011).

Three areas of firm attributes, namely, firm size, liquidity, and leverage have featured in the literature. However, as Wariboko (1994) explained, of these key areas, profitability analysis is the aspect that reveals the financial performance of a firm; while liquidity, assets quality and capital adequacy analysis reveal firm's risk and condition.

Firm Performance

Performance is the ability of a business to earn a profit and make progress. Performance is represented by return on assets (ROA), revenue growth. ROA assesses the efficiency of management to use assets in generating revenue. Revenue growth is the percentage increase in gross income or gross revenue overtime. Companies that are better at risk management have higher levels of relative profitability because efficient risk management systems help in identifying and managing such risks in their early stage which in turn help in avoiding such losses and increasing companies' performance and profitability. In addition, it could be assumed that, profitable companies have more resources available to invest in internal control and risk management systems. However, available evidence seems to suggest that firm performance has no significant impact on risk disclosure. This could mean that companies with high profitability may not bother to communicate risk information and tend to rely on their performance as major derive of their market value.

It also refers to the measurement of the results of a firm's strategies, policies and operations in monetary terms. These results are reflected in the firm's return on assets and return on investments.

Profitability measures include the rate of return on equity (ROE), rate of return on capital (ROC) and rate of return on assets (ROA). In most studies, emphasis is placed on measuring profitability in terms of ROC and ROA or ROA and ROE (Atemnkeng & Joseph, 2006). Smirlock (1985) observed that the use of ROA has provided strongest evidence on the relationship between firm-specific variables and profitability much more than ROE in view of the fact that using the former provides opportunity of benchmarking a firm's output against its total assets. Keeton and Matsunaga (1985) asserted that ROA is especially useful in measuring changes in firm performance over time since firms' income and expense components are more closely related to assets. On the whole, ROA is considered the most important measure of firm profitability. It is defined as the firms' before tax profit over total assets. The choice of ROA rather than ROE as proxy for bank profitability is because, as Flamini, McDonald & Schumacher (2009) put it, an analysis of ROE disregards financial leverage and the risks associated with it. Though, ROA, on its part, is criticised of being biased due to off-balance-sheet activities, it is still believed that such activities are negligible in most developing nations relative to the risk associated with leverage.

Firm size and Performance

Majumdar (1997) investigated the impact that firm size has on firm profitability and productivity with a sample of 1020 Indian firms. While controlling for other variables that may affect firm performance, the study provided evidence that larger firms are less productive but more profitable.

Ramasamy, B., Ong, D. and Yeung, M.C. (2005) analysed the effects of market structure components and other performance measures in order to better understand the dynamics and determinants of performance within the Malaysian palm oil sector, using data from 30 plantation-based public companies listed on the Bursa Malaysia from 2000 to 2003. The authors observed effects of firm size and firm ownership on the level of profitability in this sector. Their findings showed that size is negatively related to performance, and that privately-owned plantation companies are more profitably managed.

Similarly, Amato and Burson (2007) examined the size-profit relationship for firms operating in the financial services sector. They examined both the linear and cubic form of the relationship. In terms of the linear relationship, the results revealed a negative influence of firm size on its profitability, although this influence was not statistically significant. On the other hand, they found evidence of a cubic relationship between ROA and firm size.

Serrasqueiro and Nunes (2008) analysed the relationship between firm size and performance of small and medium sized enterprises (SMEs) in Portugal from 1999 to 2003. Their results revealed a statistically significant positive relationship between size and profitability of SMEs. Nevertheless, for large Portuguese firms, the relationship between size and profitability is not statistically significant.

Vlachvei and Notta (2008) examined the impact of firm-level variables on the growth of firms operating in Greece. Their results showed that the relationship between growth, size and the age of firms is very sensitive to the chosen methods of estimation as well as the definitions of growth and size used.

Lee (2009) examined the role that firm size plays in profitability using a fixed effects dynamic panel data model to analyse a sample of more than 7000 US publicly-held firms for the period 1987-2006. The results showed that firm size, both in terms of total assets and total sales, explains profitability and plays an important role in determining the future earnings capacity of a firm. However, it is a non-linear relationship, meaning that gains in profitability are smaller for larger firms. In addition, industry-specific fixed effects showed a negligible impact in the presence of firm-specific fixed effects.

