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International Journal of Social and Management Sciences (IJS&MS) ISSN: 2276-7290 is an interdisciplinary journal published bi-annually, in January and November, by the International Researchers Association *@www.kamagezi.com*. The Journal publishes empirical articles, critical reviews and case studies that are of interest to policy makers, scholars and practitioners in any field. The Journal puts particular focus upon issue that are of concern to the Third World. It is the goal of the Journal to advance knowledge in any field. It therefore provides a platform through which scholars and practitioners can share their views, findings and experiences. Articles submitted must be new, original and should not be under consideration for publication elsewhere. Contributions that discuss issues at the national, regional and global level are essentially welcome.

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OCCUPATIONAL SAFETY AND HEALTH IN DEVELOPING COUNTRIES: REVIEW OF STRATEGIES

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Abstract
Approximately 45% of the world's population and 58% of the population over 10 years of age belong to the global workforce, i.e. 60-70% of the adult male and 30-60% of the adult female population of the world. The percentage is even higher when home-work and informal work are taken into account. This global workforce sustains the economic and material basis of society, which is critically dependent on their working capacity. The effects of globalization on occupational safety and health have recently been described by Rantanen (1999, 2000 b). Making working conditions safe and healthy is in the interest of workers, employers and governments, as well as the public at large. Although it seems simple and obvious, this idea has not yet gained meaningful universal recognition. Hundreds of millions of people throughout the world are employed today in conditions that breed ill health and/or are unsafe (WHO 1999). The paper therefore is an attempt to review the strategies adopted in implementing occupational health and safety in selected countries in the third world.

Introduction

Each year, work-related injuries and diseases kill an estimated 1.1 million people worldwide, which roughly equals the global annual number of deaths from malaria. 250 million occupational accidents result in more than 300 000 fatalities annually. Many of these accidents lead to partial or complete incapacity to work and generate income. Annually, an estimated 160 million new cases of work-related diseases occur worldwide, including respiratory and cardiovascular diseases, cancer, hearing loss, musculoskeletal and reproductive disorders, mental and neurological illnesses. An increasing number of workers in industrial countries complain about psychological stress and overwork. These psychological factors have been found to be strongly associated with insomnia, depression and fatigue, and burn-out syndromes, as well as with elevated risks of cardiovascular diseases. Only 5-10% of workers in developing countries and 20-50% of workers in industrial countries (with a few exceptions) are estimated to have access to adequate occupational health services. In the USA, for example, 40% of the workforce of some 130 million employees do

not have such access. Even in advanced economies, a large proportion of work sites are not regularly inspected for occupational health and safety.
The health status of the workforce in every country has an immediate and direct impact on national and world economies. Total economic losses due to occupational illnesses and injuries are enormous (WHO 1999).

The International Labour Organization (ILO) has estimated that in 1997, the overall economic losses resulting from work-related diseases and injuries were approximately 4% of the world's Gross National Product. In 1992, the direct cost paid out in compensation for work-related diseases and injuries in European countries, reached 27 000 million ECUs.

In 1992, total direct and indirect costs associated with work-related injuries and diseases in the USA were estimated to be US$ 171 000 million, surpassing those of AIDS and on a par with those of cancer and heart disease. According to a statement by occupational health institutes collaborating with the WHO (1995) the most important challenges for occupational health for the future will be: Occupational health problems linked to new information technologies and automation; new chemical substances and physical energies; health hazards associated with new biotechnologies; transfer of hazardous technologies; aging working populations; special problems of vulnerable and underserved groups (e.g. chronically ill and handicapped), including migrants and the unemployed; and, problems related to growing mobility of worker populations and occurrence of new occupational diseases of various origins**.**

The ultimate objective of occupational health is a healthy, safe and satisfactory work environment and a healthy, active and productive worker, who is free from both occupational and non-occupational diseases and who is capable and motivated to carry out his or her daily job and is able to experience job satisfaction and develop both as a worker and as an individual. Thus, occupational safety and health can be defined as a multidisciplinary activity
aiming at:
- protection and promotion of the health of workers by eliminating occupational factors and conditions hazardous to health and safety at work - enhancement of physical, mental and social well-being of workers and support for the development and maintenance of their working capacity, as well as professional and social development at work
- development and promotion of sustainable work environments and work organizations

The overall exposure pattern
There is a wide variation in economic structures, occupational structures, working conditions, work environment, and the health status of workers in different regions of the world,

in different countries and in different sectors of economies. There are also special occupational settings and types of enterprises, where work and workplace deviate substantially from the norm.
Accidents and physical and chemical agents are the main problems in manufacturing industries, while pesticides and organic dusts, heavy physical work, biological factors and accidents are the occupational burdens of agricultural workers. A number of studies show that in the worst conditions 50-100% of the workers in some hazardous industries may be exposed to levels of chemical, physical or biological factors that exceed the occupational exposure limits applied in the industrial countries (WHO 1995).

The least developed countries that still employ the major part of the workforce in agriculture and other types of primary production face occupational health problems that are different from those experienced in the industrial countries. In the least developed countries the occupational factors are aggravated by numerous non-occupational factors such as parasitic and infectious diseases, poor hygiene and sanitation, poor nutrition, general poverty and illiteracy. Small-scale industrial and service enterprises often have few resources, heavy workloads and multiple tasks for each worker. Work usually takes place in an environment that does not always meet required standards. Family members of the entrepreneurs and workers, including children, pregnant women and elderly people, share the work in small-scale enterprises, such as home industries, small farms and cottage industries, particularly in developing countries. In such situations, most workplace exposures also affect family members because most of the time is spent in the combined home and work environment. It has been estimated that two thirds of the workers of the world still work in conditions that do not meet the minimum standards set by ILO.

Detailed information on occupational exposures can be found in a number of recent textbooks (e.g. Levy, Wegman, eds, 2000). This paper presents a modified and up-dated summary from a WHO document (1995).

Accidents
Mechanical factors, unshielded machinery, unsafe structures at the workplace and dangerous unprotected tools are among the most prevalent hazards in both industrial and developing countries. They affect the health of a high proportion of the workforce. Most accidents could be prevented by applying relatively simple measures in the work environment, working practices, and safety systems and ensuring appropriate behavioural and management practices. This would significantly reduce accident rates within a relatively short period of time. Accident prevention programmes are shown to have high cost-effectiveness and yield rapid results. However, unfortunately, ignorance of such precautions, particularly in sectors where production has grown rapidly, has led to increasing rates of occupational accidents

(WHO 1995).
Prevention is the only sustainable strategy for controlling the accident epidemic. Some countries can demonstrate very positive effects of accident prevention programmes. For example, in the 20-year period between1973 and 1993, Finland was able to reduce its number of accidents by 68%. In Sweden, the development was even more positive: an 85% reduction in fatal accidents between 1955 and 1995 and a 72% reduction between 1975 and 1995 (Rantanen 2000).

Chemical and organic exposures
About 100,000 different chemical products are currently in use in work environments, and the number is increasing constantly. The extent of exposure varies widely according to the industry, activity and the country. Metal poisoning, solvent damage to the central nervous system and liver, pesticide poisoning, skin and respiratory allergies, cancers and reproductive disorders are among the health effects of such exposures. Pesticide exposure is the major chemical hazard in developing countries where personal protection is particularly difficult and other preventive means should be implemented (Wesseling et al 1997). The major threat posed by pesticides in many developing countries is acute poisoning itself. A recent estimate by the WHO puts the annual number of severe poisonings at 3 million, with about 220,000 deaths.

Sweden has had only a few new cases of silicosis or asbestosis during the last decade. This is due to the fact that a major national campaign was launched in the 70s on the prevention of dust exposures with high content of silica and the banning of asbestos import in 1975. However, asbestos-induced mesothelioma and lung cancers continue to occur and the incidences have even increased due to long induction periods for cancer. Eventually, the incidence will decrease to null. Furthermore, it has been estimated that in the future, the present occupational exposures in Sweden will cause less than a hundred cases out of 40-50 000 total cancer cases annually (Järvholm, ed, 1996).

Biological agents
Many biological agents, viruses, bacteria, parasites, fungi, moulds and organic dusts have been found to occur in occupational exposures. In the industrial countries around 15% of workers may be at risk of viral or bacterial infection, allergies and respiratory diseases. In many developing countries the number one exposure is to organic and biological agents. The Hepatitis B and Hepatitis C viruses and tuberculosis infections (particularly among health care workers), asthmas (among persons exposed to organic dust) and chronic parasitic (particularly among agricultural and forestry workers) are the most common occupational diseases that result from such exposures (WHO 1995).

Physical exposures

Workers may be exposed to several physical factors such as noise, vibration, ionizing and non-ionizing radiations and microclimatic conditions that are known to affect their health. Noise-induced hearing is one of the most prevalent occupational diseases in both developing and industrial countries, although many preventive means are available. Preventive strategies have also been developed for other physical factors, particularly for localized vibration and ionizing radiation.

During the 1990´s there was intense concern about the possibility of increased cancer risk from electromagnetic fields (EMF). There may also be a small risk increase of leukemia among children, but the exposures have to be high (NIEHS 1999). It is still too early to evaluate the potentially harmful effects of the exposure to cellular phones and large research efforts are ongoing.

Ergonomics and musculoskeletal exposures

Between 10% and 30% of the workforce in industrial countries and between 50% and 70% in developing countries may be exposed to heavy physical workload or to unergonomic working conditions such as lifting and moving of heavy items or repetitive manual tasks. Repetitive tasks and static muscular load are found in many industrial and service occupations. In many industrial countries musculoskeletal disorders are the main cause of both short-term and permanent work disability, which can cause economic losses that may amount to 5% of the GNP.

Most exposures can be eliminated or minimized through mechanization, improvement of ergonomics, and better organization of work and training. In particular, the growing numbers of elderly workers and the female workforce require constant vigilance from those responsible for the work organization.

Psychosocial exposures

Up to 50% of all workers in industrial countries judge their work to be “mentally heavy”. Psychological stress caused by time pressure, hectic work, and risk of unemployment has become more prevalent during the past decade (Isaksson et al 2000). Other factors that may have adverse psychological effects include jobs with heavy responsibility for human or economic concerns, monotonous work or work that requires constant concentration. Others are shift-work, jobs with the threat of violence, such as police or prison work, and isolated work. Psychological stress and overload have been associated with sleep disturbances, burn-out syndromes, stress, nervousness and depression. There is also epidemiological evidence of an elevated risk of cardiovascular disorders, particularly coronary heart disease and hypertension. The EU Commmission has recently distributed a guide on work related

stress, subtitled "Spice of life or kiss of death" (EU 2000). The guide provides a checklist for work related sources of stress, recommendations for and examples of successful intervention programs.

Occupational safety and health management and strategies

Occupational diseases and injuries are, in principle, preventable. Among the approaches to preventing these include, developing awareness of occupational health and safety hazards among workers and employers, assessing the nature and extent of hazards, and introducing and maintaining effective control and evaluation measures. Sometimes these approaches are undertaken solely by employers and workers within a specific workplace. Other times external involvement is needed. This can range from encouragement by appropriate individuals or agencies outside the specific workplace to the promulgation and rigorous enforcement of occupational health and safety regulations.

Working conditions, type of work, vocational and professional status, and geographical location of the workplace also have a profound impact on the social status and social well-being of workers. Historically, occupational health programmes have been developed handin-hand with the improvement of social conditions for underserved and unprivileged workers.

Although there is an abundant literature on more or less simple solutions to many work place hazards, e.g. in the ILO Encyclopaedia on Occupational Health and Safety (Stellman, ed, 1998), societies need adequate, systematic approaches to manage and make sure that such solutions are implemented.

UN agencies

There are several agencies dedicated to improving occupational safety and health. The most important of these are the International Labour Organization (ILO), and the World Health Organization (WHO). Occupational safety and health was also an important issue for the United Nations Conference on Environment and Development (UNCED). The UNCED adopted Agenda 21, in Rio 1992. The Agenda also has a section that discusses the increased role of workers and trade unions. Among the targets to be reached by the year 2000 mentioned in this chapter were:

- to promote the right to establish trade unions
- to promote ratification of relevant ILO-conventions
- to establish mechanisms with two and tripartite composition for safety, health and sustainable development
- to increase the number of treaties between the labour market partners on the environment
- to reduce the number of work accidents and occupational diseases and to improve the statistical reporting of those

- to increase training for employees, particularly in occupational safety and health A five year evaluation of the results of the UNCED process was performed in 1997 at a special UN General Assembly meeting (UNGASS) but the more long-term evaluation remains. The WHO summarized the health experiences for the 1997 meeting.

The International Labour Organization

The *International Labour Organization* (ILO) is a member of the United Nations family of organizations whose special mandate is the promotion of safe and decent work in all countries of the world. The ILO formulates international labour standards in the form of Conventions and Recommendations, which set minimum standards of basic labour rights. To be effective those standards must be adopted by the member countries and implemented in practice.

The ILO Conventions and Recommendations on occupational safety and health define the rights of the workers and allocate duties and responsibilities to the competent authority, the employers and workers in the field of occupational safety and health. The policy on occupational health and safety is essentially contained in two international Conventions and their accompanying Recommendations. They provide for the adoption of a national occupational safety and health policy and describe the actions needed at the national level and at the enterprise level to promote occupational safety and health and to improve the working environment.

The ILO Occupational Health Services Convention 1985 (No. 161) and Recommendation (No. 171), provide for the establishment of occupational health services which will contribute to the implementation of the occupational safety and health policy and will perform their functions at the enterprise level.

A major objective of the ILO in relation to occupational safety and health, is to enable countries to extend social protection to all groups in society and to improve working conditions and safety and health at work through its InFocus Programme which covers working conditions. The objectives of the SafeWork Programme are, 1) to create worldwide awareness of the dimensions and consequences of work-related accidents, injuries and diseases; 2) to promote the goal of basic protection for all workers in conformity with international labour standards; and 3) to enhance the capacity of member States and industry to design and implement effective preventive and protective policies and programmes.

The Programme aims to create worldwide awareness of the dimensions and consequences of work-related accidents, injuries and diseases; to place the health and safety of all workers on the international agenda; and to stimulate and support practical action at all levels. The programme will conduct research, statistical work and media-related activities, and

will support national action through a global programme of technical assistance. The Programme will promote, as a policy and operational tool, the value of prevention as an efficient and costeffective way of providing safety and health protection to all workers.

The Safe Work Programme will focus on hazardous work and give primary attention to workers in especially hazardous occupations in sectors where the risks to life and safety are manifestly high, such as agriculture, mining and construction, workers in the informal sector, and those occupationally exposed to abuse and exploitation, such as women, children and migrants. It will adopt an integrated approach, including non-traditional aspects of workers'health and safety such as stress and HIV-AIDS.

Within the ILO is also the International Safety and Health Information Centre (CIS) in Geneva, Switzerland. The major objective of CIS is to be a worldwide service dedicated to the collection and dissemination of information on the prevention of occupational accidents and diseases.

The World Health Organization and the Global strategy for occupational health for all

The *World Health Organization*, since its inception in 1948 has recognized the utmost importance of improving the health status of working populations and has been developing international cooperation in this area. WHO has a strong network of collaborating centres. It also has an occupational health programme with emphasis on data collection and analysis, research, formulation of strategies and recommendations for hazard prevention and control, human resource development with special emphasis on developing countries. However, in terms of staff, occupational health is not demonstrated as a high priority for WHO.

Wide experience from many countries show that a healthy economy, high quality of products or services and long-term productivity are difficult to achieve in poor working conditions with workers who are exposed to health and safety hazards. The available scientific knowledge and practical experiences of enterprises and countries, which have achieved the best results in the development of occupational safety and health indicate the value of several principles.

Because of the numerous health problems associated with work, the need for occupational health is evident in all countries including the least developed ones. The way to solve such problems may, however, vary substantially according to the national and local needs and conditions, cultural influences, resources and other local factors. Regional cooperation be-

tween neighbouring countries for training, research and information could be resource saving and a step towards establishing effective national systems.

A network of occupational health institutes assigned as WHO collaborating centers published in 1995 a "*global strategy for occupational health for all*" with 10 priority object ives, later adopted by the World Health Assembly. These objectives are presented below.

Strengthening of national policies for health at work and development of policy tools
Major traditional occupational health needs prevail among the global workforce. In addition, due to the rapid changes in economic structures, technologies and demography, new occupational health needs have appeared and should be taken into consideration in policies. National policy and programmes for the further development of occupational health should be reviewed and prepared in collaboration with government and social partners. Special concern should be devoted to enhance the possibilities to integrate the continuous improvement of the work environment in the overall development of enterprises and organisations.

Successful prevention requires: a) information on the causal relationship between risk factor and health outcome, b) knowledge of the mechanism of action of hazardous factors and conditions, c) knowledge of how the causal relationship can be broken, d) resources, tools and mechanisms for the implementation of preventive measures, and e) political, managerial and target group support for the preventive programme.

Development of healthy work environment
Without prejudicing the primary responsibility of the employer for ensuring safety at work, government policy, legal actions and enforcement are needed to ensure minimum levels of health and safety in all sectors of the economy, including small-scale enterprises, the informal sector, agriculture and the self-employed. Occupational health programmes should be considered as integral components of socio-economic development.

Development of healthy work practices and promotion of health at work
Many occupational hazards can be avoided and controlled through the adoption of appropriate working practices by the worker. This is possible by providing him or her with information, tools, work organization and work aids that enable a safe and decent workplace. This requires knowledge of health hazards at work and how to avoid them. In some instances personal protective devices may be needed. Workers lifestyles may have specific or general impact on their occupational health and safety and working capacity. Health education on avoiding the combined effects of lifestyle factors and occupational exposures should be effectively provided.

Strengthening of Occupational Health Services (OHS)

The emerging problems of occupational health call for the development of OHS for all workers in all sectors of the economy and in all enterprises, as well as for the self-employed.

- Modern occupational health services should draw from relevant professions, e.g. occupational medicine and nursing, occupational hygiene, work physiology and physiotherapy, ergonomics, safety and work psychology.
- The preventive approach should be given the highest priority.
- Due consideration should be given to the needs of OHS for the self-employed, agricultural workers, persons employed in small-scale enterprises, migrant workers and those in the informal sector. Sometimes such services can be provided by primary he lth care units specially trained in occupational health.

Establishment of support services for occupational health

Many countries have organized such services in institutes of occupational health but many others rely on services provided by universities, large industries or individual consultan ies.

- Governments and authorities responsible for occupational health should ensure the availability of expert services for OHS by guaranteeing the availability of institutions with the necessary capacity and manpower.
- The potential shortage of such experts should be considered in the planning of the training curriculae and programmes for occupational health.

- A national quality assurance and quality management element should be included in occupational health programmes and appropriate training should be provided to responsible personnel.

Development of occupational health standards based on scientific risk assessment

To ensure minimum levels of health and safety at work are applied, standards which define the safe levels of various exposures and other conditions of work are needed. The standards also serve as references for assessment of the result of monitoring and provide guidelines for planners. In the further development of standards the high variation in workers´ sensitivity to occupational exposures should be considered. A relevant scientific basis for setting standards should be ensured through collaboration with research organizations.

Development of human resources for occupational health

There is a universal shortage of both expert resources and training in developing and newly industrialized countries in the South. This is due to three main reasons:

a) lack of effective legislation and lack of requests from authorities and employers make the employment opportunities for such experts minimal
b) in the absence of requests, the vocational training institutions and universities have not organized and developed curricula for the training of experts in occupational health.
c) in some instances, where training is available, it is oriented to clinical occupational medicine only which, though important, does not give a full response to the needs for expertise in a preventive workplace-oriented occupational health service.
- Each country should include, in its national programme on occupational health, an element of training of sufficient numbers of experts to implement the national programme and to ensure sufficient personnel resources for OHS.
- Governments should ensure that the necessary elements of occupational health will be included in the basic training curricula of all who may in the future deal with occupational health issues.
- Training in occupational health should also be given in connection with vocational training and in training programmes for workers, employers and managers.
- In all training the need for a multidisciplinary approach in occupational health should be taken into consideration, ensuring involvement of occupational medicine and nursing, occupational hygiene, ergonomics and work physiology, occupational safety, work organisation and other relevant fields.

Establishment of information systems

Analysis of reliable data and establishment of trends in occupational health as well as recognition of priorities at national and local levels are of utmost importance both for decision-making on policies and for occupational health practices.
- Each country should review its data and registration systems of occupational diseases and accidents. The comparability of data should be ensured by collaboration between the countries.

Strengthening of research

- Each government should establish or strengthen its national centre for occupational health and, if appropriate, the network of centres.
- Such a centre should be given the responsibility of carrying out research, information, training, and if appropriate advisory and analytical and measurement services in support of occupational health practices.
- The national research programme for surveying the occupational health and safety situation, for developing competence and methodology in occupational health and for respon ing to national occupational health programme.
- Effective international collaboration in research should be ensured.

Development of collaboration in occupational health and with other activities

Tripartite collaboration between government, employers and trade unions in implementation of occupational health activities should be ensured by the establishment of formal links with these bodies.

Occupational safety and health activities have several links with other parallel activities, such as environmental health and environmental protection, primary health care and specialized hospital-based health care. In all such collaborative links the role of occupational health experts is to provide expert knowledge on potential hazards in the work environment and their effects on the health of those exposed to them.

In developing occupational health practices for special groups, such as farmers, the selfemployed, small-scale industries and home industries, collaborative links may be needed with various extension organizations, industrial associations and several types of nongovernmental voluntary organization. Such links may facilitate the implementation of occupational health programmes among economic activities that are more informal and more difficult to reach than conventional well-organized industry and service enterprises.

Trade Agreements

Multilateral free trade agreements have been developed throughout the world during the second half of the 20th century. These agreements aim to facilitate international trade by lowering and in some cases removing trade barriers. To the extent that these agreements incorporate related social issues such as working conditions, they may help to advance occupational safety and health. On the other hand, trade agreements that ignore labour standards may have a negative impact (Frumkin 1999). Several major free trade agreements serve as important examples.

The European Union (EU) has paid attention to occupational health and safety in its efforts to develop the social dimension of working life. A comprehensive Framework Directive (391/89) on the minimum requirements for health and safety at work has been approved and has been supplemented with some 16 special directives. General duties placed upon the employer include duties of awareness, duties to take direct action to ensure safety and health, duties of strategic planning to avoid risks to safety and health, duties to train and direct the workforce, duties to inform, consult and involve the workforce, and duties of recording and notification.

The North American Free Trade Association (NAFTA) of the USA, Canada and Mexico has initiated a programme for occupational health and is planning to improve the collection of information, research, and the training and education of experts, workers and employers within the framework of the new Association.

The Subcommittee on Social Security and Occupational Safety and Health within the Employment and Labour Sector (ELS) of the Southern Africa Development Community (SADC) was established in 1996 to promote employment and productivity, and harmonise labour and social protection. The Subcommittee plans to implement the Codes on the Safe Use of Chemicals and HIV/AIDS in the Workplace, as well as monitoring OHS activities in the region, harmonisation of social security schemes and the development of training institutions in the relevant fields (SADC Website).

Different approaches

There are many different systems for supervising and improving occupational safety and health. Gustavsen (1996) has suggested that they could be grouped into three categories:

- a *specification* model, where laws and regulations are at the core and where the main actors are various types of experts
- a *procedure-based* model, where the potential of a rational systems approach is at the core and the line organisation is the main actor, e.g. internal control
- a *developmental* model, where the principle of continuous improvement is at the core and the activity is distributed as widely throughout the whole organisation as possible.

The *specification model* involves the social partners in many industrial countries and has been shortly described above. In several Latin American countries, as well as in Spain and Germany, social insurance schemes play an important role. A few examples are given below.

The Scandinavian model for occupational health was built upon joint agreements between the social partners rather than on specific legislation on occupational health services. In Sweden, the Working Environment Act provides for the establishment of a safety committee that plans and supervises safety activities. It also provides for the appointment of one or more workers' safety delegates who have wide powers of inspection and access to information. This combined force is authorized to order work to be suspended when it considers a situation to be dangerous, pending a ruling by the labour inspection service and despite opposition by the employer. No penalty can be imposed on a safety delegate whose decision to have the work suspended is not confirmed by the labour inspector, and the employer cannot claim any compensation for the suspension from the safety delegate or trade union organization.

In Germany there is a safety and health system of the statutory accident insurance funds (Gesetzliche Unfallversicherungsträger - UVT) alongside the public system. All companies, establishments and administrations are subject to compulsory membership which ensures insurance coverage in the event of industrial accidents and occupational diseases for all employees in Germany. The UVT is financed through employers' contributions. One of

the tasks of the UVT, is to take any suitable action to prevent industrial accidents, occupational diseases and work-related health hazards and to ensure effective first aid. Monitoring and enforcement of the regulations as well as consultancy for employers and employees is the responsibility of each UVT.

In the past decade there has been an active process of legal reform in occupational health and safety law in most of the Southern African region, motivated by both national and international pressures. These laws give more focus to the occupational health and safety system, particularly the tripartite roles and responsibilities (Loewenson 1996).

According to the Asian Pacific Newsletter on Occupational Health and Safety (2000) a number of steps have been taken recently in many Asian countries to improve the national system for occupational safety and health. For example, in 1994 a new OSH Act became effective in Malaysia that expanded the safety and health protection to all employed persons from the limited coverage of the previous Factories Act. Other key features of the new Act include: establishment of a national tripartite advisory body; clear definition of employers to protect their employees; responsibilities of manufacturers, importers, and suppliers of a plant; establishment of safety and health committees; and requirement of safety and health officers.

A *procedure-based* model for improving the work environment, called "internal control" was introduced in Norway and Sweden during the 1990´s. In principle, it is a system for monitoring the work environment and for defining remedial action, with a strong resemblance to modern quality control systems (Gustavsen 1996). The idea is to identify errors and rely on the ordinary line organisation to correct them. Essentially, the point is to bring health and safety into the orbit of ordinary managerial concerns and actions. In return for this involvement, management is given a certain authority to use its own discretion in defining problems and priorities. The role of the labour inspection is defined as systems supervision where the primary point is to ensure that each enterprise has an adequate system in place.

In general, it would seem that the participation of workers in the inspection of working conditions and the working environment will continue to increase, particularly in countries that have introduced "self -inspection regimes" or internal control. Such regimes depend, however, on effective and agressive workers' organizations and their active involvement in the audit process at the enterprise level, which is the centrepiece of any such "self inspection". Very few studies on the effectivesness of this approach have been published. A study from Norway (Saksvik, Nytrö 1996) indicates that the system provides a reasonable frame

of reference if there is a willingness on behalf of management to actively incorporate health and safety in its workplace. The system itself, however, does not solve the basic motivation problem.

The increasingly pressing nature of the issue of management involvement has brought forth a third type of approach: to see health and safety as subject to *development* and to a principle of continous improvement.

Does the continuous improvement approach give advantages lacking in the two other approaches? Gustavsen (1996) argues that it does, based on a study of about 1300 Swedish workplaces. The study suggested that if there is broad active involvement, there will be strong positive improvements in work environment conditions as well as in productivity. When health and safety was part of an overall process of improvement and integrated with efforts to promote productivity there was a clear management motivation.

The idea of continuous improvement is widespread in working life today. Originally introduced by the Japanese, it has become a globally accepted practice and in most versions active participation from all concerned is a part of the concept. In sum, all three approaches described above are important. While expert competence is necessary in dealing with, for instance potentially toxic substances, work postures can hardly be changed without some kind of participation from those concerned. The question is the balance between the two. In recent years there seem to be a drift towards the developmental approach in Europe, primarily for work organiztion and including the work environment aspects (Ennals, Gustavsen 1998).

Concluding remarks

This limited review of the major occupational safety and health problems and strategies for prevention is followed by some selected case studies and a limited bibliography from a few journals 1995-1999. Taken all together the major impression is that very little has been published on occupational safety and health from developing countries where 80% of the workers are exposed. Furthermore, although a few strategies have been published there is very little material on the evaluation and effects of such strategies. It is our sincere hope that much more material will be published and made available for an extended review sooner rather than later.

In October 2000 the International Conference on Health Research for Development, with more than 700 participants from more than 100 countries, organized by the WHO and the World Bank, agreed upon a declaration that stated: "The conference reaffirms that health is a basic human right. Health research is essential for improvements not only in health but

also in social and economic development. Rapid globalization, new understanding of human biology, and the information technology revolution pose new challenges and opportunities. Social and health disparties, both within and between countries, are growing. Given these global trends, a focus on social and gender equity should be central to health research." These statements are as true for occupational health research as for health research in general.

Case Study

The structure and function of the occupational health system in Thailand

Worker safety and health problems were given special attention in the Fifth National Economic and Social Development Plan (1982-1986). The first national plan was created in 1966, and that plan and each plan thereafter served as a temporary blueprint for guiding development. The fifth plan called for the protection of workers from occupational injuries and diseases as well as the provision of better working conditions. In response, the Department of Labour in 1983 established two new divisions at the central level, the National Institute for the Improvement of Working Conditions and Environment (NICE) and the Division of Safety Inspection. The creation of the NICE, represented an important step toward improving occupational health and safety in Thailand. Its activities, which are focused on encouraging employers to ameliorate hazardous working conditions, include:

- disseminating occupational health and safety information through public relations activities, training seminars, safety exhibitions and other means;
- conducting research on how to improve working conditions and prevent occupational diseases and injuries
- providing industrial hygiene and safety services; and,
- developing recommendations to improve regulations and standards.

In order to provide access to occupational health and safety services, the plan also called for the establishment of ten regional centers located in industrialized areas throughout the country by the year

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PERFORMANCE APPRAISAL: A VERITABLE MANAGEMENT TOOL FOR IMPROVING EMPLOYEE PRODUVITY IN ORGANISATIONS

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Abstract
Various scholars held difference views with regards to the use of performance appraisal in organizations. Some have argued that failure to carry out performance appraisal had led to the failure and low productivity of some organizations. And that the inability of some managers to perform their duties and create conducive environment for employees to work and meet their personal desire demoralizes them and reduce their level of performance thereby affecting the organizational level of productivity. This paper therefore examines the role of performance appraisal in organization as well as the principles and techniques of appraisal. In carrying out the research, various relevant literatures were utilized to elicit data and information for the study. The study reveals that management appraisal of employees serve as a tool to many organizations with a view to increasing workers performance and productivity leading to the attainment of organizational goals and objectives.

Key words: performance, appraisal, tool, employees, productivity, organization.

Introduction

Performance appraisal implies the evaluation or assessment of the individual employees in organizations in terms of their job performance. This task requires quality of managerial judgement which places a considerable responsibility on the managers and supervisors involved. It is a delicate as well as complex task to accomplish. Performance appraisals are essential for effective management and evaluation of staff employees. Appraisals help to develop the individual employees, improve organizational performance, and feed into business planning. Formal performance appraisals are generally conducted annually for all staff in the organization. Each staff member is appraised by their line manager. Directors are appraised by the Chief Executive Officer (CEO), who is appraised by the chairman or company owners, depending on the size and structure of the organization. Annual performance appraisals enable management to monitor the standards, expectations and objectives, and delegation of responsibilities and tasks. Employee performance appraisals also establish individual training needs and enable organizational training needs analysis and planning. Performance appraisals also typically feed into organizational annual pay and grading reviews, which often coincide with business planning for the next trading year.

Performance appraisals generally, review each individual employee's performance against the set objectives and standards for the trading year, agreed to at the previous appraisal meeting. Performance appraisals are also essential for career and succession planning for individuals, crucial jobs, and for the organization as a whole. Performance appraisals are important for staff motivation, attitude and behavioural development, communicating and aligning individual and organizational aims, and fostering positive relationships between management and staff. Performance appraisals provide a formal, recorded, regular view of an individual's performance, and a plan for future development. Job performance appraisals – in whatever form they take – are therefore vital for managing the performance of people and organizations.

Review of Literature

Performance appraisal can be defined as the process of assessing the performance of an employee on his job. Appraisal can be used for salary reviews, training need analysis and job improvement plans. Performance appraisal can also be defined as the process whereby the company assesses staff only for what they have done within a defined period. It is an important management tool that helps organization to grow and thereby improving the overall productivity (Aibieyi, 2009).

Within any organization, staff employees are always assessed taking into consideration two different dimensions; the past and future. The assessment focuses on the past. It tries to analyze the possibility that one staff could perform, within an established period, different

activities from those he is currently doing and if he would be able to cover areas of greater responsibilities, and commitment.

The purpose of this exercise is to ensure that all staff are appraised in the most objective way, so that each employee could be promoted, rewarded or trained in a manner consistent with both their capabilities and the company's needs. Supervisors, Heads of Departments and all managerial position holders who have the responsibility for the assessment are strongly involved in this exercise during the period under review, since the performance appraisal is continuous and not only a moment in which supervisors are requested to fill the forms. Performance appraisal is the basis for determining development because, if a manager's strengths and weaknesses are not known, it will be difficult to determine whether developments are aimed at the right direction or not. Appraisal should be an integral part of a managing system. If an organization is to reach its goals effectively and efficiently, ways of accurately measuring management performance must be found and implemented. Effective performance should recognize the legitimate desire of employees for progress in their professions. On the way to integrate organizational demands and individual needs, is through career management which can be a part of performance appraisal (Aibieyi, 2010).

There is increasingly a need for performance appraisals of staff and especially managers, directors and CEOs, to include accountabilities relating to corporate responsibuility, represented by various converging corporate responsibility concepts including: the 'Triple Bottom Line ('profit people planet'); corporate social responsibility (CSR); sustainability; corporate integrity and ethics; fair trade, etc. the organization must decide the extent to which these accountabilities are reflected in job responsibilities, which would then naturally feature accordingly in performance appraisals, more about this aspect of responsibilities is in the director's job descriptions section. Significantly also, while this appraisal outline is necessarily a formal structure this does not mean that the development discussed with the appraisee must be formal and constrained. In fact the opposite applies. Appraisals must address 'whole person' development – not just job skills or the skills required for the next promotion (Drucker, 1959).

Appraisals must not discriminate against anyone on the grounds of age, gender, sexual orientation, race, religion, disability, etc. all appraisals procedure are aimed at developing people and organizations by using information about change in their behaviour by:

a. **Evaluation:** To enable the organization to share out the money promotions and pre-requisites apparently fairly.

b. **Auditing:** Discover the work potential, both present and future of individuals and department.

c. **Constructing Succession Plans:** For manpower, departmental and corporate planning.

d. **Discover Training Needs:** By exposing inadequacies that could be corrected by training.

e. **Motivating Staff:** This brings about reaching the organizational standard and objectives.

f. **Developing Individuals:** By advise information and attempts at shaping their behaviour by praise or punishment.

g. **Checking:** The effectiveness of personnel procedures and practices.

Drucker (1967) emphasized that "to appraise a subordinate and his performance is a part of the manager's job indeed. In other words, managers motivate their men to work at such a level as to be able to achieve the predetermined results. This is an exercise that requires co[operation and team effort on the part of the manager and the employees under him. The first thing a manager does is to decide with his men the objective of his department within the frame work of the corporate objectives. In associating the men with the objectives of the department, each of them will understand the part he has to play in the achievement of those objectives. Once the individual objectives have been agreed upon, employee has something to work towards – he has his targets. A good appraisal system is fundamental to the management of people in any organization and that cannot be ignored.

Reasons for Appraisal

There are several reasons why appraisals are carried out in organizations. They include:

(a) To identify an individual's current level of job performance

(b) To identify employee strengths and weaknesses

(c) To enable employees to improve their performance

(d) To provide a basis for rewarding employees in relation to their contribution to organization's goals

(e) To motivate individuals

(f) To identify training and development needs

(g) To identify potential performance

(h) To provide information for succession planning, among others

The most likely reason for the adoption of staff appraisal is to draw attention to present performance on the job in order to reward people fairly, and to identify those with potentials for advancement or transfer. Drucker's view on appraisal is that managers are responsible for achieving results. These results are obtained from the management of human, material and financial resources, all of which should be monitored – monitor means setting standards, measuring performance and taking appropriate action. In respect of people, this entails taking action to improve performance by means of training and help, i.e. 'management development.'

Appraisal is very essential in making some attempt at measurement of performance if the appraisal ids to be taken seriously into account as a factor which influences salaries. Appraisal helps the 'whole person' to grow in whatever direction he wants to, not just to identify obviously relevant work skills training. Increasingly, the best employers recognize that growing the 'whole person' promotes positive attitudes, advancement, motivation, and also develops lots of new skills that can be surprisingly relevant to working productively and effectively, in any sort of organization.

Developing the whole person is also an important aspect of modern corporate responsibility, and separately (if you needed a purely business-driven incentive for adopting these principles), whole-person development is a crucial advantage in the employment market, in which all employers compete to attract the best recruits, and to retain the best staff. Therefore in appraisals, be creative and imaginative in discussing, discovering and agreeing 'whole-person' development that people will respond to, beyond the usual job skill-set, and incorporate this sort of development into the appraisal process.
If you are an employee and your employer has yet to embrace or even acknowledge these concepts, do them a favour at your own appraisal and suggest they look at these ideas, or maybe mention it at your exit interview prior to joining a better employer who cares about the people, not just the work.

Appraisal help people understand their natural potential and strengths and help managers understand this about their people, too. There are a lot of people out there who are in jobs which don't allow them to use and develop their greatest strengths, so the more we can help folk understand their own special potential, and find roles that really fit well, the happier we shall all be (Dessier, 2001).

If we accept that staff performance appraisal is a legitimate activity in organizations, what are the difficulties concerning both accuracy and fairness? Briefly, they boil down to:

- The construction of the appraisal documents
- The style in which the appraisal is approached
- The culture of the organization

Taking the last point, the 'culture' or value-system, of the organization will act as the major determinant of both the appraisal scheme adopted and the way it is introduced. For example, if the culture is one which favors control and measurement of people then it is likely that a system will be imposed on the participants, but that it
Will at least contain some which individual performance will be judged, as well as of the ratings or measures to be used (Cole, 2002).
Forms which seek information about the person rather than about their performance on the job are typified by an emphasis on:

- Generalized criteria
- Generalized ratings of performance
- Individual qualities rather than results
- Box-ticking as method of describing performance

The table below provides an illustration of such a form, which could be employed by any organization.

Appraisal Form on Individual Qualities

Personal Attribute	
Leadership	1. Always at the centre of activity 2. Capable of leadership smallish 3. Has no real leadership
Initiative	1. Always acts on own initiative 2. Will act on own initiative in minor ways
Technical attributes	
Technical Knowledge	1. Wide technical knowledge of company's products with specialists knowledge 2. Limited technical knowledge but useful practical Ability 3. Very little required knowledge
Quality of work	1. Always careful, rarely makes mistakes

	2. Sometimes makes mistakes 3. Work characterized by carelessness
Diligence	1. Consistently hard worker 2. Occasionally needs reminding about time-wasting 3. Makes no great effort when working
Cost consciousness	1. Fully appreciates the importance of cost control 2. Gives some though to costs 3. Tends to be wasteful, rarely considers costs

Source: Cole (2002) Human Resource and Personnel Management, London: Book Power

The first difficult with the above approach is that of measurement. How can a manager fairly assess qualities of leadership or judgment, for example? The second difficulty is that of relevance. How centr4ral to success are diligence and cost consciousness, for example? Hard work is not synonymous with effective work, awareness of costs may be disadvantageous if it discourages initiative or decision-making. The third difficulty is that the managers completing the form have to rely on subjective impressions instead of concrete evidence. Fortunately, the senior management of the company concerned found it too difficult to operate such a generalized instrument and eventually substituted a result-oriented system.

The first objective of performance appraisal is to provide an opportunity for the manager and his subordinates to review the latter's work in the light of objectifies set. The employee will be told how he has performed on the job, and this will involve a discussion of his areas of strength and weakness. It is advisable not to emphasize the weakness as this tends to demoralize the subordinates. What is necessary here is guidance and encouragement.
The second objective is to encourage the supervisor to be analytical about his subordinate, as individual and human being, so that he will understand them better and thus be able to base the planning of work in his department n an appreciation of each individual's competence and suitability.

Thirdly, it provides an opportunity for the individual employee to realize his or her potential and what he needs to look at, if he is going to develop in his present job and perhaps be considered at a later date for promotion.

The Principles

Appraisal should be focused on the performance of the employee rather than on the employee himself. Concentration should be on results, on what he has achieved on the job for which he is paid. It is true that in certain career, the personality of his job is considered. But this should be related to. And associated with those things that made the employee

either achieve or not achieve results. An appraisal is not an acquisition; it is a means of developing the employee on the job. Consequently, appraisal should be approached with the intention of strengthening the strong point of the employee and enabling him to improve on the weak points.

The Appraisal Process

Any systematic approach to performance appraisal will commence with the completion of an appropriate appraisal form this preparatory stage will be followed by an interview, in which manager discusses progress with the member of staff. The result of the interview is some form of agreed action, either by the staff member alone or jointly with his manager. The action generally materializes in the shape of a job improvement plan, promotion to another job or to a salary increase, for example. The expression 'performance appraisal' usually relates to the assessment of staff or managerial performance and not to that of manual workers. There are two main categories of appraisal.

- Informal, and
- Formal

Informal appraisal is the continuing assessment of an individual's performance by his manager in the normal course of work. This kind of assessment is of ad hoc nature and is as much determined by intuitive feelings as by factual evidence of results. It is a natural by product of the day-to-day relationship between manager and subordinate (Carter, 1989).

Formal appraisal is altogether more rational and orderly than informal appraisal. In this paper, when we refer to performance appraisal we mean formal appraisal, that is an assessment of employee performance in some systematic and planned way. Once a program of managing by verifiable objectives (VO) is operating a major phase of appraisal, it is a fairly easy step. Supervisor determines how well managers set objectives and how well they have performed against them. Where appraisal by result has failed, his failure has occurred especially because management by objective (MBO) was seen only as an appraisal technique. The system is not likely to work if used only for this purpose. Management by objective must be a way of managing, a way of planning and also a key to organizing staffing, leading and controlling. When this is the case, appraisal boils down to whether or not managers have established adequate but reasonably attainable objectives and how they have performed against them in a certain period. In assessing the accomplishment of goals, the evaluator must take into consideration whether the gaols are reasonably attainable in the first place, whether actors beyond a person's control unduly helped or hindered in accomplishing goals. The reviewer should also know whether an individual continued to operate against absolute goals when situations changed and revised goals wer4e called for. On widely used approach to employee's appraisal is the system of

evaluating employee performance against the setting and accomplishing of verifiable objectives.

Through the twelve months period, prior to the performance review, supervisors take into consideration all that the performance appraisal items will record – any pertinent information, facts and data on the employees performance. Any systematic approach to performance appraisal will commence with the completion of a appropriate form. This separating stage will be followed by an interview in which the manager discusses the process with the members of staff. The result of the interview is a form of agree action, either by the staff member alone or jointly with his manager. The action generally materializes in the shape of a job improvement plan, promotion to another job or to a salary increase. Once the direct superior has completed the appraisal form, score and explained it, he discusses the result of the assessment frankly with the staff being appraised.

Appraisal Interview

The appraisal interview is the formal face-to-fact meeting between the employee and his manager at which the information on the appraisal form is discussed and after which certain key decisions are made concerning salary, promotion or training.

When interviewing, it is important to let the appraisee know that you are not assessing him as a staff, but by his performance on what he has done in the past and not who he is. This step is deemed important as well as the entire appraisal, being an opportunity for both the direct superior and subordinate to clarify the results expected and discuss facts, data and information connected with the past to analyzed problems and define possible initiatives aimed at improving the performance and overcoming problems. When all departments have completed their own assessment, an appraisal meeting will be held and the panel will be required to give a final overall performance rating to each employee. The panel will also take decision on which kind of actions should be taken to the company amongst those foreseen inaction section of the form. Since this; particular meeting is one of the few occasions in which the company, through the panel has the opportunity of discussing in-depth with such a member of staff, (even if the performance appraisal exercise does not take into consideration facts and data related with staff's potential development) the panel is allowed to identify those who are to be considered for further specific analysis.