Becker, Kaen, Etebari and Baumann (2010) examined the relation between firm size and profitability within 109 SIC four-digit manufacturing industries in the US. However, they found that in up to 47 industries profitability increases with size at a decreasing rate until it eventually starts to decline, and that there is no relationship between profitability and size in up to 52 industries. These two categories account for 97 of the 109 industries under study. On the contrary, in up to 11 industries profitability continues to increase as businesses become larger. The authors also revealed that profitability has a negative correlation with the number of employees for firms of a given size, when size is measured in terms of total assets and sales.
Proposition I: Based on the above, we propose, there is no significant relationship between firm size and performance

Leverage and Performance
Leverage is another key internal determinants of bank financial performance. This is because firm's business is all about leverage. Firms are highly leveraged institutions that are in the business of facilitating leverage for others through their financial intermediation role. Leverage refers to the extent to which an organisation, banking or non-banking, funds its assets with borrowings rather than equity. According to Ingves (2014), while the average leverage ratio across 10 of the world's largest listed non-financial companies is on the order of 50:50 for debt and equity. Though leverage has been theoretically demonstrated to be instrumental in explaining the financial performance of firms, its empirical effect is inconclusive. (Berger, 1995) documented negative association between leverage and financial performance. Contrarily, Bourke (1989); Molyneux & Thornton (1992) and Goddard (2004) reported positive effect of leverage on profitability.

Burja (2011) stated that information about company performance, especially about its profitability, provides a useful support for managerial decisions regarding potential changes in the economic resources that the company will be able to control in the future. In her study of the Romanian chemical industry during the period between 1999 and 2009, she determined the factors that most affect firms' profitability. To this end, she used multiple regression analysis and the results revealed a strong connection between the profitability, represented by ROA, and the management of available resources.

Sangosanya (2011) examined the dynamics of manufacturing firms' growth in Nigeria using panel data analysis in a bid to evaluate factors that influence firm performance, including adequate finance, a business-friendly environment, effective management and operation structure, and growth-oriented government policies and regulations.

The estimated dynamic panel model revealed that firms' financing mix, utilization of assets to generate more sales, abundance of reserve funds and government intervention as indicated by Tobin's Q, operating efficiency, capital reserve and government policies are significant determinants of manufacturing firms' growth dynamics in Nigeria.

Vithessonthi and Tongurai (2011) examined whether firm size affects the relationship between leverage and operating performance during the global financial crisis of 2007– 2009. The results indicated that leverage has a negative effect on performance across firm-size subsamples; the year-by-year cross-sectional regression results revealed that the effect of leverage on performance is positive for small firms but negative for large firms. Their findings show that about 75% of Thai firms in their sample appear to have managed to get through the global financial crisis on the basis that they do not have to simultaneously deleverage and liquidate their assets.

Kartikasari and Merianti (2016) analysed the effect of leverage and the size of a company on its profitability using 100 qualified manufacturing companies listed on the Indonesia Stock Exchange in the period 2009-2014. The study revealed that the debt ratio has a significant positive effect on profitability while total assets has a significant negative impact. Total sales, however, does not have a statistically significant effect on the profitability of the companies.

Proposition II: Judging from the above scenario, we conclude that there is no significant relationship between leverage and performance

Liquidity and Performance
Akinyomi and Olagunju (2013) used panel data analysis to estimate the effect of firm size on the performance of firms belonging to the Nigerian manufacturing sector for the period 2005-2012. ROA was used as a proxy for

profitability while size was proxied by the log of total assets and the log of turnover. Inventory, liquidity and leverage were used as control variables. The results of the study showed that firm size, in terms of total assets and in terms of total sales, has a positive significant effect on the profitability of Nigerian manufacturing companies. As for the control variables, inventory has a negative relationship with profitability, while in the case of liquidity and leverage the relationship is negative.

Babalola (2013) examined the effect of firm size on the profitability of 60 manufacturing companies listed on the Nigerian Stock Exchange for the period 2000- 2009. The panel data model estimated showed that firm size, both in terms of total assets and in terms of total sales, has a positive relationship with the profitability of manufacturing companies in Nigeria.