During the final performance appraisal meeting, all training needs should be highlighted, discussed and certified by the panel. With all these information the training department will take adequate actions aimed at defining the objectives and contents of each proposed training initiative. In this phase, the departments which have nominated employee for training, reward or promotion, should be at his disposal for further inquiries.

Frequency of Performance Review

Progress toward goals should be fairly and frequently reviewed, since it may be dangerous to limit appraisal to liking at performance once a year. Performance should be reviewed and appraised in fair detail quarterly and more broadly in the light of probable accomplishment for three or four additional quarter in the future. Some organizations wishing to set absolute objectives naturally prefer to have both goals setting and evaluation to be regular activities and certainly, some managers will not want to wait for too long to know how their subordinates are doing. These frequent reviews of per5formance do not necessarily involve much additional work by superior. It is merely carrying on the function of managing, and actual appraising becomes a relatively easy by-product of the process on the concentration on objectives.

The improvement of performance of people in their existing jobs should be the main aim of any active staff appraisal scheme. People go into organizations with something between the minimum and optimum amount of capacity and inclination to perform their appointed jobs. One of the features of an effective manager is the way the reviews of the performance of his staff are conducted. It can be argued that the main job of any manager is to develop his own staff. When this is done the organization cannot fail to become effective.

Perhaps these are ground roots of all organizational development procedures, and an essential accompaniment to any shaping of the organizational structure. For most staff, more frequently reviews of their performance would be desirable, not just to let them know where they stand but also to give them feedback on their strength and weakness and thereby helping them to improve their performance. A frequent performance review procedure must result in either development step or productivity growth.

Productivity Growth

Performance review is to bring about an increase in inclination to work. As a result of review, any blockage, or other source of frustration detracting from the individual workers performance are noticed and removed or their effects are lessened. In addition, the needs and expectation of member staff are observed. Arrangements are made for the needs to be met as soon as possible, so that an increase in the productivity to work is achieved. This objective is called productivity growth. The assumption is that there is either something standing psychologically in the way of an individual members of staff increased performance or some needs or expectation which if met would make him ore satisfied with his job and want to work harder on it.

Conclusion

This paper discussed related issues on performance appraisal as a veritable management tool for improving employee productivity in organizations. It dealt on the meaning of performance appraisal, the reasons for utilizing appraisals form in the assessment of individual employee in organizations, as well as the principles and process of appraisal. The study reveals, that appraisal helps in so many ways in mitigating and increasing employees' performance and productivity in every organization. It helps in discovering workers areas of strength and weaknesses, and training and development needs. It also identify individual current level of performance, provides information for succession planning, and provide a basis for rewarding employees in relation to their contribution to organization's goals and objectives. It has become obvious that performance appraisal if properly handled can motivate workers towards higher performance and productivity.

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STRATEGIES FOR MANAGING ORGANIZATIONAL CONFLICT

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Abstract
This paper examined the effectiveness of conflict resolution in organization through Strategic management. There are different causes of conflicts within organization and impact of conflicts on organization performance. The past decade researches identify the negative relation of conflict with employee performance. The research methodology was case study approach of SHERWINWILLIAMS an American and globally established company. The aim of study is to lessen conflicts in organization through strategic management for enhancing organizational performance and managing change in order to attain competitive advantage in this dynamic era. This paper covers the role of strategic management in resolving and minimizing conflict that brings positive impact on organization. Conflict in the workplace just seems to be a fact of life. The fact that conflict exists, however, is not necessarily a bad thing: As long as it is resolved effectively, it can lead to personal and professional growth. Conflict in the workplace is a painful reality and a key reason for poor productivity and frustration. Conflict does not magically go away and only gets worse when ignored. So, to resolve conflicts strategic management is important.

Keywords: Conflict, Conflict resolution, Strategic management practice, Organizational performance.

Introduction

Conflict is inevitable among humans. When two or more social entities have different attitudes, values, beliefs, and skills there would be conflict. Small irritating events such as negative attitudes occur repeatedly over time and can cause people to strike out at each other. In many cases, conflict occurs at the senior level of the organization. Conflict is a normal and natural part of our workplace. Conflict can be helpful in making necessary changes within the home or work environment. However, unresolved conflict can result into feelings of dissatisfaction, unhappiness, hopelessness, depression, and other emotions. It can result into behaviors such as physical or emotional withdrawal, resignation from jobs, termination of personal relations, anger, and even violence.

In these situations, some kind of intervention is needed. Anything that interrupts the office, impacts on productivity or poses a threat to other employees needs addressing. The degree to which one tolerates a situation before intervention may vary. A manager may not feel that it is necessary to intervene when a minor exchange of words occur between employees unless such an incident becomes a daily occurrence and expands beyond the employees initially involved. However, a situation where one employee threatens another requires immediate action.

Statement of research problem

Ample evidence points out that workplace conflict that is not handled well has heavy direct and indirect costs for employers, employees, and organizational effectiveness and efficiency. Research notes that more performance problems result from strained relationships than from shortages in skills or motivation. (Dana, 2001) exit interview data documents that 50 percent or more of voluntary resignations relate directly to unresolved conflict and show that "conflict is a decisive factor in at least 90% of involuntary terminations excluding cases of staff reduction due to downsizing, mergers and restructuring". Additional studies more specifically document the psychological effects of unmanaged conflict due to hostile work environments (Bloom, 2006). As organizations become conscious of costs and bottom-line calculations, attention must be directed to conflict management systems and strategies. (Dana, 2001) proclaims, "The means by which organizations manage conflict might very well be one of the most significant factors they currently face in regards to costs, efficiency, effectiveness and employee retention".

Conflict

Conflict is the perception of differences of interests among people. Another definition of conflict is "A process of social interaction involving a struggle over claims to resources, power and status, beliefs, and other preferences and desires. The aims of the parties in conflict may extend from simply attempting to gain acceptance of a preference, or securing a resource advantage, to the extremes of injuring or eliminating opponents".

Conflict in organizations

Organizations are living systems consisting of interacting units performing tasks in a mutually dependent manner within a structure of scarce resources. It seems commonplace to suggest that conflicts would be present in such a setting. The parties in an organization may have a conflict about the distribution of resources, or they may have a more fundamental conflict about the very structure of their organization and the basic nature of their interaction. Once the parties are in a situation of goal incompatibility, their conflict develops in a dynamic fashion, initiating valuable and much-needed constructive changes or leading to intensifying strategies and destructive consequences.

Process of conflict

The Process of conflict consists of 4 stages or levels according to which the development of relationships between the sides involved in conflict is shown.

Latent stage: This is the stage in which certain characteristics, like communication, structure and personal variables, can lead to conflict. It is important to point out that it is not necessary to have the immediate occurrence of all three factors, but occurrence of just one. Communication in organization is very important, in case there is lack of communication in the organization this can lead to conflict. But also, too much communication, as well as obstacles in communication, possible lack of understanding or noise in the communication channel can produce conflict as a consequence.

Cognition and personalization: This stage represents the outcome of the impact of first phase factors. There are two sub stages in this stage: Perception of the participants in conflict which does not mean that conflict has occurred, Not until there has come to articulation of feelings and expression of awareness of conflict, can we say that the conflict itself occurs.

Conflict manifestation: There is hostile behavior among participants in conflict and we say there comes to the so called open disagreement.

Conflict outcome: The last stage in this process of conflict is the conflict outcome which shows the further relationship development of the participants in conflict and consequences of conflict. Consequences of conflict can be manifested through increased working efficiency of the organization in whole or quite the contrary, the decrease of working efficacy.

Types of conflict

Conflicts that originate in the individual person, conflicts that have their basis in the relationship between individuals, and conflicts that occur as a result of interactions between groups. These may be described as: Intrapersonal conflict, Interpersonal conflict, Interdepartmental conflict.

Intrapersonal conflict: Intrapersonal conflict is internal to the individual and is perhaps the most difficult form of conflict to analyze and manage. Intrapersonal conflict is basically a conflict between two incompatible tendencies. It arises when a stimulus evokes two different and incompatible tendencies and the individual is required to discriminate between these tendencies. In such a situation it is common for individuals to experience frustrations and to allow their conflict situation to be expressed in a range of behavioral strategies ranging from laziness and boredom to absenteeism, excessive drinking or destructive behavior.

Interpersonal conflict: Interpersonal conflict emphasizes the interaction of human factors in an organization. There are two classes of factors as conflict sources.

a. Personal: Individuals are not identical, constant or consistent. When two individuals are brought together and kept together, each with his own qualities, needs and skills, a conflict may arise if their attributes are not engaged together in a coordinated way. Interaction between individuals with different attitudes, values and needs can produce conflict behavior and affects organizational performance.

b. Functional**:** Individuals in organizations have roles which are expected sets of behavior associated with their position. In theory, individuals are not expected to engage in any optional behavior. Such specification would be consistent with organizational preferences for consistency and predictability. In practice, however, role specifications tend to be ambiguous and incomplete, and in their interaction with others, some individuals often feel dissatisfied with their role or position, or they may feel that their aspirations for higher positions are being frustrated.

Interdepartmental conflict: The third major cause of organizational conflict is structural. Organizations are designed around product lines, regions or technical specialties. These activities are assigned to departments that often have mutually exclusive structured interests and goals and that interact within a framework of scarce resources and task depend-

ence. When resources are relatively fixed and when one department's gain is at the expense of another, conflict should be expected. (International Journal of Sciences: Basic and Applied Research (IJSBAR), 2014)

Factors which affect the interaction structure between departments and create the conditions for interdepartmental conflict include:
a. Different attitudes between line and staff units
b. Organizational size (directly related to level of conflict)
c. Standardization (inversely related to conflict)
d. Physical or communicational barriers between departments
e. Unequal access to authority rewards or organizational resources
f. Ambiguity or uncertainty in assigning tasks or rewards to different departments.

1.1.5 Conflict management

A moderate amount of conflict, handled in a constructive fashion, is necessary for attaining an optimum level of organizational effectiveness. Unfortunately, there are still people who recommend conflict elimination. Conflict management skills are important for managers and that managers are interested in learning more about organizational conflict and its management.

Leadership in organizational conflict management

A good leader recognizes the sustaining presences of conflict underlying the course of all decision-making, communication, and human interaction (Lipsky, Seeber, & Fincher, 2003). The role of a good leader is not to end all conflicts (Cheldelin, 2002), which is virtually impossible. The sound leader must be able to recognize and use skills and processes that move interaction through the conflict dynamic and towards a positive and valuable outcome for all those involved. In essence, it is more effective to manage conflict well. To do so, the leader must understand the elements and normative processes associated with the conflict interaction, recognize the symptoms of conflict opportunity as early as possible, and undertake a process that moves people through any conflict toward higher levels of interaction or resolution (Moore, 2001). Through accepting the idea that conflict is an essential constituent of all human interaction and developing the essential skills necessary to address it well, the executive actually begins to reduce the incidence of all resolvable conflict in the workplace. The challenge for the leader then is not so much whether conflict is present, but when recognized in the communication process, the leader deals with it well and a resolution results (Turner, 2001). Within organizations, individuals who manage conflict effectively are perceived as competent communicators and capable leaders.

Indeed, those who are unable to manage conflict effectively may have trouble reaching organizations goals (Nicotera, 1995), Journal of Bus mess and Leadership: Research, Pracuce. and Teaching maintaining positive relationships and cohesiveness (Canary, Cupach, &Messman, 1995; Coser, 1956), and solving problems (Hall, 1986). individuals who have difficulty handling conflict are also more likely to be dissatisfied with their jobs (Infante & Gordon, 1991; Infante, Anderson, Martin, Herington, & Kim, 1993). Thus, it is imperative that researchers determine how competent various leadership styles of conflict management are perceived to be. Rahim ' s (1985; Rahim & Bonoma, 1979) work has uncovered five leadership styles used in organization: avoiding, compromising, dominating, integrating, and obliging.

These styles associate with a variety of organizational variables. (Rahim, 1985, 1986; Rahim & Bonoma, 1979), such as organizational position, organizational climate, job burnout, job satisfaction, gender, and education (Lee, 1990; Posner, 1986; Rahim, 1990).

Conflict-handling models

When people find themselves in conflict, their behavior can be described in terms of where it lies along two independent dimensions assertiveness and cooperativeness. Assertiveness is the degree to which you try to satisfy your own concerns, and cooperativeness the degree to which you try to satisfy the other person's concerns. In order to survive, a company must focus its efforts on generating revenue in the face of competition. According to Ryan Bannerman Associates, sometimes the need to focus on beating the competition can get disrupted by internal organizational conflict. In order to keep your employees focused on being productive and bettering the competition, it is necessary to understand the causes of organizational conflict.

To handle conflicts, Sherwin-Williams has put together, a set of strategies that are the most common in many organizations, like the above figure points it out we have; competing, collaborating, compromising, avoiding and accommodation.

Competing

Competition operates as a zero-sum game, in which one side wins and other loses. Highly assertive personalities often fall back on competition as a conflict management strategy. The competitive strategy works best in a limited number of conflicts, such as emergency situations. In general, business owners benefit from holding the competitive strategy in reserve for crisis situations and decisions that generate ill-will, such as pay cuts or layoffs.

Collaborating

Collaboration works by integrating ideas set out by multiple people. The objective is to find a creative solution acceptable to everyone. Collaboration, though useful, calls for a significant time commitment not appropriate to all conflicts. For example, a business owner should work collaboratively with the manager to establish policies, but collaborative decision-making regarding office supplies wastes time better spent on other activities.

Avoiding

The avoidance strategy seeks to put off conflict indefinitely. By delaying or ignoring the conflict, the avoider hopes the problem resolves itself without a confrontation. Those who actively avoid conflict frequently have low esteem or hold a position of low power. In some circumstances, avoiding can serve as a profitable conflict management strategy, such as after the dismissal of a popular but unproductive employee. The hiring of a more productive replacement for the position calms much of the conflict.

Compromising

The compromising strategy typically calls for both sides of a conflict to give up elements of their position in order to establish an acceptable, if not agreeable, solution. This strategy prevails most often in conflicts where the parties hold approximately equivalent power. Business owners frequently employ compromise during contract negotiations with other businesses when each party stands to lose something valuable, such as a customer or necessary service.

Accommodating

The accommodating strategy essentially entails giving the opposing side what it wants. The use of accommodation often occurs when one of the parties wishes to keep the peace or perceives the issue as minor. For example, a business that requires formal dress may institute a "casual Friday" policy as a low-stakes means of keeping the peace with the rank and file. Employees who use accommodation as a primary conflict management strategy, however, may keep track and develop resentment.

Making conflict management a strategic advantage:

Building conflict management skills

Once individuals learn their styles, training and coaching can help them develop three levels of skills to supplement the skills they already have.

Choosing the right conflict mode

The most fundamental conflict skill is the ability to select the conflict mode that will be most productive for a given situation. For example, if there are personality conflicts in organization they have strong negative consequences in organizations and should be avoided. Conflicts become personalized when people focus their energy and attention on what is wrong with each other rather than on substantive conflict issues. People become irritated with each other, engage in blame, express anger, and otherwise behave negatively toward each other. This negative emotionality interferes with decision making, undermines cohesiveness, reduces job satisfaction, and increases turnover. So, to solve any conflict related issues in organization management should choose the right conflict mode.

Implementing a mode effectively

The second level of skill involves successfully implementing the conflict-handling mode you have chosen. Because collaborating is especially important for decision quality, conflict management programs tend to ensure that people learn key skills for collaborative problem solving.

Reducing the costs of a mode

The third level of skill involves reducing the costs, or negative consequences, of the mode you have chosen. Managers who are less skilled at conflict management often accept some collateral damages normal or inevitable, rationalizing that "You have to break some eggs to make an omelet." In contrast, more skilled managers find ways to minimize these costs. For example, managers can learn how to compete when necessary without antagonizing people, how to avoid an issue without being evasive, how to accommodate without looking weak, and so on.

Involving top management

Human resources departments can take responsibility for training programs on conflict management, and these programs alone will help an organization. Looking at organizations that have made conflict management a core competency, however, it is clear that top management must also be actively involved in building openness into the organization's culture and modeling constructive conflict management.

Building openness into the culture

Each organization‟s culture has a built-in mind-set about conflict. As a result, different cultures seem to favor different conflict modes. The prevailing mind-set in some organizations is that conflict is a threat to relationships and team cohesiveness, so people should do what they can to accommodate others‟ views and needs. Some organizations view conflict mostly as a potential drain on time and energy, so conflict issues should be avoided when-

ever possible. Other organizations see conflict as a challenge to one‟s credibility and authority, so one needs to counter it strongly that is, take competitive stand and protect one's position. Still other organizations see mutual concessions and compromise as the only pragmatic way to settle conflicts.

Improving strategic decision making

When top managers manage conflict constructively, they do more than provide examples for others. They also improve their strategic decision making.

Smoothing strategy

It is one that involves avoiding conflict. The smoothing strategy rates low on assertiveness and high on cooperativeness, de-emphasizes differences and highlights points common to both parties. This strategy may also result in positive work behavior and attitudes. Withdrawal strategy involves the tendency of a party to a conflict to abstain from and ignore the conflict altogether rather than trying to directly resolve it. This strategy has the tendency to engender counterproductive work behavior.

1.6 Findings

In addition to the data presented in the above chapter, few other discoveries where made throughout the process of conducting this study. These discoveries involve:

1.6.1 Causes of organizational conflicts

Conflict as mentioned in the background of our study, is a natural situation among human beings, but still it a result of many other aspects not in accordance with the entire concerned party. Some of the causes of conflicts in a workplace are;

Managerial expectations

It is the job of an employee to meet the expectations of his manager, but if those expectations are misunderstood, conflict can arise. Managers need to spend time clearly communicating their goals to employees and then confirming those goals in writing. A manager should also encourage her employees to ask questions about their goals and hold regular meetings to discuss the goals and how best to reach them.

Breakdown in communication

If a department requires information from another department in order to do its job, and the second department does not respond to the request for information, a conflict can arise. Some interdepartmental disagreements might trigger a nonresponsive attitude that can quickly become an internal conflict. Another way of creating this sort of conflict is by giving a circular response such as an issue being perpetually "under review." When people or

departments are late in responding to information requests, or they are withholding information on purpose, it is best to address the situation immediately with a personal meeting with both sides to resolve the situation.

Misunderstanding the information

According to mediation expert Robert D. Benjamin, writing on Mediate.com, internal conflict can sometimes arise as the result of a simple misunderstanding. One person may misunderstand information, and that can trigger a series of conflicts. In order to deal with this kind of situation, it is best to have the person admit her misunderstanding and work with the affected parties to remedy the situation. For example, if the production manager misunderstands the product manufacturing goals, then the sales manager may not have enough product to sell. Taking responsibility for a mistake can quickly defuse a potential organizational conflict.

Lack of accountability

Organizational conflict might arise from frustration. One source of frustration is a lack of accountability. If something has gone wrong, and no one is willing to take responsibility for the problem, this lack of accountability can start to permeate throughout the entire company until the issue is resolved. One way to combat a lack of accountability is to have anyone who comes into contact with a document sign his name to it and include the date. The paper trail may sometimes find the source of the problem, which can then be addressed.

In any situation involving more than one person, conflict can arise. The causes of conflict range from philosophical differences and divergent goals to power imbalances. Unmanaged or poorly managed conflicts generate a breakdown in trust and lost productivity. For small businesses, where success often hinges on the cohesion of a few people, loss of trust and productivity can signal the death of the business. With a basic understanding of the five conflict management strategies, small business owners can better deal with conflicts before they escalate beyond repair.

1.6.2 Examples of conflicts and resolutions in the Workplace

Conflict is inevitable in workplace settings, and conflicts can arise between co-workers, supervisors and subordinates or between employees and external stakeholders, such as customers, suppliers and regulatory agencies. Managing conflict is a key management competency and all small business owners should study and practice effective conflict management skills to maintain a positive workplace environment.

Discrimination issues

Discrimination can be a source of heated conflict, potentially ending in legal trouble for a company or its owners. Discriminatory conflicts can arise from personal prejudices on the part of employees or perceptions of mistreatment of employees. As an example of a discrimination-related conflict, imagine a minority employee in a team setting who feels that he is consistently assigned the most unskilled work tasks in the group. This employee may begin to harbor resentment against team members and managers, eventually lashing out through decreased productivity or outright verbal conflict. To resolve this issue, a manager could sit down with the whole team and discuss the way in which job tasks are assigned, making changes as necessary to ensure that tasks are divided equitably.

Performance review conflicts

No employee likes to receive a negative performance review but giving negative feedback in a review can be unavoidable based on the employee's own actions during the review period. Employees may become angry over not receiving expected pay raises, promotions or other performance-related incentives, and may lash out by spreading discontent through gossip and a negative attitude at work. Employees may argue directly with supervisors during performance reviews, creating sensitive situations that require tactful communication. To resolve a conflict arising from a negative performance review, work directly with the employee to create a solid, time-bound plan of action to improve her performance, and tie the completion of these goals to guaranteed incentives. Allow employees a voice when setting goals to increase their dedication to achieving the goals.

Conflicts with customers

Sales and customer service employees can experience conflict with customers on a fairly regular basis, depending on the industry. A common conflict experienced by salespeople is a dissatisfied customer who feels personally cheated by an individual salesperson. For example, if a car salesman sells a used car without a performance guarantee or warranty and the car breaks down on the buyer, the buyer may return to furiously confront the salesperson and demand a refund. The best first step to solve these conflicts is to involve a manager who has the right to offer refunds, discounts or other conciliatory gestures to the customer unless you are in a situation where employees are empowered to make these kinds of decisions.

Leadership conflicts

Personality clashes between managers and subordinates can cause a range of interpersonal conflicts to arise. Employees may feel intimidated or pushed by more authoritarian managers, or may perceive a lack of guidance from more hands-off managers. Managers with

type-A personalities may set goals that are too ambitious for their subordinates, setting them up for failure and inevitable conflict.

To handle these personality mismatches, first try to gather an understanding between the manager and the subordinate so that each understands the others' perspective in the situation. Never treat conflict management situations as disciplinary hearings, as if managers are inherently right and employees are inherently wrong; this is a reliable way to lose good employees. If the two cannot come to an understanding, place the employee under the supervision of another manager if possible.

Conclusion

From the discussion thus far, it is quite evident that conflicts occur in organizations as a result of competition for supremacy, leadership style, scarcity of common resources, etc. This reduces staff satisfaction about the job and also reduces productivity or service rendered. Thus, early recognition of the conflict and paying attention to the conflicting parties is very important.

Negotiation between parties involved is the best way to resolve conflict while force should not be used at all. Darling and Fogliasso (1999). conclude that it is impossible to eliminate conflict totally. Managers who try to eliminate conflict will not last long, while those who manage it well will typically experience both institutional benefits and personal satisfaction**.**

Recommendations

Arising from the findings and conclusion of this study, the following are herewith recom ended for organizations:

i. Organizations should make adequate room for decision making.

ii. For proper running and optimum productivity, staff welfare should be taken into consideration.

iii. To avoid rumor mongering, organizations should develop a proper system of information dissemination to all and different.

iv. Managers should learn to practice delegation of authority to members of staff in the lower unit.

v. Participatory, rather than oppressive style of management, should be encouraged by organizations.

vi. There should be adequate interaction and information flow in conflict resolution.

vii. Competition for authority should not be the priority of the staff of organizations but rather working together in peace and unity to achieve a common goal for the good of the organization.

viii. And Training workshops should be organized for staff of organizations on conflict resolution procedure.

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The prospects and challenges of globalization in international human resource management in third world countries

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Abstract

This paper is focused on the merits and demerits of Globalization in international human resource in third world countries. Some of the merits noted in this paper includes: development of international trade and companies, enhancing information speed, reducing the occurrence of conflicts/war, increased free trade, eradication of cultural barriers, and increased liquidity of capital, greater flexibility and spread of democratic ideas. The demerits that have been cited includes among others; greater dependence of countries on one country, decrease of environmental integrity, unemployment, limitation of cultural expression, increased likelihood of economic disruption in one country affecting the rest, threat of world media control, corporate influence of nation states far exceeding that of civil society and extinction of small scale industries.

Introduction

Globalization is the process by which different economies, societies and the people of the world are unified into a single society and functions together (Nilson 2010). Globalization is often used to refer to economic integration of national economies into the international economy. This is done through trade, foreign direct investment, capital flows, migration, and the spread of technology.

Globalization also refers to the interaction of an economy with all the other economies of the world. This kind of interaction can be from financial transaction, trade, politics, education, production and so on.

Globalization according to sociologists, it's an ongoing process that involves interconnected changes in the economic, cultural, social and political spheres of society.
It's simply a process of economic, political and cultural integration and unification, which involves many /a number of countries and majority of huge enterprises.

Evolution of Globalization:
Globalization is not a recent phenomenon. For thousands of years, people and later corporations have been buying and selling products to each other in lands at great distances, such as through the famed Silk Road across Central Asia that connected China and Europe during the Middle Ages. Likewise, for centuries, people and corporations have invested in enterprises in other countries. However, the twentieth century saw unparalleled growth when global per capita income increased more than five times. But this growth was not steady. During the interwar period, most of the countries believed in closed economies and protectionism. It was only after the end of the World War II that there was more talk about globalization.

Globalization intensified at the end of the Cold war due to certain specific reasons. Firstly, the end of the cold war greatly reduced the significance of ideology in international relations thus paving the way for more economic interconnectedness between nations. States began to give priority to economic development and economic cooperation than competing for power among themselves.

At the same time countries that were lagging behind in economic development took advantage of the ongoing scientific and technological advancement, began to open up their economies for trade purposes. This resulted in flow of global capital, technology, services and labour. For example, since 1950, the volume of the world trade has increased by twenty times, and just from 1997 to 1999 flows of foreign investment nearly doubled, from $468

to 827 billion. Distinguishing this current wave of globalization from the earlier ones, **Thomas Friedman** said that today globalization is 'farther, faster, cheaper, and deeper.
Though there was unprecedented growth in income, it was quite obvious that the progress was not evenly dispersed. There was a wide gap between the rich and poor countries and also between the rich and poor people within these countries. The rich are becoming richer while the poor are becoming poorer.

There are four main parameters/components of globalizations:

- ❖ The free flow of goods and services between countries is due to the reduction of trade barriers.
- ❖ Creation of an environment for capital flows and inter-state investment.
- ❖ The free flow of technology from one country to another.
- ❖ The free movement of labor among nations.

In reality, globalization can only be achieved if all the four components are present. However, globalization has some advantages and disadvantages as discussed below:

Advantages:

- o **Increased employment opportunities**: as globalization grows, more and more companies are building businesses in other countries. This, in turn, increases employment opportunities in places where people redeem themselves. People can get better jobs without having to move to other countries to find better jobs. Today, many multinationals, such as Microsoft, Google and Toyota, have offices in the seven continents.

- o **Easy access to better Education:** with the increase of globalization, it is easier for people to cross national borders to get better education in different parts of the world. This has led to cultural integration where People from underdeveloped countries often move to developed countries to receive better education. For example students from the third world countries have the opportunity to cross boundaries in search for higher education in countries such as Britain or the United States of America, Canada to mention but few.

- o **The rise in free trade:** the increase in free trade opens the door for rich-world investors to invest money in third world countries thus improving on their economy. Large companies in developed countries have the freedom to operate in less developed countries. As a result people in the third world countries are most likely to be in position to get better jobs with those large companies.

- **Rapid information Flow:** information flows directly from one part of the world to another, leading to the world being bundled together. Important information can be shared at a very fast rate between individuals and companies. It also helps to improve the facilitation of transport personnel and goods in the third world countries. And because of the advancement in technology for example the use of internet, videoconferencing and Email has helped the traders to order goods on online through the use of E-procurement all over the world.

- **Decrease in prices of goods and services**: As the competition in the market gradually increased due to rapid globalization, producers have to price their products competitively in order to remain in the market. This has become a great advantage for the consumer as he/she can get better quality products at cheaper price.

- **Reduction of cultural barriers**: As people move from one country to another, barriers between cultures tend to diminish. This has led to tolerance and openness to other cultures. This has also facilitated communication between different cultures, thus facilitating communications among nations. This has also led to the reduction of war, as we live today in one of the most peaceful periods in human history.

- **Attracts foreign capital and technology:** globalization greatly contributed to the poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity, creates the conditions in which democracy and respect for human rights may flourish.

- **Globalization creates Peace and stability**: Globalization leads to peace and stability between nations as no country would remain isolated in this new world. For example the relationship between Africa and China, United States, and United Kingdom has changed dramatically as their trade partner status has increased over the years. Since most of the third world countries import goods and services from those developed countries in turn creating peaceful co-existence.

- **Economic prosperity and opportunity:** It is claimed that globalization increases the economic prosperity and opportunity in the developing world. Through trading with different Nations there will be an increase in the economic prosperity because

business men from all over the world will be in position to import and export commodities hence leading to the economic prosperity in the their countries.

- **Greater range and access to different products:** Through the existence of globalization customers will have access to different products coming from different countries around the globe. As such, consumers will be able to get quality products at cheaper price to all the final consumers.
- Increased spread of democratic ideas.
- Increased environmental protection through more awareness creation.
- Increase free trade i.e. removal of trade embargos on the participating countries.

Disadvantages:

- **Environmental degradation:** Developed countries can take advantage of weak regulatory regulations on environmental protection in underdeveloped countries. A company may want to build factories in other countries because environmental laws are not strict as they are at home. Poorer countries have to cut down ties for the investors to build industries in turn leading to environmental degradation in the third world countries.
- **Unfair working conditions**: Many multinationals are accused of social injustice for exploiting labor in underdeveloped countries to reduce costs. The labor force provides unhealthy working conditions leading to health hazards. Many large companies have also been accused of using child labor in factories in the less developed countries. Nike's widespread use of child labour in Indonesian factories is a good example of poor working conditions and low wages.
- **Declining employment growth**: while the idea of promoting technological progress and productivity improvement has become the cornerstone of globalization, in the past few years such progress has led to the reduction of employment growth in some developing economies. This can also be attributed to the fact that when workers in a country begin to demand better wages, companies move production facilities from one place to another to find cheaper labor.
- **The widening gap between the rich and the poor**: 86% of the world's resources are said to be consumed by the world's richest 20% people. This means that 80% of the poverty will only consume 14% of the world's resources. This is a direct re-

sult of globalization, with some activists thinking that globalization will only serve the rich and that the poor must confront its disadvantages.

- **Small-scale industries face extinction**: Small-scale industries in a particular locality are endangered because they do not have the resources and the power of multinationals. As a result, these small industries cannot compete with big companies. One example is the bamboo furniture industry in India. Manufacturers went out of their homes, working hard, making furniture out of bamboo. These workers cannot compete with large companies that sell cheap plastic furniture, so their industries are facing extinction.

  The rapid spread of deadly diseases: fatal diseases, such as AIDS or other communicable diseases can be spread by travelers quickly or by the direct consequences of globalization. For that matter, our traders are most likely to be infected with such diseases and as a result traders are greatly affected both health wise and economically.

- **Globalization enforces competition:** For example competition between the superpowers as such encouraging other countries seek Hegemony. For example countries like United States of America, China, India, among others. This means that globalization doesn't favor the third world countries instead it favors the developed countries as far as economic development is concerned.

- **Unemployment:** globalization causes unemployment in industrialized countries because firms move their Factories to places where they can get cheaper labor. Therefore, more and more people in developed countries are losing their Jobs because companies are out sourcing in the low developing countries.

- **Limits cultural expressions:** globalization may limit cultural expression because most people in the low developing countries will tend to adapt western culture hence forgetting about African culture. For example, the way we dress, languages, taboos and Norms will disappear in favor of western culture or the developed countries.

- Great dependence of one country on another: It's true that, Most African countries until today still depend on the developed countries for better services. In the third world countries most goods and services are being imported from developed

countries such as U.S.A, UK, CHINA and these goods may range from Computers, Vehicles, Second hand clothes, Medical services, hiring expatriates such as Engineers and Doctors. For example recently Uganda imported Doctors from Cuba.

- **Extreme pollution of the environment:** It's believed that many Industries have been established in several parts of the third world Countries and due to the establishment of various Industries different parts of Africa, it has greatly contributed to the extreme pollution of the environment. For instance Pollution from these different manufacturing companies may lead to global warming, health hazards which might affect the health of Innocent people living in Industrial Areas.

- **Trade barriers:** Globalization is supposed to be about free trade where all barriers are eliminated but there are still many barriers. For instance161 countries have value added taxes (VATs) on imports which are as high as 21.6% in Europe and the U.S. does not have VAT. This becomes so difficult for the traders in the third world countries to import goods and services.

- **Increased likelihood of economic disruptions in one country affecting the other countries as well.**

- **It causes a threat of peace disruption as reactions against globalization in line with cultural preservation can turn out to be violent.**

- **Corporate influence of nation states far exceeds that of civil society organizations and average individuals.**

- **Moral decay due to spread of a materialistic lifestyle and attitude.**

Recommendations

- Developing countries should promote and adopt a common culture of awareness and a mutual sense of responsibility within the global community.

- Developing countries should affirm and endorse practices and policies that facilitate free & open exchange of information.

In conclusion, globalization is an important aspect to be adopted as it positively impacts on the societies that embrace it to a greater extent, as it allows economic growth, connections(inter relations), diverse employment opportunities, and increases the level of innovations and creativity since global companies need comprehensive strategies for their survival.

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COOPERATIVE SOCIETY AND UGANDAN ECONOMIC DEVELOPMENT: A STUDY OF CENTENARY RURAL DEVELOPMENT BANK, KAMPALA

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Abstract

Co-operative is a unique form of business used by people and businesses for their mutual benefits. Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. An economy based on one form of business organization alone is neither desirable nor possible in modern times. To justify their existence and fulfil their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today. This paper examines the impact of cooperative societies in economic development. With specific objectives on assessing the impact of cooperative society on Ugandan economy, to identify the nature of cooperative society in Ugandan economy, Both quantitative and qualitative approaches will be adopted in this study; Cross-sectional design will be use so as to take a random sample across participants at one point of time and on account of its rapid turnaround in data collection. Survey design will be chosen because it enabled the researcher to collect data from a large number of respondents and a case study research design will be chosen because it enables the researcher to understand the variables in more details (Saunder, Lewis & Thornhill, 2003). A quantitative correlation will be chosen because variables were measured in numbers and analysed with Statistical

procedures, in order to determine the relationship between public enterprise and an economics well (2003). However due to time the researcher will employ qualitative technique where data review and face to face interview is employed. Findings from the sourced data showed that cooperative society have great importance in economic growth and development of Uganda. Even though the impact of cooperative society on Ugandan economy has been hindered by regime change since independent, cooperative society still plays a leading role on enhancing Ugandan economic growth and development. Although cooperative societies in Uganda have witnessed tremendous successes, they have some retrogressive issues that tend to often stall the good will, progress and prosperity of these societies. Some of the issues listed in this paper include poor management and lack of trained staffs, insufficient financial resources on the part of members, dishonesty, corruption, gang up by the capitalists to frustrate cooperative advancement and growth in order to protect their own business (Kidd, 1968), and the absence of felt need among members essential to the survival spirit of the cooperatives. It is hereby suggested that cooperative societies at all levels should be strengthened, controlled and owned by cooperative members themselves without undue government interference. Thus, government presence in this sector of the economy should be limited by all means to the training of manpower for cooperatives and developing national policies that will make it easier for cooperative members to group themselves properly and achieve maximum breakthroughs in their organizations. Government should as a matter of urgency and priority review the cooperative laws and regulations of the country from time to time in order to meet the desired needs and aspirations of the cooperatives.

Keywords: *Cooperative Society, Ugandan Economic Development,*

Introduction

Today, in an era when many people feel powerless to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative. Cooperatives are formed to meet peoples' mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone. For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods (Agarwal, R., & Gort, M. 1996). Cooperatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain nondiscriminatory conditions may join. Economic benefits are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases, rather than according to capital invested. Cooperatives may be classified as worker, consumer, and producer, purchasing or housing cooperatives. Co-operative-societies are organizations voluntarily owned and self controlled (non-governmental) aimed at solving the felt need of its members. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy Ahammed, Dr. Tofael (2012). There are two sources of cooperative law such as Parliament and Presidential Order. Foremost the Indian Cooperative credit Society Act passed in 1904 and it was rectified in 1911. In 1984, General Ershad government promulgated cooperative ordinance 1984 and it was in force till 2001. At present context the cooperative Societies run by the Cooperative Society Act 2001 and Cooperative Rules, 2004. The Cooperative Society had its glorious history in this Subcontinent. At the outset of 19th century the visibility of cooperative Society was seen in this subcontinent (Najamudden, G. Abukar .B.Z., Kebbe, M.G.Magati, Ukasatu, 2012).

During Pakistan Period Cooperative Society passed its golden age and massively contributed on social-economical aspect of life. A co-operative society is an association of individuals who voluntarily pool their resources and carry on the business for their own welfare and not for a profit seeking business. It is democratic form of organization in which the consumers are the owners of the business. From manager to clerk all are the owners of the business and all the management is in their hands. In this organization capitalist is not involved. Some of the major types of cooperative societies are as follows:

(1) Credit Cooperative Societies

(2) Consumers Societies

(3) Producers Societies. Credit society was the first type of cooperatives. Its objective was to provide credit to the members of the society. Later on, with the increase in the needs of the peasant people, the cooperatives took different forms. If a categorization of different forms of societies is made today, it would make a long list.

(1) Credit societies,

(2) Consumers societies, and
(3) Producers society.
These three basic types are further divided into several types. For instance, there is a society of the peasants. This is sub-divided into cotton grower's society, sugarcane society
(1) Credit Cooperative Societies:
Credit societies are voluntary and mutual aid associations. The major function of this type of society is to provide credit on personal security or on the basis of nominal security to its members, who are either cultivators, workmen or lower middle-class people.
They are of two types, viz., of unlimited liability and of liability. The difference between the two is with regard to liability of members, size of shares, territorial scope, division of profits, management, reserve fund, and their business and moral aspect.
(2) Consumers Societies:
The membership of these societies consists of agricultural workers and the middle-class people who organize a consumer store. The members of the society earn their independent living and they are not supposed to depend on the consumer society.
The society only helps them in the better utilization of their income. And, thus lowering their cost of living, correct weighment, quality goods and reasonable prices are the chief aims of consumer's society. These societies were originally started in England where the first store of this kind was launched in 1844.
(3) Producers Societies:
A producer's society is organized for the production of goods and services based upon common ownership and management by a group of workers to eliminate the employeeemployer relationship.
In our country, the above three types of cooperatives have taken a mixed form. A single society could be a credit, consumer and production society at the same time. Later, we shall have opportunity to discuss this mixed type of cooperative society. wheat producer society and so on and so forth. In the similar way there are sub-types of consumer's cooperatives and producer's cooperatives. Is a business organization, owned by those who use its services and its control rests among all its members equally. This is almost a universal concept, prevailing across all the countries. These co-operative societies are formed to secure low cost credit, purchase supplies, market products and to secure the services like insurance, irrigation, finance, electric power.
Functionality of co-operative societies:
· Aim to provide services and supplies (goods)
· Seek to prevent the exploitation of the cooperative's weaker members
· Aim to exclude unnecessary profits of middlemen in commerce and trade
· Ultimately protect the rights of people (employees) as both, producers and consumers
. Recognizing moral, educational and community values, these cooperative societies are democratic and voluntary.

Establishment of Cooperative society in Uganda

The background of cooperative society in Uganda could be traced to present day Mubende District where in 1913, four farmers decided to market their crops collectively. They became known as “The Kinuakulya Growers’.

In Uganda cooperatives came about as a response to the unfavorable terms of trade imposed on peasants by the Asian Traders through organized local middlemen .1920,5groups of farmers in Mengo met in Kampala to form the “Buganda Growers Association "whose supreme goal was:

• To control the domestic and export marketing of members’ produce.

• Counterparts in other parts of the country shared this vision and acted accordingly.

• A cooperative movement was therefore born to fight the exploitative forces of the colonial administrators and alien commercial interests

•Which thought to monopolize domestic and export marketing.

The colonial gov’t of the time considered the emergency of cooperatives as premature and subversive. Laws were enacted to make it an offense for any financial institution to lend money to an African farmer. Because of these restrictions coops operated underground until 1946 when the cooperative ordinance was enacted to legalize their operations. Peasant farmers saw the 1946 ordinance as a means of increasing government control in their business and many groups refused to register under it.Sir Andrew Cohen came to Uganda as Governor in 1952.with his renowned liberalism, He appointed commission of inquiry into the progress of the coop movement This commission headed by Mr. R.Dreschfield’s committee submitted its report on June 11 1952 which stipulated that: It was not the function of government to guide private enterprise as doing so ,would arouse suspicion. The cooperative movement would be stronger if it was independent of government.

•It was a legitimate and reasonable aspirations of cooperative societies to be free of gov’t Control

•In light of the above pointer, government amended coop societies ordinance 1946

•This gave rise to the cooperative societies Act 1952- which was more accommodative and provided the frame work for rapid economic development.

•It provided enough autonomy to make registration acceptable to the cooperative groups that had defied the 1946 ordinance.

•It also provided for both the elimination of discriminatory price policies and offered private African access to coffee processing.

•Thus, between 1952 and 1962 coop membership increased 8-fold and the tonnage of crops increased 6-fold.

By 1962, there were 14 ginneries and seven and 7 coffee curing works in the hands of coop unions. Many people were employed and, and cooperative unions became the most conspicuous institutions in the districts.

The post-independence era, by the time of Uganda's political independence in 1962, participation in cooperative activities had given a number of leader's national visibility. Their departure created leadership vacuum in the coop movement. Other aspiring politicians began to see coops as useful launching pads into politics. Hence by involving people who had motives other than commitment to serving cooperatives paved way for mismanagement, nepotism and corruption in cooperatives.

This caused discontent in various rural areas, setting of various commissions of inquiry. Resulted into repealing of coop societies ordinance of 1952 replaced by the coop societies Act and Rules 1963; this restored control of the society by Registrar.
In 1970, the 1963 Act was repealed and a 1970 cooperative societies Act was put in place. This Act finally, took away all the autonomy and gave the minister direct control over the affairs of registered cooperative societies. Hence members lost control of their coops to mangers, politicians and government officers. A ray of hope returned for cooperatives in 1986 when NRM took over the administration of this country. Consequently, the NRC enacted coop societies statute in 1991 that was later transformed into an Act Cap 112 in the laws of Uganda; this is still the legislation for coops up to this day in Uganda.
Kimberly, Z. (2002) defines Cooperative Societies as a registered voluntary association of persons with membership not less than ten persons, with a common interest formed and 6 operated along democratic principles, for the purpose of economic and social interests at least costs, to its members who contribute the capital and manage the business so established by delegating some powers to elected management. Toffael (2012) narrated the existing problems and recommendations for the enrichment of cooperative sector in Bangladesh. But the social and economical aspects, the prospects of cooperative have not been discussed. (Kazi Khalekkuzzaman, Mohammed, 2005), they briefly discuss the objectives, types, sources of revenue of cooperative, government assistance, problems and solution have been focused. On the contrary, prospects, economical social impact of cooperative societies have not been discussed. Md. Shahin Reza (2012), narrate the problems & opportunities of marginal cooperative members.