Kumar and Kaur (2016) studied the relationship between size and profitability in the Indian automobile industry from 1998 to 2014. To analyse this relationship, they employed a linear regression model over the years 1998 to 2014, as well as a corresponding cross-sectional analysis. The study yielded mixed results; time-series analysis showed a positive relationship but cross-section analysis indicated that there is no relationship between firm size and profitability.

Despite the overwhelming evidence of significant positive relationship between capital adequacy and bank financial performance, the study of Eichengreen & Gibson (2001) indicated the need to be cautious because their results showed that capital would only have significant positive relationship with profitability to a certain limit, thereof.

The relationship between firm-specific attributes and financial performance has been widely studied using data from different countries (Genchev, 2012). The results revealed mixed findings.

Operational efficiency, which shows how well a bank streamlines its operations and manages its input-output relationship has also been studied. Ongore & Gemechu (2013) documented a significant positive association. Also, using a 15-year dataset from 1993 to 2007, Vong & Chan (2010) found significant association between efficiency and profitability for firms in Macacao. Also, Brock and Suarez (2000) found that operating expenses positively and significantly associated with profitability.

Operating expenses also referred to as overhead has also been found to play a significant role in determining financial performance of firms (Gremi, 2013). Empirically, findings on the association between operating expenses and financial performance are mixed. Bourke (1989), Molyneux and Thornton (1992), Molyneux (1993) found a positive association operating expenses and profits. On the contrary, Anthanasoglou and others (2006) found negative relationship.

Capital is also considered as an important determinant of bank profitability thus a positive relationship is expected to exist between capital management and bank profits. Theoretical literature has examined the effect of capital on the financial performance of firms. Most of the studies emphasise the role of capital and its management in reducing the probability of insolvency and consequent closure for firms on the one hand, and on the other hand, the probability of increasing profitability potentials of firms both during crisis and normal times. Empirically, good capital management has been demonstrated to be important in explaining the financial performance of financial institutions, though its effect on bank profitability is still inexplicit (Berger, 1995). Diamond and Rajan (2000), Mehran and Thakor (2009) also documented that higher capital leads to a survival tendency and higher profitability for firms.

Daniel and Tilahun (2012) examined the impact of firm level characteristics (firm size, leverage, tangibility, Loss ratio (risk), growth in written premium, liquidity and firm age) on performance of insurance companies in Ethiopia. Return on total assets (ROA) a key indicator of company's profitability was used as dependent variable while age of company, size of the company, growth in written premium, liquidity, leverage and loss ratio were independent variables. The sample included 9 insurance companies listed on the Ethiopian Stock Exchange within the period of 2005-2010. The results of regression analysis revealed that firm size, tangibility and leverage are statistically significant and positively related with return on total assets; however, loss ratio (risk) is statistically significant but negatively related with ROA.

Still in Ethiopia, Yuvaraj and Abate (2013) examined the effects of firm specific factors (age of company, size of company, volume of capital, leverage ratio, liquidity ratio, growth and tangibility of assets) on profitability measured by Return on Assets (ROA). The sample of the study included nine of the listed insurance companies over nine years (2003-2011). From the regression results; growth, leverage, volume of capital, company size, and liquidity were identified as most important determinants of profitability. Hence, growth, size, and volume of capital are positively related. In contrast, liquidity ratio and leverage ratio are negatively but significantly related with profitability. The age of companies and tangibility of assets were found not to be significantly related with profitability.

Dogan (2013) studied the effect of firm size on profitability of 200 companies listed at the Istanbul Stock Exchange using data from the year 2008 to 2011 by using multiple regressions model. He introduced other control variables in his study such as liquidity which was measured by total current assets over total current liabilities, leverage measured as total debt over total assets as well as firm age measured by number of years in operations. He found that firm size and liquidity are positively related to profitability as measured by ROA, while leverage and firm age were negatively related to profitability measured by ROA. Issa (2013) examined the effect of some selected firm characteristics on financial performance of firms listed in the agricultural sector of the Nairobi Securities Exchange. The study adopted a correlational research design and used multiple linear regressions as method of analysis. He found that of the variables used to represent firm attributes, only liquidity had statistically significant effect on financial performance of listed agricultural firms measured by ROA. The other variables; firm size, leverage, and firm age, though they had positive coefficients showed no significant effect on financial performance. The study recommends that management of firms should focus their effort on those firm specific variables that positively affect their long-term financial performance.