But to the letter the contribution, problems and prospects of cooperative has not been reflected in this article. It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (Faruk Mohammed, Abul kashem, 1983).

Even though co-operatives appeared in the century previous, Rochdale is seen as the first 'modern' cooperative since it was where the co-operative principles were developed (Gibson, 2005; and Abell, 2004). (Hussi, P., & Murphy, J. 1993) examines the difference between cooperatives and other businesses in relation to three main groups of people respon-

sible for bringing them into existence and keeping them in operation. The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision makers) and the persons who use them (the customers). Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Ajakaiye, M. B. 1989). The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organization as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson,2005). According to Bottomley T. (1989) cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. According to Agbo, (2000) combating exploitation, reducing disparities, improving social conditions and gender sensitivity, and helping to create a more just society with pronounced concern for environmental protection and sustainable processes of development all tend to make a cooperative a preferred and more socially desirable form of organization.

Centenary RDB is a commercial bank that provides deposit, credit and money transfer services indiscriminately to men and women of lower income. By insisting on loan recovery and cost coverage, it has reached more men and women in rural areas than any other institution in Uganda. With minimum deposits of $6 and minimum loans of $30, access barriers are low. 11 of its 16 branches, 73% of its deposits and 82% of its loans are in rural areas. Established by the Catholic Church of Uganda as a trust fund in 1983, it developed a strength in savings mobilization but performed poorly as a financial intermediary. In 1990, the political will to reform the fund evolved in the board, resulting in the fund's transformation into a commercial bank in 1993. With support from various donors including the German Savings Banks Foundation, the bank evolved into the most successful financial intermediary in Uganda. This has made the bank the African flagship of rural and agricultural banking, combining sustainability with outreach to the rural poor and demonstrating the feasibility of agricultural lending. With equity capital of $6.8m and total assets of $49.85m as of December 2001, it has mobilized $39.9m from 280,00 depositors, provided $14m in loans outstanding to 22,000 small borrowers, earned returns of 4% on average assets and 28% on equity, and, since 1999, finances its expansion from its profits.

Centenary RDB has several stories to tell:
Centenary is a *Tier-1* commercial bank that provides deposit, credit and money transfer services indiscriminately to men and women of lower income. By insisting on loan recovery and cost coverage, it has reached more men and women in rural areas than any other institution in Uganda. With minimum deposits of $6 and minimum loans of $30, access barriers are low. 11 of its 16 branches, 73% of its deposits and 82% of its loans are in rural

areas. Established by the Catholic Church of Uganda as a trust fund in 1983, it developed a strength in savings mobilization but performed poorly as a financial intermediary. In 1990, the political will to reform the fund evolved in the board, resulting in the fund's transformation into a commercial bank in 1993. With support from various donors including technical assistance by the German Savings Banks Foundation implemented by IPC, the bank evolved into the most successful financial intermediary in Uganda. While continuing to mobilize deposits vigorously, IPC, a German consulting firm specialized on microbanking reform, introduced a highly effective lending technology based on Centenary is a reformed bank. Unlike Cooperative Bank, a government-owned agricultural development bank which was closed in May 1999, Centenary mobilizes its own resources, provides a full range of financial services to all segments of the population including rural women and the poor, has its loans repaid, and finances its rapid expansion from its profits.

This makes it a model case in terms of the IFAD Rural Finance Policy. The comparison with the Cooperative Bank is a telling one. Not only have they shared the same market. Upon its collapse, Centenary took over 10 of its branches. Where Cooperative Bank lost money and customers, Centenary now gains both, money and customers.

STATEMENT OF THE PROBLEM

Cooperative society establishment in Uganda stated in 1913 with the idea of increasing production, looking for market for produce in order to avoid exploitation from Asian traders. On the side of government cooperative society is for the protection of both producers and consumers. The reasons that justify establishment of cooperative society have been well documented in the history Uganda since independent, in the early 1960s Uganda became the pearl of Africa because of agriculture and this was as a result of serious operations of regional cooperative society. It is highly noted that constant change of government since independent has greatly the status of cooperative society in Uganda, this has led to the collapse of these societies. The few of the remaining societies are not currently relevant. However, it is good to note that evolution of credit cooperatives societies in the late 1990s has steadily led to the improvement of per capita income in both urban and rural areas. It is for this very reason why this study is looking at the impact of cooperative society on the economic development of Uganda.

OBJECTIVES OF THE STUDY

Objective of the Study

a. To assess the impact of cooperative society on Ugandan economy

b. To identify the nature of cooperative society in Ugandan economy.

c. To establish the relationship between cooperative society and economic growth in

Findings

Findings from the sourced data showed that cooperative society have great importance in economic growth and development of Uganda. Even though the impact of cooperative society on Ugandan economy has been hindered by regime change since independent, cooperative society still plays a leading role on enhancing Ugandan economic growth and development.

Conclusion

Although cooperative societies in Uganda have witnessed tremendous successes, they have some retrogressive issues that tend to often stall the good will, progress and prosperity of these societies. Some of the issues listed in this paper include poor management and lack of trained staffs, insufficient financial resources on the part of members, dishonesty, corruption,gang up by the capitalists to frustrate cooperative advancement and growth in order to protect their own business (Kidd, 1968), and the absence of felt need among members essential to the survival spirit of the cooperatives.

Recommendation

It is hereby suggested that cooperative societies at all levels should be strengthened, controlled and owned by cooperative members themselves without undue government interference. Thus, government presence in this sector of the economy should be limited by all means to the training of manpower for cooperatives and developing national policies that will make it easier for cooperative members to group themselves properly and achieve maximum breakthroughs in their organizations. Government should as a matter of urgency and priority review the cooperative laws and regulations of the country from time to time in order to meet the desired needs and aspirations of the cooperatives. Government should establish cooperative units under the various Local Government Departments of Agriculture which will work hand in hand with the state and the federal agencies concerned with cooperative

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Influence of product attributes on consumers' purchase decision in the Malt market in Enugu state, Nigeria

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Abstract

The study examined "influence of product attributes on consumers purchase decisions in the malt market in Enugu State". Products attributes basically are the evaluative criteria used by consumers to assess and select a product or service to purchase. Consumers considers several attributes and make trade-offs between them when they choose products. Since consumers use certain product attributes as cues, it is therefore imperative for marketers to identify which attributes influence consumers and develop a robust marketing strategies to convert potential customers to actual ones. Thus, the main objective of the study is to empirically investigate which product attributes influence consumer purchase decision towards buying malt drinks. Survey research method was employed. The population of the study comprises malt consumers in Enugu. Convenience sampling method was adopted and the sample size was 323 consumers. Questionnaire was the research instrument used and cronbach's alpha coefficient was used to test the reliability of the instrument. Regression and pearson's correlation were used in analyzing and testing the stated hypotheses. The findings revealed that brand name, attractive packaging and celebrity endorsement significantly influence purchase decision. We therefore, recommend that marketers should carry out a periodic survey with a view to identifying which attributes con-

sumers evaluate prior to purchase, strategically engage celebrities for instant recognition and transfer of goodwill to the product and budget enough for packaging because it keeps consumers in a positive frame of mind about the product whilst it is in the store.

Keywords: Product, attributes, trade-offs, consumers, endorsement, celebrities.

Introduction

Product attributes and their importance ratings are of significant interest to marketing researchers, as these are the very criteria by which consumers evaluate products prior to making purchase decisions. Indeed, the purchase decision process is often viewed as one in which consumers evaluate alternative products on the strength of various attributes (Antie 2010).

Early researchers' defined product attributes as the physical properties of a product that were quantitative and objectively measurable (Gwin, 2003). In more recent years the accepted definition has expanded to include all evaluative criteria, including objective or physical properties such as price, brand name, subjective properties such as quality and other aspects of the product that a consumer may perceive as providing benefit or value (Ahmed and Johnson, 2004).

Product attributes have been dichotomized as being either intrinsic or extrinsic in nature. Intrinsic attributes are specific to a product, unalterable, and include physical attributes such as shape, ingredients, flavour, colour and aroma. Extrinsic attributes are not an integral part of the physical product itself and thus include cues such as price, brand name, (Akaah and Yaprakim, 2003). Researchers have sought to understand the importance of both intrinsic and extrinsic product attributes during the consumer decision making process. An early study, using a small sample of female students and three examples of hosiery, reported that intrinsic product attributes had a greater effect on perceptions of product quality than did the extrinsic cues of price and store image (Alsulaiti and Baker,2008). Other authors have also stated that intrinsic attributes are more important than extrinsic cues as evaluative criteria to consumers (Gwin 2010) argued that the importance of intrinsic versus extrinsic attributes depended upon the product and the situation. For example, intrinsic attributes will be important quality indicators if they are accessible and can be evaluated at the time of purchase, but in many cases they will be absent until consumption and therefore extrinsic attributes will be evaluated instead. Other authors have also argued that extrinsic cues, such as the country of origin, will be especially important when consumers are evaluating products for which intrinsic information such as product quality are not known (Auriteille and quester, 2002). This is likely to be true for a product such as malt, where intrinsic attribute such as taste are not available to be evaluated by consumers during the purchase decision process; and indeed several previous studies have reported

that extrinsic attributes such as price (Batt & Dean, 2000; Halstead, 2002; Hoffman, 2004; Rasmussen & Lockshin, 1999).

Statement of Problem

In the contemporary marketing environment, it has always been a difficult task to exactly point out the attributes that influence a consumer to prefer a brand of product to another. Often, marketers have fallaciously been myopic on these attributes which are salient as the determinants of consumer preference for their brands (Beverland and Lindgreen, 2002). The effect is the failure of the products to make much impact in the market place especially where multiple brands such as malt drinks are competing.

Consumers perceive products as bundles of attributes that determine their choice of products (Engel, Blackwell & Miniard, 1995; Howard & Sheth; 1970). The multi-attributes approach assumes that consumers make trade-offs between product attributes when they choose products (Bikey and Nes 2017). A critical understanding of search and experience attributes as indicators of product quality cannot be ignored (Blonch, 1981).

The problem that motivated this study was that whilst consumers purchase and consume malt drinks, it is not clear what triggers them to prefer a particular brand to others. There have been intensive studies on the influence of product attributes in recent years (Bush and Hair 2017). These studies have all made important contributions to our understanding of the complex nature of consumer purchase behavior, although they were conducted in different countries and cities with different cultural terrain. Their reporting was contradictory, controversial and divergent as no consensus was reached on the attributes that influence consumer preference for malt drinks. It is therefore important to identify which attributes triggers consumer preference for malt in Nigeria context using Enugu State as a study.

Objectives of the Study

The broad objective of this study is to empirically investigate product attributes that influence consumer purchase decisions towards buying malt drinks.

Specifically, this study seeks:

a. To ascertain the effect of price on consumer purchase decisions.
b. To determine the effect of brand name on purchase decisions.
c. To examine the relationship between attractive packaging and purchase decisions.
d. To ascertain the effect of celebrity endorsement on purchase decision.
e. To determine the effect of taste on consumption of malt drinks.

Hypotheses of the Study

In developing hypotheses, researchers typically frame relationships in either "null" or alternative format. The null hypotheses are the one that is tested by statisticians and market researchers (Hair, Bush and Ortinau, 2009).

The following null hypotheses were developed and tested.

H_1: There is no significant relationship between price and purchase decisions.

H_2: There is no significant relationship between brand name and purchase decision.

H_3: There is no significant relationship between attractive packaging and purchase decision.

H_4: There is no significant relationship between celebrity endorsement and purchase decisions.

H_5: There is no significance relationship between taste and purchase decisions.

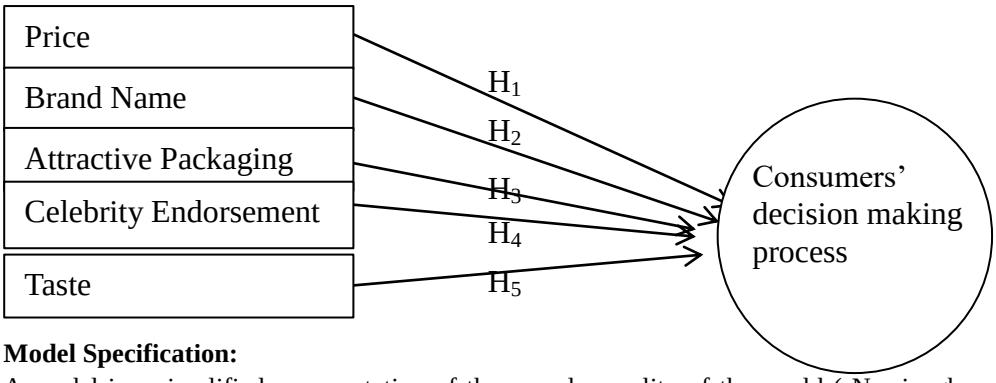
Scope of the Study

The subject scope of this study is delimited to the area of influence of product attributes on consumer purchase decisions in the malt market in Enugu State. The variable scope is delimited by the constructs developed from the literature review, which are price, brand name, attractive packaging, celebrity endorsement and taste. The geographical scope of the study is Enugu, capital of Enugu State Nigeria.

THEORETICAL FRAMEWORK AND REVIEW OF RELATED LITERATURE

The study is rooted on Brisks (2009) economic theory. The theory posits that consumers prefer products whose attributes provide the highest perceived utility. Linking the theory to the study, marketing is eclectic (Marian, 2014) First, choice is taken axiomatically to be the essence of the economy. In economics, choice making is most influenced, rational to maximize utility (Assael, 1995). Second, we live in an atomistic world of individuals, each with an individual identity and autonomy (Mooi and Sarstedt 2011). However, the utility theory based on attributes suggests that goods and services singly or in combination are evaluated according to utility and indirectly through values assigned to the underlying attributes.

Besides, consumer behaviour theories also argue that consumers perceived products as bundles of attributes that determines their choice of products (Nelson , Tunji and Gloria, 2012)



Model Specification:

A model is a simplified representation of the complex reality of the world (Nwaizugbo, 2015).

We used the attributes under study to arrive at the multi-regression model involving a dependent variable and two or more independent variables.

Specifically, the multiple regression models for the study take the form below:

$y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$ ---------- (1)

y = Consumer purchase decision process (dependent variable)

X_1 X_2 = Predictor / independent variable

β_o = the constant of the equation/intercept of the regression

Where

X_1 = Price

X_2 = Brand name

X_3 = Attractive packaging

X_4 = Celebrity endorsement

X_5 = Taste

e = Stochastic error term (a term that is added to a regression equation to introduce all the variations in y that cannot be examined by the e included X's.

e = is the error term capturing other explanatory variables not explicitly included in the model

B_1 b_2 b_3= are the coefficient of the regression.

Bo = Intercept of the regression.

Product Attributes

Product attributes are the evaluative criteria used by a consumer to assess and select a product to purchase, these include physical properties as well as other aspects which are perceived to provide benefit or value (Nwaizugbo, 2015).

Marian (2014), Darby and Karni (1973) distinguished between search and experience attributes. Search attributes can be ascertained by the buyer at the time of purchase (e.g. colour, size, shape, label "country of origin"). Experience attributes can be ascertained only after purchase and consumption (e.g. taste, texture, flavor). The search attributes consumers use prior to purchase and consumption in order to form quality expectations (Nwaizugbo, 2015), it can be either extrinsic (example packaging labels) or intrinsic (example, size, colour) to the product (Sounders, Lewis and Thornhill,2009). Intrinsic cues are attributes that are product-specific built-in to the product itself, whereas extrinsic cues are those characteristics that can be motivated without influencing the product directly, serving as generalized quality indicators across brands, products and categories (Sounders, Lewis and Thornhill, 2009.

The following considerations are important when studying product attributes. First, it is important to distinguish between a product's objective attributes and consumers' perception of these attributes. Even if the objective attributes remain the same, perception may differ among individuals. As a rule it is the perception that affect behaviour, not the attributes itself (Sounders, Lewis and Thornhill, 2009). Consumers perceive attributes through the lens of their motivations, emotion, measurement knowledge and expectations (Sounders, Lewis and Thornhill, 2009). The benefits sought when purchasing products vary across consumer so a product's attributes are not to equally important or value to all consumers (Sounders, Lewis and Thornhill, 2009)

Attributes influencing consumers to purchase Malt drinks

There are myriads of factors that influence consumers to purchase product, but we selected five factors after reviewing extant literatures in the field of consumer behavior as it concerns Nigerian environment. These factors are as follows:

a. Price

Price is a key factor in stimulating consumers to purchase (Sounders, Lewis and Thornhill, 2009).Consumers opinions are governed by price consciousness. This means that consumers are unwilling to pay a higher price for goods and particularly pay attention to lower prices Taff (2010) argues that only luxury branded products lose their rarity and exclusivity characteristics if they are not priced high. Luxury products are expensive in relative and absolute terms.

b. Brand name

Brand names communicate attributes and meaning (Belch & Belch, 2009) and help consumers remember a key attribute or benefit. For example, the name Amstel Malt helps consumers remember the malt's key benefit, which is the low sugar. Besides, a brand name that is shared may lead consumers to make inferences about one product based on what they already know about another. According to Brassington and Pettitt (2013), Okpara (2002), Nwaizugbo (2010); brand name identify a company's product and differentiate them from those of the competitors.

c. Attractive packaging

Packaging is another product attribute that has become increasingly important. It is the container or wrapper for a product item and the extent to which the package protects and facilitates product use increases the package's sales and promotional value (Bech & Belch; 2009; Kotler & Armstrong, 2013). Packaging is a perfect illustration of the principles that attributes can have sub-attributes. The finished products have form attributes such as shape, size, weight and texture (Parry & Lovell, 2001). Several studies have found that there is a relationship between attractive packaging and purchase decisions (Sounders, Lewis and Thornhill,2009) because it is the silent salesman meaning that the way a product is packed determines how it is priced and bought, who priced and bought it, when and where it is priced and bought (Sounders, Lewis and Thornhill,2009)

d. Celebrity endorsement

The use of celebrity endorsement has functional effects in brand communication when they trust that endorser has actual involvement with product rather than sensual gain (Belch & Belch, 2009). Diverse studies have found that the attachment of celebrities in advertisement shows powerful results on credibility, communication invoke, recall and acceptability of the advertisement and finally on purchase intention (Belch & Belch, 2009) Other studies in celebrity endorsement research has revealed that consumers are more likely to choose products and services endorsed by celebrities than those without such endorsement.

e. Taste

Taste is an intrinsic cue built-in-to the product specific itself, it describes the ways in which a product performs its functions. Several studies have shown that "taste" and sensory responses to products tend to be rated very highly as an influence. Taste is only experience or evaluated post purchase unless of course samples are given to consumers prior to purchase.

The Consumer decision-making Process

Consumer decision making pertains to making decisions regarding product and service offerings. Thus, the consumer decision making is defined as a step-by-step process which

a consumer undergoes in deciding whether to buy, what to buy, how to buy, when to buy and from whom to buy (Nwaizugbo, 2015). It involves a model of five steps (Carlson & Paladini, 2014; Hawkins & Mookerjee, 2009)

a. Problem recognition: This begins when consumers recognizes a problem or need; in other words, the consumer recognizes a difference between their actual state and some desired or ideal state (Carlson, Paladini & O'Cass; 2014). An actual state is the way that a person perceives his or her senses and situation to be at the current time, and a desired state is the way that a person wants to feel or be at the current time (Quester; 2007). Problem recognition may come from an internal stimulus (such as hunger), or it may come from an external stimuli (such as an advertisement). Either way, marketers need to make consumers aware of unsatisfied or even dormant needs by using appropriate marketing messages(Carlson & Paladini, 2014 A need could be triggered off by internal or an external stimulus Carlson, 2014).

b. Information search: Once problem recognition occurs, consumers begin to search for information and solutions to fulfill unmet needs. Blackwell (2001) pointed out that consumers can search for information from both internal and external sources. An internal search includes information stored in memory while external search is acquired through decision-relevant information from the environment (Carlson & Paladini, 2014), placed consumer information sources into four groups:

* Personal sources (family, friends, neighbors and acquaintances).
* Commercial sources (advertising, sales persons, dealers and displays).
* Public sources (mass media, consumer rating, organizations) and
* Experiential sources (examining and consuming the products).

(Carlson & Paladini, 2014 noted that consumers gather information about the various brands, various alternatives and product categories. As consumer received more complete information, they will become more informed and have greater control over information search stage of their decision making process (Quester, 2007).

c. Evaluating of alternatives: This refers to the process by which available alternatives are evaluated and selected to meet consumers' needs (Engel Kollate & Blackwell, 1995). Consumers use search and used attributes to evaluate products. Search attributes are those attributes that a consumer evaluated before the purchase of a product (Carlson & Paladini, 2014), while used attributes are those product characteristics that can only be evaluated after consumption and beliefs are formed about them.

Once the consumer has gathered the necessary information, he compares the different alternatives available on certain criteria (Carlson & Schiffman, 2013). This criterion involves:

Generation of choice alternatives: A consumer moves from an evoked set towards the choice set (Cant, 2006).

Evoked set/consideration set: Are those brands or products consumers will evaluate for the solution of a particular consumer problem (Carlson, 2014 and Nwaizugbo, 2004) the group of brands consumers assembled for consideration.

Choice set: This comprises the final set of one or two brands from which the consumer finally decides.

There is no single evaluation process used by all consumers or by one consumer in all kinds of purchases . Blackwell (2001) found that the choices consumer evaluates are influenced by both individual and environmental influences. Individual influences; motivation and involvement, consumer resources while environmental influences include; culture, social class, family and situation.

d. Purchase decision: Having evaluated different alternatives with information available, a consumer makes rational decision on what to purchase.

* **Affective choice process:** This evaluation is generally focused on the way consumers will feel as they use the product or service. Affective choice is mostly triggered when the main motive is consummatory rather than instrumental. Consummatory motives drives behaviors that are rewarding and pleasing to the individual involved. Instrumental motives means that consumers learn by means of trial and error process in which some purchase behaviors result in more favourable customers (Carlson & Paladini, 2014).

It behooves marketers to regularly study affect based decisions because such decisions requires different strategies than the cognitive decisions. For those decisions that are likely to be triggered by consummatory motives, marketers should help consumers visualize how they will feel during and after the consumption experience.

* **Attitude-based choice processes:** It involves the use of general attitudes, summary impressions, intuitions to make a purchase choice, when information is difficult to find, consumers face time pressure, they have a tendency to make attitude base choice (Hawkins, 2014).

* **Attribute-base choice processes:** Attributes base choice processes require the knowledge of specific attributes at the period of purchase and it involves attribute evaluations and comparisons. This process requires more efforts and time than affective and atti-

tude based choice. The decision also tends to be closer to the idea choice. Consumers with high purchase involvement and motivation are more likely to make attribute based choice.

e. Post-purchase behaviour: Once the consumer has made a purchase, post-purchase evaluation will occur and further actions are made based on their satisfaction. According to (Carlson & Paladini, 2014) the post purchase outcome and reactions contains two stages. Stage 1 comprises post purchase cognitive dissonance. This is a feeling of tension and anxiety that a consumer experiences after the purchase of a product. The consumer begins to have a feeling of uncertainty with respect to the performance of the product and begins to doubt his purchase decision "whether the decision was the right one" . Stage II comprises product usage and reaction, after the purchase, the consumer uses the product and reevaluate the chosen alternatives in the light of its performance viz-a-viz the expectations (Carlson & Paladini, 2014) identified that this phase is significant as it (i) acts as an experience and gets stored in the memory; (ii) affects future purchase decisions, (iii) acts as a feedback.

Empirical review

Some empirical studies have been conducted on the influence of products of attributes on consumer purchase decision. Some of these include the works of Malasi (2012), Akpoyomare (2012), Gwin & North (2003), Lancaster (1990), Gwin & Gwin (2003), Lancaster (1990), Gwin & Gwin (2003).

Malasi (2012) in Kenya at United States International University, Nairobi empirically investigated the influence of product attributes on mobile phone preference among undergraduate students. Using stratified random sampling method to select the elements of the population, found out that product attributes such as packaging decision, visible name, labels, advertising significantly influence undergraduates preference on mobile phones. The study concluded that students are at position to differentiate between mobile phone offerings hence they decide which best suits their needs using the attributes.

Okeke (2009) in Nigeria investigated the correlates of consumer purchase behaviour in the cocoa market using nine attributes with a sample of 120 respondents. Using interviews and questionnaires approaches in data collection, the study discovered that attributes are strong predictors as they are significant of various levels, and that consumers recognize what they see about brands, which in turn helps in shaping and determining brand preferences. The study concluded that knowledge of attributes beliefs and strength will assist a great deal in crafting advertising messages.

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Gwin & Gwin (2003) empirically investigated the influence of product attributes on consumer purchase decision in Nigeria food and beverage industry. They adopted SPSS version 17 as method of data analysis with 400 questionnaires, and their result revealed a positive correlation between product attributes and consumer purchase decision. The study however concluded that attributes plays a vital role in the consumer decision making processing since consumers evaluates and compare competitive products based on attributes and that beverage industries can craft their advertising strategy based on attributes where the marketer can either promote one attribute, two or even three attributes to further distinguish his product from competitors.

Gwin & Gwin (2003) examined attributes of products in the United States of America. Using his utility model, he discovered that attributes have been included as a critical determinants of consumer choices of food. The study also revealed that understanding why consumer chooses a product based upon its attributes help us to understand why some consumers have preferences for specific brands.

Gwin and North (2003) in Los Angeles investigated religious choice using a product attribute model application. Using data from two surveys of Baylor University's 2006 Longitudinal Survey of Religious Behaviours and Values (LSRBV), which was funded by the John Templeton Foundation and the Rev. Forum on Religious Landscape Survey. The study discovered that some varieties of attributes including measure of participation belief and intensity or commitment are highly correlated. The study concluded that religious choice can be viewed as an attribute base selection process, and that the results across the two surveys showed that belief and intensity are both key dimensions for consumer choice of religious denomination. The belief factor assesses personal views of God, religious salvation, and other central elements such as Heaven and Hell, Angels and Demons. The intensity or commitment factor represents the activities and contributions by the consumer to his or her church. The paper use "consumer" to describe the respondents since the focus is on their consumption and choice of religion. Trade-offs are involved because consumers make trade off in terms of church attendance.

METHODOLOGY

Research design

The study adopted survey method because of its distinguishing features of the need to collect data, record responses, ask questions from large sample of people in order to achieve the objectives of study (Hair Jr, Bush & Ortinau, 2009).

Population of the study

The population of the study comprised of malt consumers in Enugu State. The population is not known (infinite) because we could not obtain a sample frame of malt consumers in the area of study.

Sampling technique

The researcher used convenience sampling technique. Convenience sampling is the non-probability sampling techniques where subjects are selected because of their convenient, accessibility and proximity to the researcher (Hair, 2014, Resource, 2012, Okeke, 2015).

Sample size determination

Since the population of this study is infinite, we adopted the fomular for infinite population (Nwaizugbo, 2013; Churchill & Brown, 2009; Okeke, 2010).

$$n \frac{(Z^2 P Q)}{e^2}$$

Where

n = Sample size

Z = Standard error (1.96)

P = an estimate of the proportion of success who agree with the variable of interest.

Q = Proportion of respondents not agreeing with variable of interest (1 – P)

e = error margin

The researcher did a pilot test of ten respondents. Seven out of the ten gave good and convincing reasons for product evaluation, thus, product attributes forms the P (i.e. success rate), while Q = 10 – 7 = 3 (failure rate).
Therefore for this study,

Z = 1.96 (see table of normal distribution)

P = 70% or 0.70

Q = 30% or 0.30

e = 5% or 0.05

$$\therefore n = \frac{1.96^2 \text{ X } 0.70 \text{ X } 0.30}{0.05^2} = 323$$

Sources of data

We made use of primary and secondary sources of data. Questionnaires were used to collect primary data with maximum reliability . Secondary sources were also used to review some related literature.

Research instrument

Questionnaire was the instrument for data collection. The questionnaire comprised of two sections, namely section A and B. Section A was on demographic variables of respondents while section B was based on the constructs of the study i.e. influence of product attributes on purchase decision in Enugu State. A five-point likert scale, ranging from strongly agree to disagree was used in the questionnaire design.

Validity and reliability of research instrument

Validity of research instruments refers to the extent which the instrument measures correctly what it purports to measure, (Saunders, Lewis & Thorhole). The designed instrument was given to the supervisor. Face validity was used in the validation of the instrument designed for the study. According Gwin & Gwin (2003). face validity of a survey instrument of this nature is considered adequate when the instrument has been subjected to rigorous assessments by experts. Some of the questions were said to be ambiguous in respect to length and construction, and not sufficient. Some questions were reconstructed for clarity, others added to increase the number and some reduced to manageable sizes.

Method of data analysis

Different statistical techniques were used to test the study's hypotheses and to answer the study's questions by using Statistical Package for Social Science SPSS Version 17, these techniques are: cronbach's alpha (□) used to test the reliability of the scale. Descriptive statistical measures used to describe the study sample characteristics and multiple regression analysis used to find the effect of the independent variables on the dependent variable.

Data analysis and results

This section is for the careful breaking down of relevant information into meaningful parts for critical examination, extraction of otherwise hidden information and making inferences about the relationships existing among the parts. A total of 323 questionnaires were distributed out of which 300 were properly filled and returned.

Table 1: Summary of instrument used for analysis

Number of Questionnaire Administered	Total Number Returned	Total Number Not Returned
323 = 100%	300 = 93%	23 = 7.12%

The above table reveals that from the total of 323 sampled populations that were given questionnaires, 23 copies of questionnaires representing 7.12% were not returned. A total of 300 copies representing 93% were properly completed as requested and were used for analysis.

Table 6: Response on how often respondents consume Malt drinks

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Frequently	270	90	90	90
Less Often	30	10	10	100
Total	300	100	100	

The data above shows that 90% of respondents frequently consume malt drink while 10% of them less often consume malt drinks.

Table 7: Descriptive information of the sample

	N	Minimum Score	Maximum Score	Mean	Standard Deviation
Price 1	300	1.00	5.00	4.1827	.96237
Price 2	300	1.00	5.00	4.3344	.92563
Price 3	300	1.00	5.00	4.2353	.89879
Price 4	300	1.00	5.00	4.0588	1.16880
Price 5	300	1.00	5.00	4.3870	.77745
Brand Name 1	300	1.00	5.00	3.9567	1.12757
Brand Name 2	300	1.00	5.00	4.0372	1.18158
Brand Name 3	300	1.00	5.00	4.4830	.62717
Brand Name 4	300	1.00	5.00	4.5418	.81176
Brand Name 5	300	1.00	5.00	4.4458	.62505
Attractive Packaging 1	300	1.00	5.00	4.1269	1.00896
Attractive Packaging 2	300	1.00	5.00	4.0526	1.09786
Attractive Packaging 3	300	1.00	5.00	4.0217	1.11852
Attractive Packaging 4	300	1.00	5.00	3.8885	1.09202
Attractive Packaging 5	300	1.00	5.00	4.1362	1.13116
Celebrity Endorsement 1	300	1.00	5.00	2.9381	1.42816

Celebrity Endorsement 2	300	1.00	5.00	2.8452	1.34933
Celebrity Endorsement 3	300	1.00	5.00	3.4241	1.21698
Celebrity Endorsement 4	300	1.00	5.00	3.2446	1.23066
Celebrity Endorsement 5	300	1.00	5.00	2.6966	1.23146
Taste 1	300	1.00	5.00	4.1053	1.12898
Taste 2	300	1.00	5.00	3.4644	1.45570
Taste 3	300	1.00	5.00	3.5418	1.50381
Taste 4	300	1.00	5.00	3.9412	1.20285
Taste 5	300	1.00	5.00	3.8142	1.22202
Purchase Decision 1	300	1.00	5.00	4.2353	.80007
Purchase Decision 2	300	1.00	5.00	4.2817	.80635
Purchase Decision 3	300	1.00	5.00	4.0898	.84588
Purchase Decision 4	300	1.00	5.00	3.6347	1.29367
Purchase Decision 5	300	1.00	5.00	3.5449	1.48083
Valid (N)	300				

Table 8: Instrument Reliability Test

Cronbach's Alpha	N of Items
0.789	30

Hypotheses testing

In testing the hypotheses, multiple regressions were used and statistical package for social science (SPSS) version 17 was also employed to analyze the responses.

Table 9 below shows the model summary results which sought to establish the explanatory power of the independent variable (price, brand name, attractive packaging, celebrity endorsement and taste) for explaining and predicting the dependent variable consumer purchase decision). R_1 the multiple correlation coefficients (i.e. the linear relationship between the observed and model predicted values of the dependent variable) showed a value of .448 showing a positive correlation. R square which is the coefficient of determination (i.e. the squared value of the multiple correlation coefficients) showed a value of .501 (about 50.1%) of the variation in the dependent variable (purchase decision) is accounted for by the variable in the dependent variable.

Model summary

Model	R	R. Square	Adjusted R Square	Std. Error of the Estimate
	.448[a]	.501	.688	2.88335

a Predictors (constant) price, brand name, attractive packaging celebrity endorsement taste.

b. Dependent variable (purchase decision)

Source: SPSS Version 17

ANOVA

Model	Sum of Squares	DF	Mean Square	F	Sig
Regression	662.808	.5	132.362	15.945	.000[a]
Residual	2635.452	317	8.314		
Total	3298.260	322			

a Predictors (constant) price, brand name, celebrity endorsement taste.

b. Dependent variable consumer purchase decision

Source: SPSS Version 17

Coefficient

	Unstandardized Coefficient		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1(Constant)	17.382	1.937		8.973	.000
Price	- 078	.060	-069	-1.294	.196
Brand Name	.430	.071	.336	6.027	.000
Att. Packaging	.128	.050	-140	-2.549	.011
Celebrity Endorsement	.206	.036	-289	-5.668	.000
Taste	.030	.040	.040	-744	.457

a. Dependent variable (consumer purchase decision)

The table above showed the beta coefficients, which gives the contributions of each independent variables to the model while t-values revealed the effect of the variable and the critical ratio and the p-values respectively.

In the above model, price ($t = -1.294$, $p = .196 > .05$) we reject the alternative hypothesis that price has a significant effect on consumers purchase decisions.

Brand Name (t = 6.027, p = .000 < .05) we accept the alternative hypothesis that brand name has a significant relationship with consumers' purchase decision.

Attractive packaging (t = -2.549, p = 0.11 < .05) we accept the alternative hypothesis that attractive packaging has a significant on consumers' purchase decisions.

Celebrity endorsement (t = -5.668, p = .000 < 05) we accept the alternative hypothesis that celebrity endorsement has a significant effect on consumers' purchase decision.

Taste (t = .744, p = .457 < 05) we therefore reject the alternative hypothesis and conclude that taste has no significant effect on consumers' purchase decision.

Thus, the conceptual model used as a basis for regression is as follows:
Con. = Pr + Bn + ap + ce + Tse + e

Discussion of findings

Based on the test results, brand name has a significant effect on consumer purchase decisions. This is supported by the studies carried out by Belch & Belch (2009) Parry (2001) Brassingston & Pettite (2013). This may be as a result that brand name help consumers to remember a key attribute or benefit and identify a company's product, differentiate them from those of competitors.

Besides, the tests revealed that attractive packaging has a significant effect on consumer purchase decision. Packaging is a silent salesman, (Donadini & Porretta, 2008).

Lending credence equally to attractive packaging, studies conducted by Gwin & Gwin (2003). and Boyce (2008) found out that there is a significant statistical effect of packaging in protecting the products and consumers perception of product quality at the point of purchase. They further revealed that protecting the product and consumer is a key and important role of packaging and that packaging that fails to fully protect the product has the potential to result in excess damage and wastage, diminished shelf life and lose of flavour or efficacy.

The findings of this study also revealed that celebrity endorsement has a significant relationship with consumer purchase decisions.

A five stage model for consumer purchase decision making process was developed (Miniard & Engel, 2006, Quester, 2011)

However, Tatt (2010), Hauser and Urban (1986) supported the findings when they observed that in looking at choices across product categories, price is appropriate as a dimension when price itself carries utility, such as in conspicuous consumption of when perception of quality are based on price. Otherwise, consumers prioritize choices base on other product attributes over price.

Conclusion and recommendations

The conclusion that can be drawn from the results is that product attributes are the characteristics or features that a product may or may not have. Benefits are the positive outcomes that come from attributes. Consumers seek products that have attributes that will solve their problems and fulfills their needs. For most of the consumers, they considered various product attributes as key in determining the nature of malt drinks they would like to purchase before considering price.

This finding will help the academia to widening the frontier of knowledge in the area of research paradigm – motivational research. Also, it will help organizations in Nigeria, particularly in Enugu State to reposition their brands and form a robust marketing strategies. The result will also help consumers evaluate and compare competitive products based on their attributes.

Based on the available literature, the following recommendations were made.

* That marketers should periodically carry out a survey with a view to identifying which attributes consumers use most in product evaluation prior to purchase.
* That companies should strategically engage the service of celebrities as it will help the highly involved customers instant recognition and transfer of goodwill to the product.
* That enough financial resources should be allocated to product packaging. This is because many consumers do not buy a particular product only for the services but besides how they are packed and even after consuming the core benefit or service of the core product, still keep the package for other uses.
* That market research should be embarked on to enable companies constantly identify products whose attributes will provide the highest perceived utility.

Lastly, lean financial resources used for various statistical analysis due to the size of sampling and short period of investigation. Above all, these constraints were surmounted hence the applicability of the study.

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Environmental innovation on the productivity of the selected agro-allied businesses in Nigeria

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Abstract

This study determines the effect of creativity and environmental innovation on the productivity of agro-allied businesses in Nigeria of selected agro-allied businesses in Nigeria. The researcher adopted survey design. Data were collected by structured questionnaire in Five Point Likert Scale format. The source of data was through primary source. The target population of the study comprised of 1,584 owners/managers of all agro-allied businesses in North-central, Nigeria. Sample size of 320 was derived from the population with the application of Taro Yemane's formula for finite population while Bowley's proportional allocation method was adopted to determine the allocation of questionnaire to each organization. A Cronbach Alpha method was used to determine the reliability of questionnaire which gave a reliability coefficient result of .74. Five hypotheses were formulated and tested through Ordinary Least Square Regression and Z-test at 05 level of significance. The findings revealed that creativity and environmental innovation significantly affect the productivity of agro-allied businesses in North central Nigeria. The study concluded that despite the changes in legislation and regulations to protect the environment, Nigeria and various other countries are still facing many environmental problems, e.g., climate change, population growth, overflowing landfills, water scarcity, fuel shortages, and water and air pollution. If we are to solve these problems, the study concluded that creativity and environmental innovation are a major part of the answer. The study recommended that the Nigeria government could do much to strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations. Further, ecopreneurs, government and society at large could tap international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion. They could also strengthen the consumer movement in the country. Since environmental sustainability promote business growth. Hence, it was recommended that agro-allied business needs to build more on their sustainability concerns as it affect agricultural goods.

Keywords: creativity, environmental innovation, businesses productivity, agro-allied businesses

1. Introduction

Environmental degradation is perhaps the most prominent global issue of the 21st century. Academics, policymakers, non-governmental agencies and governments are all Concerned about the increasing levels of land degradation, soil erosion, deforestation, and industrial toxins (Volery, 2012). In addition, there are very serious concerns about the negative consequences of ozone depletion, climate change, nuclear radiation, and the destruction of biodiversity (Intergovernmental Panel on Climate Change (IPCC), 2007; United Nations

Environment Programme (UNEP), 2004, World Resources Institute, 2004). A recent joint report by the World Resources Institute, the World Bank, and the United Nations show the diminishing capacity of five of earth's most critical ecosystems.

In a market system, sustainable development requires sustainable innovations and Intrepreneurs are those who can achieve environmental goals with superior innovations that are successful in the marketplace. Market innovations that drive sustainable development do not occur by accident; they have to be created by leaders who put them into the core of their business activities. Actors and companies making environmental progress in their core business may be called 'ecopreneurs'. They generate new products, services, techniques and organizational modes that substantially reduce environmental impacts quality of life.

Companies contribute most to the overall environmental progress of an economy and society if their core business deals with environmental solutions and environmentally superior .products and if their innovations substantially influence the mass market. This is the main thesis for the empirical investigation, outlined in the penultimate section of this paper and the basis for the definition of what is called ecopreneurship.

Computers and the Internet have changed the world in a more fundamental way than have most political programmes. To be innovative means to provide organizational and technical improvements that can be sold successfully in the marketplace. In order to create innovations a firm must overcome thresholds. Technology trends seem to come and go with frightening regularity, some have a lasting impact on business. These are ones that change the way businesses operate and provide dramatic improvement for those that adopt them. Such technologies help organizations become operationally lean, agile and responsive, increase effectiveness and improve outcomes. Innovative technology empowers executives, managers and workforces to operate their businesses mere effectively.

For a company to have a positive environmental influence it must make a real and substantial contribution to environmental progress. A real improvement can be created only if the production processes, products and services are environmentally superior. A substantial contribution requires that the company exert significant market influence by gaining a large market share or by influencing competitors and other market actors (such as suppliers) to 1 adopt superior environmental solutions. (Ecopreneurs run companies that fulfill both requirements. Ideally, ecopreneurship pulls the whole market towards more environmental progress. Ecopreneurs strive for business success through environmental solutions for the mass market. To measure how well a company has •done, the dimensions of ecopreneurship can be further subdivided. The priority of environmental goal ranges from low priority (environmental protection is regarded as a trustee duty), to medium priority (environmental

issues are seen as supplemental to ^conventional business issues) and high priority (environmental issues are regarded as an integral part of core business activities). The market effect of the company and its businesses can be small (i.e. the alternative scene), medium or large (i.e. through a strong influence on the mass market).

Much of the work that has been done to date on ecopreneurship and environmental issues has largely taken the form of anecdotal reports and case study analysis. Large sample studies are needed to demonstrate how ecopreneurship may or may not enhance the innovative ability land performance of organizations. The present study aims to bridge the gap by examining the implications of ecopreneurship activities in sustaining innovative performance in a sample of ;selected agro-allied businesses in Nigeria.

The business activities of agro-allied businesses in Nigeria are not without some inhibiting problems emanating from their various environmental factors such as land degradation, soil (erosion, deforestation, industrial toxins, ozone depletion, climate change, nuclear radiation, | and the destruction of biodiversity. Today, these problems are posing serious challenges to their operational capabilities, survival and "performances. A cursory analysis of some of these **problems** prompted the crucial need for embarking on this proposed study. The environment **factors in** the agro-allied industry' in Nigeria tend to be harsh on indigenous firms and their **operational** activities nowadays. This has brought such consequences as low productivity, **increasing risks,** low profitability, and tensed competition, heavy investment on equipment, **increased** operational cost and high rate of business failures with many other threats.

In Nigeria, many local agric-businesses and small and medium scale enterprises have failed **to fully** imbibe the spirit of ecopreneurship in order to shun out those products that will be environmentally friendly and socially responsible. Only multinational enterprises have put **this issue** into concern in their want satisfying operations. Most agriculture related organizations complaint on lack of realistic estimates on how to successfully implement eco-m**arket** systems particularly in the area of agricultural related business have adversely af-**fected** the environment by failing to deal with negative environmental externalities and **undervaluing** natural resources, leading to their over-exploitation and depletion. Governments **have** sought to deal with the problem through a mix of command-and-control and market- **based** instruments, with limited success. One of the most potent alternatives for dealing with **such** market failures is ecopreneurship, which refers to a process by which entrepreneurs **introduce** eco-friendly (or relatively eco-friendlier) products and process into the market **place.**

It is in the light of these problems that this work seeks to examine creativity and innovation

as determinants of innovative performance of agric-allied businesses in Nigeria. The following research questions guided the study: What effect would creativity and innovation have on the productivity of agro-allied businesses in Nigeria?