Sumaira and Amjad (2013) studied the determinants of profitability in insurance sector of Pakistan with a panel data set of 31 insurance firms (life insurance and non-life insurance sector) of Pakistan from 2006-2011. To examine the determinants of profitability, panel data techniques (fixed effects and random effects models) were employed and then Hausman specification test was applied to select the more effective model. The test proved that fixed effects model was the more appropriate model for the study. The outcome of the study showed that leverage, firm size, and age of the firm are significant determinants of profitability, while sales growth and liquidity were not significant.

Yazdanfar (2013) examined profitability determinants among micro firms using Swedish data of a sample of 12,530 micro firms from four different industries namely healthcare, transport, metal and retail trade industries having approximately 87,000 observations from data collected from the year 2006 to 2007. He found that there was a positive and significant relationship between firm growth, firm size, productivity and firm profitability measured by ROA. The study also revealed a significant and negative relationship between firm age and firm profitability explaining that younger firms were more profitable than older firms. The researcher employed the OLS multiple regression analysis and correlation in the analysis of the collected data. He went ahead and analyzed all the four industries separately by running another multiple regression to see whether the results will vary, but all the findings were similar as the combined regression. Alhassan, Bajaher, and Alsherhri (2015) carried out a study on the determinants of profitability of eleven (11) firms listed on the Saudi Stock Exchange from 2007-2012. Parts of their independent variables were firm size and leverage. Using multiple linear regressions, they found that, of all the independent variables used in the study only firm size calculated as the natural logarithm of total assets had a significant effect on the profitability of the listed firms measured by return on assets.

Idris and Bala (2015) carried out a study on the effect of firm specific attributes on profitability of listed Foods and Beverage companies in Nigeria.

Their finding revealed that firm specific characteristics have both positive and negative significant effects on profitability measured by stock market returns. They therefore, recommended that firms should pay more attention to those factors that are peculiar to their industry environment. Mohammed and Usman (2016) examined the impact of corporate attributes on the profitability of listed pharmaceutical firms in Nigeria using a panel data of five sampled firms for a period of ten years (2004-2013). The study reveals that firm size, leverage, and growth have positive and significant relationship with profitability implying that they have impact in increasing share price. However, the relationship between liquidity and profitability was found to be insignificant and negative, indicating that liquidity has no influence in enhancing share price of listed pharmaceutical firms in Nigeria. The study therefore, recommended that firm size, leverage, and firm growth should be enhanced in view of their influence in increasing profitability, while liquidity should not be given any attention in an effort to raise profit.

Finally, Uwuigbe, Adeyemo, and Ogunbajo (2016) examined the effect of corporate attributes on the profitability of companies by employing the annual reports of thirty selected companies listed on the Nigerian Stock Exchange (NSE) for a period of 5 years (2007-2011). Of the three corporate attributes (firm size, firm age, and ROA) employed in the study, only firm age showed a positive statistically significant relationship with profitability measured by return on assets (ROA). They therefore observed that older firms perform better than younger ones. They recommended that companies should pay adequate attention to financial leverage, because firms that are highly leveraged are at the risk of insolvency. Their finding supports the argument that, older firms are likely to perform better than younger firms because they are more experienced, have enjoyed the benefits of learning, are not prone to the liabilities of inventiveness, and can therefore enjoy superior profitability.

Proposition III: We therefore propose that, there is no significant relationship between liquidity and performance

Methodology

Analytical Framework and Model Specification

While there are a range of theoretical perspectives on the firm performance (and operations), some proponents argue that a firm is a complex entity with many dimensions that simultaneously interact to determine the nature, scope, behaviour and performance of a particular firm. Thus, how a particular firm acts and performs depends on the coordination and management of these elements. Some of the core theories in the literature that explain the growth of firms and their performance include the neoclassical theory, the managerial theory, the Penrose model and the theory of optimum firm size.

Against the above backdrop and in line with extant literature, we expect a significant relationship between firm attribute, firm performance and leverage. Therefore, in a functional form;

$ROA = \beta_0 + \beta_1\ FRMSZ_{ij} + \beta_2\ LIQ_{ij} + \beta_3\ LEV_{ij} + \epsilon$

Where:

ROA = Return on Assets
FRMSZ = Firm Size
LIQ = Liquidity
LEV = Leverage
β_0 = Intercept
$\beta_1 – \beta_3$ = Parameters
ε = Error term
i = i^{th} year
j = j^{th} year firm.