2. Conceptual framework

Creativity is sometimes used to mean innovation. This study does not however view creativity as innovation; instead it sees creativity as a start point for innovation. Creativity by individuals and teams is a starting point for innovation. She further opined that creativity being the starting point for innovation is a necessary condition but not a sufficient condition. According to her innovation is the successful implementation of creative ideas within an organization and successful innovation also depends on other factors as well and it can stem from not only from creative ideas that originate within the organization but also from ideas that originated from elsewhere for example technology transfer.

Innovation contributes to achieving a competitive advantage tin several aspects. The most important characteristics of innovations include: A strong relationship between market performance and new products. New products help maintain market shares and improve profitability.

Growth also by means of non-price factors (design, quality, individualization, etc.). Ability to substitute outdated products (shortening product lifecycles). Innovation of processes that lead to production time shortening and speed up new product development in comparison to competitors. Developing successful technological innovations is essential for creating and sustaining an organization's competitive advantage. The expenditures on research, development and introduction of innovations are the determining characteristics for gaining a dominant part of the market. The 'importance of the role of the regional innovation and they argue that organization must have original strategies and support the knowledge flows from and to organization. It is supported by results of Autant-Bernard (2001). Producing innovations on an ongoing basis, it risks that it lag behind and the initiative will be taken over by other entities. Schumpeter (Tidd et al,. 2006) asserted that entrepreneurs attempt to use technological innovation - a new product or service or perhaps a new process M the course of their production - provided they thus gain a strategic competitive advantage. This creates competition that does not attack profit margins or the outputs of existing organizations, but their essence and their existence as such.

With respect to the above said it is important - within the frame of innovations - that are a necessity in today's knowledge, information and innovative society - to follow large Organizations that engage in innovation and set the direction for others. The present concept of innovations is that they represent an open approach that reaches beyond the threshold of an organization and thus exploits not only inspections and changes in the internal environment, but also changes in the external environment. The internal environment of an organization needs to have a suitably preset innovative culture, since this Type of culture is characterized by the transience of organizational structures, utilization of specialists and temporary teams, mobile offices, the necessity of speedy and flexible changes responding to new opportunities, which increases the innovative potential of such organizations. There is no place for standardization; each project is unique. Its characteristic features include flexibility, openness to changes, searching for -information and resources in the external environment, anticipation, creativity, experimenting and informal communication. Checks in organizations with

Baranano (2005) argued that innovation is a complex technological, sociological, and economic process that involves a highly intricate set of interactions, both within the firm and between it and its economic, technical, social, and competitive surroundings. Success is therefore not expected to be satisfactorily justified by one or two factors alone. According to the author, no element can be effective by itself and, thus, no single management tool or technique will be able to create an environment that is conducive to innovation. What is actually found is a set of different (though strictly inter-related) factors that must work in an integrated manner to create and reinforce an environment that fosters the success of technological innovation in the company.

The Social Change Theory was postulated by Veblen in 1967. The theory is essentially a technological theory of history. Veblen believes that the society's state of the industrial arts, that is, the availability of technology to a society determines the character of such society's culture. Invention was the mother of necessity. Yet this influence of technology, while crucial, was to Veblen by no means immediate and direct. A new technology does not automatically bring forth new systems of laws, new moral attitudes, or new types of education. Rather, it challenges old institutions and evokes their resistance. Institutions are products of the past process, adapted to past circumstances, and are therefore never in full accord with the requirements of the present. Those who have a "vested interest" in the old order will bend every effort to maintain old institutions even when they are no longer in tune with technological developments. The characteristic attitude of those advocates of the status quo "may be summed up in the maxim: 'What-ever is, is right;' whereas the law of natural selection as applied to human the axiom: 'Whatever is, is wrong." In the end, Veblen believed, new ideas, overcomes vested interests, and reshapes institutions in accord

with its needs. But this process may take considerable time, and in that time lag - when, for example, an industrial society is still governed by legal and moral rules dating from the handicraft era - society suffers from the waste that is brought about by the lack of correspondence between its institutions and its technology.

3. Empirical Review

Hamsa (2014) studied the Impact of Innovation and Managing Technology based business entrepreneurs and explained that both technological innovation and entrepreneurship ices mainly two areas: the organization, development, and commercialization of logy-based innovation in existing firms; and the formation, development, and growth technology-based new enterprises. Technology and innovation businesses also cover a fc range of industries. The paper is a qualitative paper and its study is based on the secondary data collected from different sources and it highlights problems faced by the entrepreneurs globally regarding businesses to stimulate technological innovation and highlight the role of small business in meeting research and development needs and increase its participation in this role. The study recommends that businesses may focus on activities such as researching and developing new products or providing innovative solutions natural ingredients with green technology, produce approved chemical which do not harm or pollute the environment, caused no environmental hazards and do not posed dangers to the environment. The study shows that green marketing is crucial in preventing eco-harm and environmental degradation. The study made some applicable recommendations for business enterprises to produce ecological products which must not only pollute the environment but should protect it, sustain the environment and even liquidate existing environmental damages.

Zainab and Shafaat (2015) carried out a study on "Green activities: Environmental concern and customer satisfaction". The study empirically examined the level of awareness of green issues and whether green products are fulfilling their needs apart from benefiting their living environment and to create awareness about green products and green marketing. The imitative research technique was employed in the study and the questionnaire method adopted. The study revealed that green marketing is helping to save the environment. That product with green features plays a significant role in helping to save the environment. The Study also showed that using green products can help to reduce environmental problems. The study recommends that; companies should be transparent in describing what they are actually living for green marketing and their policy should be consistent with their work about environmental friendliness. Furthermore, government should develop policies to take strict actions against those companies that produce products that are harmful to the environment. A paper work titled 'Impact of Innovation and Managing Technology Based Business for entrepreneurs' conducted by Hamsa (2010), who explains that technological

innovation and entrepreneurship embraces mainly two areas: the organization, development, and commercialization of technology-based innovation in existing firms; and the formation, development, and growth of technology-based new enterprises. Technology and innovation businesses also cover a wide range of industries. These businesses may focus on activities such as researching and developing new products or providing innovative solutions to ^existing processes. This paper highlights problems faced by the entrepreneurs globally Regarding businesses to stimulate technological innovation and strengthen the role of small business in meeting research and development needs and increase business participation in this role. This is a qualitative paper and its study is based on the Secondary Data collected torn different sources.,a work conducted by Mutura, Nyairo, Mwangi and Wambugu (2016), titled 'Analysis of Determinants of eco-systems among Firms in Lower Central Kenya', The study analyzed the determinants of eco-practices among small holder of dairy farmers in Lower Central Kenya and discover that such practices lead to high gross margins, influences choice of marketing channel and improves market participation, encouraging commercialization of dairy smallholder farming. A logit regression model was used to determine the likelihood of a household to introduce eco-practices in its dairy enterprise. A multistage sampling technique was used, and data was collected from 288 small holder dairy farmers in Kiambu County. Processing and analysis of the survey data were carried out using SPSS version 20 and STATA version 12. Fixed investment cost, storage type, milk cost share, the percentage of milk sold and dairy enterprise turnover were hypothesized to be key factors in explaining a household's likelihood to eco-practices into its dairy enterprise. An increase in total fixed investments, turnover and volume of output contribute to the probability of a household integrating vertically. The paper recommends that farmers should establish and strengthen existing associations and practices ecological activities more than before.

3. **Methodology: Model Specification**

Model specification, the general formula for the Regression Analysis is:

$Y= a+ \beta X + e$

.

where;

Y = Dependent Variable, X= Independent Variable
a = constant
β = coefficient of X
e = error margin.

Model to be estimated is functionally stated as

PRO = f(INC)
PRO=a+βINC+e
Where,
PRO= productivity,
INC= innovation and creativity

4. Results and discussions

5. One-sample statistic

	N	Mean	Standard deviation	Standard error mean
Decision on Creativity/innovation and Productivity	309	31.1100	21.16231	5.41121

Source: SPSS analysis of field data

The analysis in the above table revealed the grand mean of 28.41 and standard deviation of 22.12.

One-sample Z-test: Test value =0

					95% confidence interval of the difference	
	Z	DF	Sig.2-tailed	Mean difference	Lower	Upper
Decision on Creativity/innovation and Productivity	28.220	308	0.003	31.110	20.8800	54.1900

Source: SPSS analysis of field data

The result of the Z value at 28.220 is higher than the Z critical value. the alternate hypothesis which states that 'creativity and innovation would have positive influence on the competitive advantage of agro-allied businesses in Nigeria' is therefore accepted. This Z value is significant at 0,003 because it is less than 0.05.

In line with the data analysis, the following are the major summary of findings:: Creativity and environmental innovation significantly affect the productivity of agro- allied businesses in North central Nigeria.

Discussion of Findings

Findings revealed that creativity and environmental innovation affected the productivity of agro allied businesses in Nigeria. This result is in line with the work of Cohen and Winn(2007),McEwen(2013), Oskamp(2000)who recommended that the creativity and invention in the delivery of agroallied product have longrun effect on the market position and size of firm.This also extends to the result of the study of Gbadeyan and Omolekan (2015), which indicated that competitive advantage of launching innovative agricultural products. Although, the findings of some studies such as Zainab and Shafaat (2015) supported Mutura, and Wambugu (2016) suggested that agricultural invention may not for long sustain firms productivity due some of hidden problems such as the problem of imitation and cloner. This study result also dissociate from Dorsey and Boland (2009) findings. This study counters this stance based on the findings of this research which suggests that using creativity to boost performance is not always reliable in the agricultural setting.

6. Conclusion and recommendation

After a critical consideration of the finding and discussions so far, the following

recommendations were offered: The Nigeria government could do much to strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations. It could also take more proactive measures through the state-level cleaner production centres. This will encourage the ecopreneurs to develop more environmentally friendly goods and as well enhance their level of involvement in green product.

Ecopreneurs, government and society at large could tap into international standard in order

to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion. They could also strengthen the consumer movement in the country. Since environmental sustainability promote business growth, it is recommended that agro-allied business needs to build more on their sustainability concerns as it affect agricultural goods

During the next decade, the agro allied business in Nigeria will most certainly be marked by further disaggregation and reaggregation due to the described shifts in the sector's value chain. In order to keep their status quo, agro-allied business must consider continued invention, innovation and creativity as the most viable method to get instant access to industry- or operations-specific knowledge and keep abreast with the pace of technological change. Non-innovative in nature may provide benefits to such firms only in the short term. Therefore, in the long-term an articulated developed ecological friendly innovation will control rival and give firms a sustainable and non-imitable competitive advantage.

Ecopractices must not just be a back runner is agro-allied organizations anymore. It is the critical aspect of organizational turn-around and must be given its rightful place during policy making and through this process that ecopreneurs can enjoy the long-run benefits without undue pressures and inconsistencies in Nigerian. Agro firms must therefore engage their managerial team, through training and development to know, understand, and apply, the principles of ecopreneurship practices and ecological management in their daily decision making, especially as it concerns agro-allied operations.

In the final analysis, it is the education of producers, consumers and regulators that will pave the way for a major transformation of agricultural industry. This will stimulate the ecopreneurs to develop more ecoprenerial practices that would not only give them competitive advantage but will also go a long way in developing the sector.

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ECOPRENEURSHIP PRACTICES AND INNOVATIVE PERFORMANCES OF SELECTED AGRO-ALLIED BUSINESSES IN NIGERIA

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Abstract

The study investigated ecopreneurship practices and their effect on innovative performances of selected agro-allied businesses in Nigeria. The researcher adopted survey design. Data were collected by structured questionnaire in Five-Point Likert Scale format. The source of data was through primary source. The target population of the study comprised of owners/managers of all agro-allied businesses in North-central, Nigeria. Sample size was derived from the population with the application of Taro Yemane's formula for finite population while Bowley's proportional allocation method was adopted to determine the allocation of questionnaire to each organization. A Cronbach Alpha method was used to determine the reliability of. The hypotheses were formulated and tested using Ordinary Least Square Regression and Z-test at .05 level of significance. The findings revealed that ecopreneurial practices have influence on the competitive advantage of agro-allied businesses in north central Nigeria. The study concluded that despite the changes in legislation and regulations to protect the environment, Nigeria and various other countries are still facing many environmental problems of climate change, population growth, overflowing landfills, water scarcity, fuel shortages, and water and air pollution and that the Nigeria government should strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations as well as tap international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion.

Keywords: ecopreneurship, innovative performance, agro-allied business

1. Introduction

Environmental degradation is perhaps the most prominent global issue of the 21st century. Academics, policymakers, non-governmental agencies and governments are all concerned about the increasing levels of land degradation, soil erosion, deforestation, and industrial toxins (Volery, 2012). 'The business activities of agro-allied businesses in Nigeria are not without some inhibiting problems emanating from their various environmental factors such as land degradation, soil (erosion, deforestation, industrial toxins, ozone depletion, climate change, nuclear radiation, | and the destruction of biodiversity. Today, these problems are posing serious challenges to their operational capabilities, survival and "performances. A cursory analysis of some of these problems prompted the crucial need for embarking on this proposed study. The environment factors in the agro-allied industry' in Nigeria tend to be harsh on indigenous firms and their operational activities nowadays. This has brought such consequences as low productivity, increasing risks, low profitability, and tensed competition, heavy investment on equipment, increased operational cost and high rate of business failures with many other threats.

In Nigeria, many local agric-businesses and small and medium scale enterprises have failed to fully imbibe the spirit of ecopreneurship in order to shun out those products that will be environmentally friendly and socially responsible. Only multinational enterprises have put this issue into concern in their want satisfying operations. Most agriculture related organizations complaint on lack of realistic estimates on how to successfully implement eco Market systems particularly in the area of agricultural related business have adversely affected the environment by failing to deal with negative environmental externalities and undervaluing natural resources, leading to their over-exploitation and depletion. Governments have sought to deal with the problem through a mix of command-and-control and market- based instruments, with limited success. One of the most potent alternatives for dealing with such market failures is ecopreneurship, which refers to a process by which entrepreneurs introduce eco-friendly (or relatively eco-friendlier) products and process into the market place. It is in the light of these problems that this work seeks to examine ecopreneurship practices as **a** determinant of innovative performance of agric-allied businesses in Nigeria.

1. Conceptual and Theoretical Framework

Aliu (2010) stated that there exist features that are peculiar to innovation, though some products catch on immediately, whereas others take a longer time to gain acceptance. He listed these features as relative advantage which is the degree to which innovation appears superior to existing product, compatibility which is the degree to which the innovation can go with existing product of the organization, complexity which defines the degree to which the innovation is relatively difficult to understand, divisibility which defines the degree to

which the innovation can be tried on a limited basis, and communicability which is the degree to which the beneficial results of usage are observable or describable to others. All products and services in the market must have gone through new product development process or program as a result of the fact that organization need to grow their revenue, market share and build their sales level by developing new products and expanding into new markets. In order to do these, organizations then put product innovation as well as process innovation in all they do?

For the purposes of this study, ecopreneurship means entrepreneurial action that contributes to preserving the natural environment (Pastakia, 2008; Schaper, 2002). Ecopreneurs are, therefore, entrepreneurs who found their businesses based on the principle of sustainability (Kirkwood and Walton, 2010). They are a new breed of eco-conscious change agents who are redefining the way business is conducted and are introducing eco-friendly ideas and innovations in the marketplace (Pastakia, 2008). Ecopreneurship is distinguished from social entrepreneurship which focuses on enhancing the social wellbeing of the society (Zahra, *i*Gedajlovic, Neubaum, Shulman, 2009). Ecopreneurship is also different from sustainability entrepreneurship which integrates the three strands of the triple bottom line (economic, social; and environmental). Tilley and Young (2009) argued that sustainability entrepreneurship goes further than "environmental" or "social" entrepreneurship as it encompasses a more comprehensive range of the triple bottom line.

Most researchers agreed that there are two categories of environmental entrepreneurs - those who have a profit or economic orientation and those who have the sustainability orientation and want to help change or improve the environment (Taylor ecA alley. 2003: Isaak, 2002; Koester, 2011). Schnick, Marxen&Freiman, (2002) refer to the categories as the two ends of the ecological orientation continuum. At one end are ecopreneurs who constantly adopt environmentally- friendly practices and at the other end are entrepreneurs who give no ecological consideration to the businesses at all. In other words, environmental entrepreneurs are either starting green businesses or making their businesses green (OECD, 2011). Environmental Conscious Develops innovations that either reduces resource and impact or improve cost efficiencies. Green Entrepreneurs aware of environmental issues and has their businesses in the environmental marketplace.

Innovative opportunist is a financially oriented entrepreneur who spots a green niche or business opportunity that happens to be green Ad hoc or accidental entrepreneur Spots opportunities that are green, rather than seek out a niche in green spaces Visionary Entrepreneur Built their businesses based on sustainability principles. Advocates nature-oriented enterprises e.g old life habitat preservation, eco- tourism etc; low desire to change the financial drive i.e. Opportunist involved in environmental technology to help businesses and

communities reduce environmental load on water, air and soil. They have a low desire to change the world and high financial drive. Green Business: Entrepreneur did not start green business from scratch, but later discovered the advantages of greening their existing businesses. Green-Green Business: Entrepreneurs designed business to be green in its products and processes from Scratch

One criticism of the ecopreneurship typologies is that they do not account for the changes that might occur among entrepreneurs, e.g., could ecopreneurs move between different typologies, and which drivers mainly guide their behavior (Bruin& Lewis, 2005 in Gibbs, 2009). In response, Isaak (2008) argued that the various types of ecopreneurs are not pure forms but represent reference points for broad changes within businesses. The process theory of entrepreneurship supports Isaak's viewpoint, which emphasizes the fact that "you can't pin people down to one type, because entrepreneurs are always in the process of becoming something.

Ecopreneurship is also important because eco-innovations, according to Klimova and Zlek, j2011) will be the future competitive advantage of companies and countries. They argued that if companies and countries want to be successful in the international market, they cannot rely on having low cost as their competitive advantage; but rather on new and innovative environmental technologies, services and processes which will be the more important sources of competitive advantage. The long-term sustainability of our economic system does not depend only on quantitative growth, but also on the ecological aspects of the growth and enable development problems.

First, our finite resources, for example fish, minerals or gas are limited in their supply. Once consumed, many of them cannot be recreated and we will be left with diminishing or no natural resources, if we do not sustain them. Also, because of economic activity and consumption, most of our resources become waste. As a result, we have the problem of pollution, which seriously affects humans and the ecosystem and could lead to greenhouse gas accumulation and potential climate change (Volery, 2012). To sustain them, ecopreneurship is important to constantly look for alternatives, e.g. recycling or new sources of energy, such as wind, water, and solar. (Arber &Speich, 1992; Barnes, 1994).

Second, the global population growth is also influencing ecopreneurship. The world population is expected to increase by 50% by 2050 and with it will come an increase in consumption (World Business Council for Sustainable Development, 2002). Although part of this consumption is important for relieving poverty in many emerging countries, most it will be done by affluent consumers and can have a negative impact on the ecosystems (Volery, 2012). Ecopreneurship is therefore important to find the new technologies to pro-

tect the environment, and to ensure that there are enough resources to fill the needs of both the current population and future generations (Volery, 2012).

third, biodiversity loss also justifies entrepreneurial action to solve environmental problems. According to Volery*(2012)*, "the rates of takeover of wild life habitat, and of species extinction are the fastest they have ever been in human history and are accelerating."

Goodland (2001) also reported that tie tropical forest, me world's richest species habitat, has already been 55% destroyed and the need for environmental sustainability, there is need for a new ktr.d c: entrepreneur who will incorporate environmental concerns into the consideration of their bottom- ne Yolery. 2012).

The relationship between business and the environment is not new. There was an upsurge of interests in environmental degradation during the 1960s, in Western Europe and North America because of the incidents of heavy smog in London caused by business activities. At that time, people became more aware of the negative environmental consequences of business activities. Business response to the environmental concerns was antagonistic, with little care about the cost of business activities to the environment. They saw the environmental concerns as a nuisance to their businesses and opposed any effort to control performance (Tillery, 1999).

Ecopreneurship literature is still comparatively young (Linnanen, 2002; Pastakia, 1998; Schaltegger, 2002). The growth so far has heen supported by various consumer groups as well as the strong demand for green products, especially in the developed countries (Schaper, 2002). Ecopreneurship has thus become a market-based approach for identifying; opportunities for improving the quality of life through sound environmental practices.

Given the growth of ecopreneurship, the question now is, how do we harness the innovative potential of ecopreneurs to exploit the opportunities within environmental degradation? In other words, how do we foster the development of new entrepreneurial firms that will create the innovations necessary to solve environmental problems? According to Shane and Venkataraman (2000), "entrepreneurial action is created at the nexus of two phenomena: the presence of enterprising individuals and the presence of lucrative opportunities". Ecopreneurs are the enterprising individuals. Some are motivated by profit and; start businesses that happen to be green, while others have a sustainability orientation and are motivated by environmental needs. Their businesses are founded on the principle of sustainability and they seek to combine environmental awareness with conventional entrepreneurship (Schnick, et al. 2002). Lucrative entrepreneurial opportunities exist within the environmental degradation e.g. the problems of climate change, pollution, energy, etc.

According to Shane (2003), the nexus is the place where the entrepreneur interacts with the environment, e.g. environmental degradation, to identify opportunities. How they interact and whether opportunity recognition and exploitation take place depends on the resources the entrepreneur has at his or her disposal and the resources available in the environment. Given that the entrepreneur-environment interaction is so critical to creating entrepreneurial action necessary for developing environmental innovations, what should be done to stimulate ecopreneurship, provide high quality and reliable information to ecopreneurs; facilitate collaboration and networking among ecopreneurs and innovation intermediaries; refocus the publicly funded environmental technologies (Research**&**Development); Increase the speed of commercialization of environmental technologies?