Research Design

The research design for this study was panel data (cross sectional/longitudinal design) with time series properties. This was used to reach out to different firms, thus capturing the heterogeneity among firms. To achieve the objectives of this study, the annual report for the period 2013-2018 were analyzed. However, using the judgmental sampling technique; a total of 52 listed firms were analysed. Nevertheless, in testing the research hypothesis, the study adopted the use of Panel Least Square regression for the listed sampled firms in the estimation of the regression equation under consideration.

Data Estimation Techniques

Data obtained from secondary data were analyzed using E-View Computer Software. The study used regression analysis to investigate the impact of independent variables on dependent variable. A multiple linear regression model was used to establish the significance of the model. The results obtained from the model are presented in tables to aid and ease the analysis.

Estimation Results And Discussion

Table A: Descriptive Statistics Results of the Descriptive Statistics

	FPERF	FRMSZ	LIQ	LEV
Mean	0.156506	31.78421	1.562364	0.651965
Median	0.094510	32.09804	1.179320	0.585460
Maximum	1.246384	35.35181	13.73180	8.060153
Minimum	-0.281726	19.91139	0.058969	0.034195
Std. Dev.	0.217288	2.823945	1.385516	0.692562
Skewness	2.723434	-1.748766	4.481758	8.468091
Kurtosis	11.24116	6.477015	31.02702	82.64160

Jarque-Bera	1295.023	313.1505	11147.93	85356.33
Probability	0.000000	0.000000	0.000000	0.000000
Sum	48.36034	ive mixed 9821.320	482.7704	201.4573
Sum Sq. Dev.	14.54193	2456.197	591.2535	147.7300
Observations	309	309	309	309

Source: Researcher's Computation Using E-View (2019)

Table A below presents the summary of the descriptive statistics for the dependent and independent variables for 309 observations. For dependent variable, it was observed that return on assets has a mean value of 0.156506 and a standard deviation of 0.217288 among all variables. The maximum in firm performance is 1.246384 while the minimum is -0.281726.

For the independent variables, the firm size, liquidity and leverage are measured by the return on assets of the firms. Overall firm size has a mean value of 31.78421 and a standard deviation of 2.823945. Liquidity has a mean value of 1.562364 and a standard deviation of 1.385516 while leverage has a mean value of 0.651965 and a standard deviation of 0.692562.

Table B: Correlation Matrix Results of the Correlation Matrix

Correlation	FPERF	FRMSZ	LIQ	LEV
FPERF	1.000000			
FRMSZ	0.139082	1.000000		
LIQ	0.265487	0.085659	1.000000	
LEV	0.012267	0.032158	-0.079892	1.000000

Source: Researcher's Computation Using E-View, 2019

Table B shows that the measure of Firm Performance correlations with the various explanatory variables used in the study. The explanatory variable of Firm size, Liquidity, and Leverage are positive. The coefficient of Firm Performance with other explanatory variables are relatively close except for Leverage with a coefficient of 0.012267. The table shows that no two of the explanatory variables are perfectly correlated or nearly so. Thus, the problem of multicolinearity is absent in this model.

Analysis of Regression Results

	Expected sign	Fixed Effect	Random Effect
C		**2.2822** (5.7102) [0.0000]	**0.6496** (2.7199) [0.0069]
FRMSZ	+	**-0.0671** (-5.3526) [0.0000]	**-0.0161** (-2.1533) [0.0321]
LIQ	+	**0.0097** (1.9425) [0.0532]	**0.0108** (2.1945) [0.0290]
LEV	+	**-0.0106** (-1.6910) [0.2467]	**-0.0013** (-0.1424) [0.8869]
R-Squared Adj-R-Squared		0.8477 0.8153	0.0260 0.0164
F-Statistics		26.1715 (0.000)	2.7145 (0.0450)
Durbin-Watson Stat		2.1829	1.7068
Hausman Test (Chi-Sq)		-	33.0323 (0.0000)
N(n) Unbalanced Observations		309	309

Source: Computed from the Data in Table 1A

Note: bold prints are regression coefficients ( ) are t-statistics while bracket [ ] are p-value

In testing for the relationship between the dependent and independent variables in the Return on Asset (ROA) – firm performance model, the two widely used panel data regression estimation techniques (fixed effect and random effect) were adopted.

The results revealed differences in the magnitudes of the coefficients, signs and number of insignificant variables. The estimation of the fixed effect panel regression was based on the assumption of no correlation between the error term and explanatory variables, while that of the random effect, considers that the error term and explanatory variables are correlated. In selecting from the two panel regression estimation results, the Hausman test was conducted and the test is based on the hypothesis that if the p-value is less than 0.05, the random effect model is preferred to fixed effect model. A look at the p-value of the Hausman test (0.0000) implies that the researcher should accept the hypothesis at 5% (0.05) level of significance. This implies that the researcher should adopt the random effect panel regression results in drawing our conclusion and recommendations.

Table C Regression Results on Firm Size and Firm Performance

Variable	Coefficient	t-test statistic	p-value
FRMSZ	-0.016054	-2.153333	0.0321

Source: Extracted from Table showing Regression Results (E-View Computations, 2019)

With a coefficient of -0.016054 the results indicate that firm size negatively has impacts on firm performance, while the probability value of 0.0321 indicates that the negative impact is not significant. This leads to the acceptance of the alternative hypothesis, thus rejecting of the null hypothesis. The researcher accepts that firm size has a significant relationship with firm performance, and that such relationship is negative.

Table D Regression Results on Liquidity and Firm Performance

Variable	Coefficient	t-test statistic	p-value
LIQ	0.010847	2.194480	0.0290

Source: Extracted from Table showing Regression Results (E-View Computations, 2019)

With a coefficient of 0.010847 the results indicate that liquidity positively impacts firm performance, while the probability value of 0.0290 indicates that the positive impact is not significant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis that there is significant relationship between liquidity and firm performance and that, such effect is positive.

Table 6 Regression Results on Leverage and Firm Performance

Variable	Coefficient	t-test statistic	p-value
LEV	-0.001269	-0.142371	0.8869

Source: Extracted from Table showing Regression Results (E-View Computations, 2019).

With a coefficient of -0.001269 the results indicate that leverage negatively has impacts on firm performance, while the probability value of 0.8869 indicates that the negative impact is not significant. This leads to the acceptance of the null hypothesis, thus rejecting of the alternative hypothesis. The researcher accepts that leverage has no significant relationship with firm performance, and that such relationship is negative.

Discussion of Findings

This study sought to examine empirically firm attributes and performance in some listed Nigerian Firms. The study used fifty two (52) firms over a period of six (6) years, from 2013 to 2018. The study adopted the panel least square regression analysis and adopted unbalanced panel data regression estimation technique. The explanatory variables used in the model employed are firm size (FRMSZ), liquidity (LIQ), and leverage (LEV).

All the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the explanatory variables have mixed relationships with dependent variable (firm performance). The results also indicate the absence of multi-colinearity.

Firm performance variable, based on the coefficient of 0.649598 and a p-value of 0.0069 was found to be significantly and positively related with firm attribute variables at a 5% level of significance.

Firm size (FRMSZ) variable, based on coefficient of -0.016054 and a p-value of 0.0321, the researcher conclude that firm size is negatively but insignificantly related to firm performance.

Liquidity (LIQ) variable, with a coefficient of 0.010847 and p-value of 0.0290, the research finds liquidity to be positive but insignificantly related to firm performance.

Leverage (LEV) variable, based on the coefficient of -0.001269 and a p-value of 0.8869, the researcher finds it to be negatively and statistically insignificant in relation to firm performance.

Conclusion and Recommendations

The study findings indicate that firm size has a significant relationship with firm performance, and that such relationship is negative, liquidity insignificantly affects Firm Performance, and that such effect is positive, and leverage has no significant relationship with firm performance, and that such relationship is negative. This implies that the independent variables, firm size, leverage, liquidity cannot be relied upon as a factor for financial performance in manufacturing, construction and oil and gas companies in Nigeria' as shown by correlation coefficients of the independent variables in the analysis.

In line with the findings of this study the following recommendations are advanced;

A high consideration of increasing the company assets. This is because the size of the company is an important factor as it influences its competitive power. Small companies have less power than large ones; hence they may find it difficult to compete with the large firms particularly in highly competitive markets.

Regulatory authority should consider introducing cash reserve requirement for manufacturing, construction and oil and gas companies so as to put in place measures that oversee the performance of the companies in times of unexpected eventualities. This will increase the financial performance of these companies as they will have enough reserves.

Highly qualified employees should be in the top management as this will in turn would increase the firms performance since leverage has no significant relationship with firm performance.

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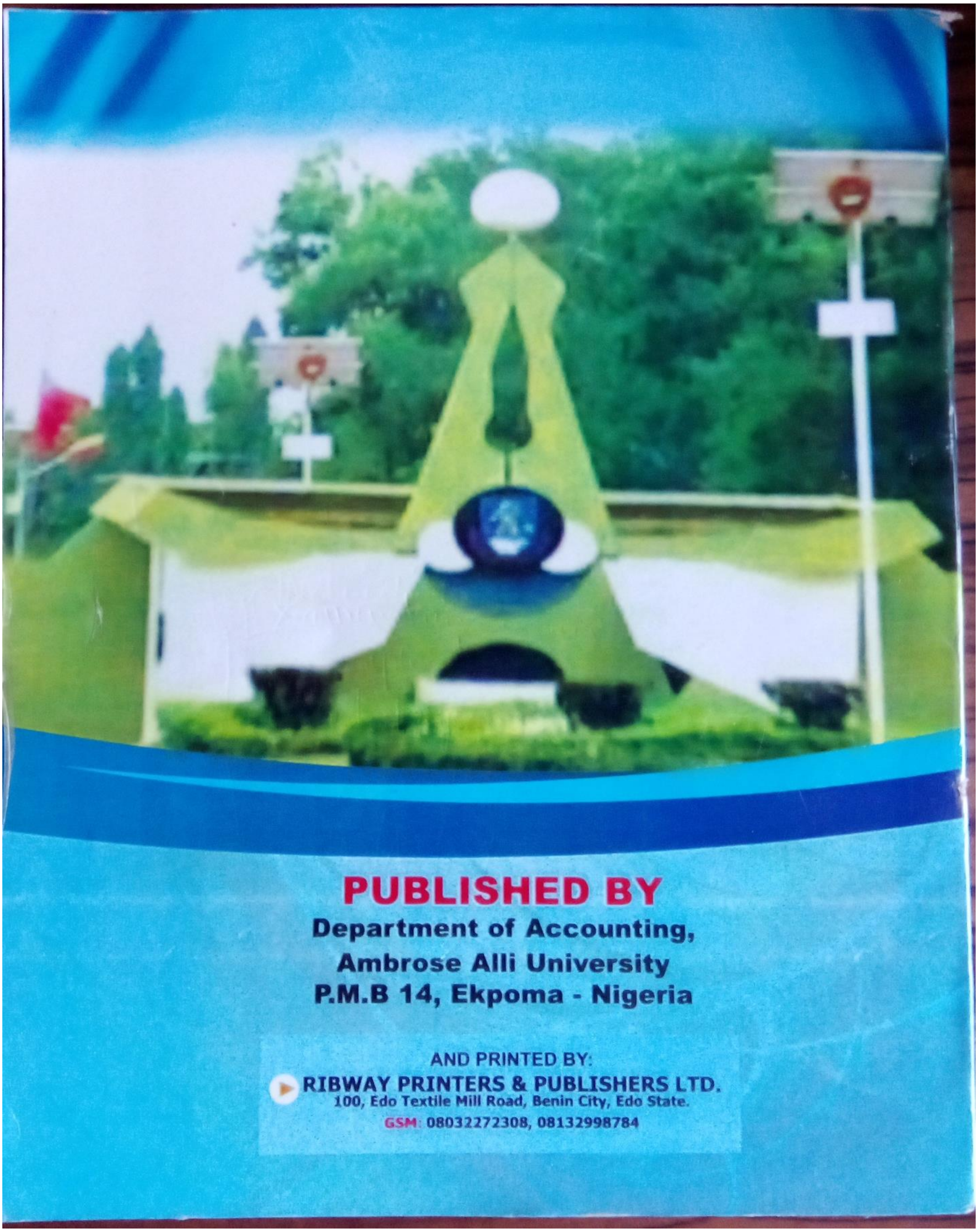

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