Availability of funding and other incentives are critical for environment; establish clear policy on government procurement of green products; *Provide incentives;* Promote flexible labor market policies and support worker skills training programs (OECD, 2011) and assessing Ecopreneurship in the Developing Economy:

Schumpeterian Theory provides the theoretical basis for environmental entrepreneurship. According to Schumpter (1942), entrepreneurs are the innovators and as society's needs evolve the entrepreneur provides the innovation or "creative destruction" that gives society a new way of addressing problems. He argued that "environmental problems are inherently calling for ' innovation, as most of them are caused by the outdated applications of old, polluting and inefficient technology". Given that the current solutions to our environmental problems are ; inadequate for sustainability, there is need for entrepreneurial action to develop something new, whether it is a production method, technological development, product/service distribution system, or even a new organizational form

Empirical review

According to Cohen and Winn (2007), in the study 'Ecopreneurship and Performance on agrobusiness', the study which survey 332 sample of respondents in Holland through an ministered questionnaire and interview schedules found out that ecopreneurs have the potential to resolve our environmental problems and to gradually improve the earth's |system. The paper began by reviewing the major environmental challenges facing the's ecosystems and the need for entrepreneurial action to deal with the challenges. It recommends that the only way out of poor business performance is by considering eco-novation, eco-commitment. McEwen (2013), conducted a study on ''Ecopreneurship as a solution to environmental problems: Implications for college level entrepreneurship education' and explain that given : the present environmental problems facing the world, it is clear that past strategies used to f address these challenges have failed to prevent environmental degrada-

tion. He further explained that therefore time to pay attention to the role that entrepreneurs can play in solving ; our environmental problems. The paper which uses exploratory design focuses on how to i harness the innovative potential of environmentally conscious entrepreneurs, called eneurs, to encourage more startups that would create the environmental technologies (needed to address our environmental problems. It recommends that the role of : entrepreneurship education in promoting ecopreneurial behavior and presented an outline for possible ecopreneurship course that could be integrated into college-level entrepreneurship education.

(2014), studied the Impact of Innovation and Managing Technology based business Entrepreneurs and explained that both technological innovation and entrepreneurship ices mainly two areas: the organization, development, and commercialization of logy-based innovation in existing firms; and the formation, development, and growth technology-based new enterprises. Technology and innovation businesses also cover a fc range of industries. The paper is a qualitative paper and its study is based on the diary data collected from different sources and it highlights problems faced by the entrepreneurs globally regarding businesses to stimulate technological innovation and heighten the role of small business in meeting research and development needs and increase participation in this role. The study recommends that businesses may focus on levities such as researching and developing new products or providing innovative solutions natural ingredients with green technology, produce approved chemical which do not harm or pollute the environment, caused no environmental hazards and do not posed dangers to the environment. The study shows that green marketing is crucial in preventing eco-harm H & D environmental degradation. The study made some applicable recommendations for business enterprises to produce ecological products which must not only pollute the environment but should protect it, sustain the environment and even liquidate existing environmental damages.

4. Methodology: Sample size determination

Model specification, the general formula for the Regression Analysis is:

$Y= a + \beta X + e$.

where;

Y = Dependent Variable

X= Independent Variable

a = constant

β = coefficient of X

e = error margin

The model to be estimated is functionally stated as

CMA = f(EPR)

This can be stated in econometric form as

CMA=a+BEPR+e

Where,

CMA= competitive advantage,

EPR=ecopreneurial practice of the agroallied small businesses

This is the interaction effect of ecopreneurial practice on the competitive advantage of agroallied small businesses in Nigeria

5. Results and discussions

Model summary

Model	R	R square	Adjusted R square	Standard error of estimate
1	0.918a	0.891	0.823	30.46883

A Predictors constant),ecopreneurial practices

A

NOVAb

Model	Sum of square	DF	Mean square	F	Sig
Regression	20670.151	1	20670.151	21.265	0.002a
Residual	2785.049	339	928.350		
Total	24655.200	340			

a Predictors□constant), Ecopreneurial practices

b Dependent variable: ompetitive advantage

Table: Coefficients

	Unstandardised coefficient		Standardised coefficient		
model	B	STD Error	Beta	T	Sig
Constant	116.031	47.649		2.215	0.00.00803
EP	1.964	0.416	0.939	4.619	

a. Dependent variable: Competitive Advantage

The F value at 21.265 is higher than the critical f value of 1.698, leading to acceptance of alternatve hypothesis that 'Ecopreneurial practices would have positive influence on the competitive advantage of agro-allied businesses in Nigeria' .This value is significant at 0.002 less than 0.05. The R square at 0.891 indicates that ecopreneurial practices accounted for 89.1% increase in the competitive advantages. In line with the data analysis, the following are the major summary of findings: Ecopreneurial practices have influence on the competitive advantage of agro-allied businesses in north central Nigeria

The finding from the tested hypothesis revealed that ecopreneurial practices influence the competitive advantage of agro-allied businesses in Nigeria. the implication of this is that ecopreneurial activities and practices have a positive influence on competitive advantage of agro- allied businesses in Nigeria. This is in line with the study of Oskamp (2000), and Jones and Misky(2007, supported by Hamas (2010)which showed that if a firm partake in ecopractices it has a full control of its costs handling and sales revenue which have competitive edge in a keen environment. The findings also gave nod to the work of hunold, Roller and Stahl(2012)wro explained the longrun business effectiveness of ecopreneurial activities.

Conversely, gbadeyan and Omolekan(2015)queried the impact of ecopreneurial practices on competitive advantage of a Firm performance and explained that it is not a feasible strategy useful in a volatile competitive environment. The result also negates the outcome of the finding of McEwen(2013)who elucidated on the pitfalls of ecopractices on business arguing that many people never attached relevance to ecopreneurship.

6. Conclusion and recommendation

The focus of this study was to harness the effect of ecoprenuership practices on innovative performance of the selected agro-allied firms in Nigeria mainly to take the advantage of the entrepreneurial opportunities within the environmental degradation and to explain the role of eco-practices in environmental sustainability. Based on our review of the literature, most researchers agree that environmental problems do present entrepreneurial opportunities. Despite the changes in legislation and regulations to protect the environment, Nigeria and various other countries are still facing many environmental problems of climate change, population growth, overflowing landfills, water scarcity, fuel shortages, and water and air pollution. If we are to solve these problems, ecopreneurship is a major part of the answer.
Theoretically, the existence of any one or more of the activities described in this work can trigger change and promote ecopreneurship. However, whether such change can be sustained over longer periods of time will depend on the support gained from key forces most especially the government and society at large. In the case of Nigeria, we find five activities strong enough to bring about the independent and dependable and their proxies, the theoretical framework and eventually the empirical review of relevant journals, all in chapter two, while chapter three, discussed the process of collecting, analyzing and interpreting observation under study. It also explained the various methods of data collection that the used and as well explain the sampling procedures that was employed. Validity and reliability of the research instruments was also captured in this chapter. Chapter four, focused on presentation, analysis and test of validity underlying relevancy substituting among a set of variables using tables, simple averages and statistical method highlighted in chapter three. The analysis is basic on the responses obtained from administered questionnaire distributed to selected agro-allied firms in Northern Nigeria. Tables are used to present the variable followed by brief analysis of the results and linear regression and z-test were employed in testing all the hypotheses change—namely, the green products, creativity and environmental innovation, ecopreneurial practices and to a lesser extent, the ecosystem 'control and environmental sustainability. However, as of now, the competitive and economic advantages of going green are not very strong and hence it may take some time for geological values to express themselves in the agricultural business arena. At the grass-roots level, where economic stakes are not very high, expression of such values seem to be less inhibited - a situation that also applies to the upper end of agricultural sector and industry, where

large industrial houses and multinationals have to meet international standards to remain competitive. For the bulk of Nigeria's small and medium-sized agro-allied firms, however, it is business as usual.

After a critical consideration of the finding and discussions so far, the following Recommendations were offered: The Nigeria government could do much to strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations. It could also take more proactive measures through the state-level cleaner production centres. This will encourage the eco-preneurs to develop more environmentally friendly goods and as well enhance their level of involvement in green product.

Ecopreneurs, government and society at large could tap into international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion. They could also strengthen the consumer movement in the country. Since environmental sustainability promote business growth, it is recommended that agro-allied business needs to build more on their sustainability concerns as it affect agricultural goods

During the next decade, the agro allied business in Nigeria will most certainly be marked by further disaggregation and reaggregation due to the described shifts in the sector's value chain. In order to keep their status quo, agro-allied business must consider continued invention, innovation and creativity as the most viable method to get instant access to industry- or operations-specific knowledge and keep abreast with the pace of technological change. Non-innovative in nature may provide benefits to such firms only in the short term. Therefore, in the long-term an articulated developed ecological friendly innovation will control rival and give firms a sustainable and non-imitable competitive advantage. Ecopractices must not just be a back runner in agro-allied organizations anymore. It is the critical aspect of organizational turnaround and must be given its rightful place during policy making and through this process hatecopreneurs can enjoy the long-run benefits without undue pressures and inconsistencies in Nigerian. Agro firms must therefore engage their managerial team, through training and development to know, understand, and apply, the principles of ecopreneurship practices and ecological management in their daily decision making, especially as it concerns agro-allied operations.

In the final analysis, it is the education of producers, consumers and regulators that will pave the way for a major transformation of agricultural industry. This will stimulate the ecopreneurs to develop more ecoprenerial practices that would not only give them competitive advantage but will also go a long way in developing the sector.

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GOVERNANCE IN NIGERIA: ITS ATTENDANT CONFLICTS, TERRORISM AND INSECURITY

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Abstract

The paper examined Governance in Nigeria, its attendant conflicts, terrorism and insecurity. The paper sets objectives to be pursued in the discourse as to examine the concept of governance; the origin of conflicts in Nigerian governance as well as issues of terrorism and security in the Nigeria nation. In pursuit of the above, the paper examined various issues in the nation's history and expressed disappointment in the Nigeria governance, noting that Nigeria has not toed the fertile ground for stability, unity and security of the country having traced the background to conflicts and terrorism in Nigeria.

The study reveals the various possible causes of conflicts and terrorism in the Nigeria political system which has resulted in the threat to security of the nation since independence. The issue of ethnic supremacy was fingered along other issues responsible for conflicts and terrorism following a carryover from the governance of Uthman Dan Fodio which started in 1804 to conquer Nigeria from the North to the sea in the South. The pursuit of that governance by those wishing to actualize the aspiration was found to have inexorably brought about security invasion in the country. It is the opinion of the paper that anyone or group pursuing the hidden agenda to "Conquer…" the country by destroying the life of others must be anathematized for it.

The paper concluded and recommended that all forms of discrimination among Nigerian citizens should be eliminated in order to create room for national development; no one ethnic group should see itself as being superior to others in the same country; governance must work for the survival, unity, stability, peace and security of the country, among others.

Keywords: Governance, terrorism, conflicts, security, political system, government and citizen.

Introduction

Between 1967 -1970, Nigeria was in the throes of a bitter civil war in the premise that Nigeria may be one. That was the symbol of the war which eventually came to an end in 1970 and was declared a "No Victor, No Vanquished" by those who prosecuted the war.

Those who were in the fore-front of the negotiation for a cease fire then to end the war, advocated for a "United Nigeria that will ensure all forms of security to all citizens" (Cervenka, 1977: 105).

It is no gain saying the fact that Nigeria since independence has really not walked on a fertile ground for peace, unity and security. This arises from the various agitations for control of power of the nation as a result of misplaced priority. In that vein, so many things happened leading to the crises of 1966 which eventually culminated into civil strife, and then of course, the unavoidable war which claimed millions of lives with property destroyed. All the crises was based on the struggle for power which also has a base on the unhealthy amalgamation of the North and South into an entity called Nigeria by the ill-famous administration of Lord Fredrick Lugard in 1914.

The history of the Nigeria political system had been very turbulent leading to several crises in the nation. For instance, the crises the nation experienced in 1966-1970 arose from the 1964-1965 election riots in various sections of the country.

According to the narrations of Tonwe (1995: 383) and (Orobator, 1996: 17), politics during the First Republic was very turbulent. The Western Region during the period was particularly very volatile because the interested parties tried to take advantage of the situation to install their political interests.

Nigeria conducted a federal election full of heavy malpractices with the attempt to place the Northern based Nigerian National Alliance (NNA) party in power in 1964. Then the Western Region elections of 1965 spiraled along the line of the 1964 election placing the West Regional based Nigerian National Democratic Party (NNDP) a junior partner in the NNA alliance as the winner, even though there was a protest from the Southern based United People's Ground Alliance (UPGA) which was a merger of the National Council of Nigeria Citizens (NCNC) and the Action Group (AG). These elections were embroiled with widespread bloody communal riots resulting in the death of several innocent citizens while the Federal Government appeared incapable to quell the crises (Orobator, 1996).

This paper lock into governance in Nigeria: its attendant conflicts, terrorism and security. In pursuit of the above, the objectives of the research are as follows:

1. To define governance,
2. To examine the origin of conflict in Nigeria governance, and
3. To analyse issues of terrorism and security in Nigeria governance.

The Concept of Governance:

Governance according to Webster Dictionary (2001) is the exercise of authority, the giving of a direction and control. Governance is that aspect of politics which aims to formulate and manage the rules of political arena in which state and civil society actors operate and interact to make authoritative decision (Hyden, 1999). In the views of Dozie (1999) governance relates to the totality of the process entailed in the exercise and management of the collective will of a people or group as embodied in the visible organs or constitution of a state.

Oarhe and Aghemelo (2003:379) agreed with Hyden (1999) that governance is synonymous with good government. Erhomosele and Obadare (1996) pepped that the salient trapping of good governance include accountability, predictability, organizational effectiveness and competition.

Good governance, Oarhe and Aghemelo have argued, must guarantee socio-political stability, as well as economic growth of the nation and the well being of the individual citizens.

A good government must not only sustain the stability of the nation, but also the security of her citizens.

Conflicts in Nigeria Governance:

Conflict is the pursuit of incompatible interests and goals by different groups (Francis, 2009). Armed conflict is the resort to the use of force and armed violence in the pursuit of incompatible and particular interests and goals. The worst forms of armed conflict include mass murder and genocide against unarmed civilians (Francis, 2009).

As stated earlier, major conflicts in Nigeria has origin in political struggle to control power through elections. Nigeria is a volatile mix of insecurity, instability, corrupt political institution, poverty and ethnic supremacy. Corrupt political institution and poverty are fertile grounds for conflict and terrorism to thrive.

Governance and Political Conflicts in Nigeria: The Origin

On October 1, 1960 Nigeria gained her independence from the British government. The nationalists in nascent state decided to try their hands in politics to run the country. There were three (3) regional based political parties for the control of the society. The three parties were the National Council of Nigeria and Cameroon (NCNC) headed by Dr. Nnamdi Azikiwe of the Easter region. In the Northern region was the Northern People's Congress (NPC) led by Sir Ahmadu Bello, the Sarduana of Sokoto himself while in the

Western region was the Action Group (AG) led by Chief Obafemi Awolowo.

All the political parties as they were had their political philosophies reflecting their regional beliefs and interests/culture which became a barrier to break through the cultural and geographical boundaries with a view to embracing national feelings, interests and patriotism (Otoghagua, 2007: 49). Sir Ahmadu Bello was protecting the interest and culture of the Northern people. Chief Obafemi Awolowo on the other hand was also defending the Yoruba's interest, the same with Dr. Nnamdi Azikiwe of the Eastern region. Although these parties existed, it was only in form based on their regional philosophies without national interest. Sir Ahmadu Bello who was holding on the political power in the North was an ardent follower and a patriot defender of Utman Danfodio's religious philosophy and Sir Abubakar Tafawa Balewa who also maintained the same faith and belief. These two political gurus in the North were much willing to follow and achieve the philosophy of their master (Utman Danfodio) started in 1804 "to conquer Nigeria from North down to the sea" (Otoghagua, 2007:50) (meaning the South in this respect). Expectedly this type policy and philosophy would certainly incense the minds of the Southerners as a whole. This is the background to all the inflammatory statements heard during politics in Nigeria.

All the inflammatory utterances made by political party members were born out of accumulation from the previous mistrust and resentments from both parties: the NPC and NCNC, build up against each other, especially with readiness of the Nationalists from the Eastern and Western regions demanding for independence from the British government. Under the circumstance, no inflammatory statements were more threatening from both sides of the NPC and NCNC political parties than a statement credited to the organizing secretary of NPC, Malam Yufus Dantfoso, on 20th June, 1960, that "although the NPC and NCNC were running the Federal Government, the NPC does not regard the NCNC as a reliable partner". In this vein he called on the NPC supporters "to prepare for any eventuality" (Otoghagua, 2007: 50).

The above lend credence to the submission that such inflammatory remarks were a carry-over from the spirit of mistrusts and resentments the NPC as a party held against the NCNC party led by Dr. Nnamdi Azikiwe, especially for the roles the Nationalists from Eastern region played which he was a part in the agitation for the British to grant the request for independence to Nigeria even though it was made clear by the North that they were not ready for it.

In view of the above, the partnership entered into between the NPC and NCNC to form government was woven in circumstances of mutual mistrust and resentment between

the members of the parties in the coalition government coupled with the "hostility created by the unfavourable socio-political imbalance in the post independence Nigeria."

This was the position, a situation where the three parties of the NPC and NCNC in coalition government with Action Group in the opposition, were on each other's throat until the collapse of the first republic in 1966 (Otoghagua, 2007:51) and the eventual" war which started in July 1967 and ended on January 1, 1970.

The rest of the republics were not left out of the political skirmishes and conflicts as it were.

For instance, the second republic experienced political violence. According to a report, "in the second republic, politics turned physical, not intellectual, warfare or other means. Political violence was on the increase. There were clashes upon clashes. The NPN against the UPN, NPN against the NPP, and NPN against the GNPP, the NPN being the only recurring decimal in these political battles" (Dele, 1985).

Whereas in the 1979 constitution, section 207 provides inter alia:

> *"No association shall retain, organize, train or equip any person or group of persons for the purpose of enabling them to be employed for the use of display of physical force or coercion in promoting any political objective or interest or in such manner as to arouse reasonable apprehension that they are organized or trained or equipped for that purpose".*

Each party contravened this aspect of the constitution, 1979, as entrenched. For example, each of the parties was having home-groomed army of criminals and thugs being paid by them. These were fully armed and deployed against opponents. There were about four of such armed groups by the parties, namely: Shagari Movement, Okpara Brigade, Jim's Vanguard and Ikemba Front. In the West, there were acts of thuggery and the destruction of lives and property at different locations became the hobby of the youths. In 1965, this was exactly the case. There is no gain saying the fact that the fire of violence was not only carried out in the ancient Oyo but also in Ondo. In the same vein, Akure "was on fire", Owo was not left out as the spark of the crisis which pervaded towns and villages as well.

There were reports of party members of NPN and UPN being burnt to death, houses set ablase. Such dastard acts were carried out by thugs of the prevailing parties, NPN and UPN in the above mentioned places. Beside Oyo, Ondo, Kaduna, Niger was also engulfed in the violence. By the time the Federal Government tried to step up action to curb the situation by banning public gathering as well political meetings and processions in states where violence was most prevalent, great damage had already been done.

Having traced the origin of conflict in Nigeria governance, we shall now proceed to the discourse of terrorism in governance.

Terrorism in Governance

The definition of the term "terrorism" has never been an easy one. It has been as thorny as there have been several attempts to define the word. Till date, there has not been an accepted definition. An attempt to define the term has always met with stiff disagreement as the term was seen in different perspective in the academic circle. Argument about the definition is still raging (Alika and Oviasuyi, 2016). It is perhaps due to the subjective nature the word "terrorism" has been defined, that it became difficult to have a universally accepted meaning of terrorism. As Imobighe (2006) put it:

> *"The word has been treated to various interpretations of the term, so much so, that there is an apparent confusion as to what really constitute terrorism".*

Terrorism as it is, is an act that need to be prevented and that was the reason in 1937 the international community came forth with a convention to prevent and punish acts of terrorism as a crime against humans. With the convention, terrorism was seen as "all criminal acts directed against the state, intended or calculated to create a state of terror in the minds of a particular person or group of persons, or the general public". In defining terrorism proper, the 1937 convention added in its definition of terrorism as "all acts as well as attempts that cause death or bodily harm to heads of state or government, their spouses and other public figures, that cause damage to public property; that endanger the lives of the public; and the deal with arms and ammunition for the commission of any of these offense in any state" (Imobighe, 2006).

Terrorism therefore is an act perpetrated in the sense of imbalance, directed

against the individual person or group of persons in a particular area of a country, or their interest, with a view to causing pains, fear or bodily harm and create panic in the minds of the public, in order to coerce the target to submit to the dictates of the terrorists.

This is what terrorists do to achieve their wish or demand whether at the local, national or international level.

Coming down home in Nigeria, the use of terrorism within the last decade is frightening. The method of carrying out an act of terrorism everywhere is the same. The intention is the same, to achieve a purpose.

In a constitutional democracy such as ours, if we have it, everyone knows that major decisions are made by one-person-one vote under due process. Winners and losers could come from all over the place under designed checks and balances. In a functional democracy, fair-vote losers do not feel like losers and are never likely to lose tempers out of pique at losing as often experienced in Nigeria body politic.

It is expected that maturity and democracy, not conflict or terrorism, are the reason democracy is often chosen as decision-making of best resort for all people as well as for the people in any nation. But Africa-Nigeria is different. Why? In governance, what should occupy the minds of those in the herm of affairs is to focus on the things to do for the people in order to make the people great and happy and not what should divide and kill us.

Sometimes people might think that those in poverty might feel propelled into terrorism but that is not true. Terrorism is sponsored by the affluent in the society not necessarily by those in poverty. Well, it is not yet known what poverty might mean to some people so as to equate it with terrorism. it is possible poverty ridden minds might be used to carry out an act of terrorism, otherwise they do not have the means and resources to do so without sponsorship as in the case of Nigeria.

It is the argument of this paper that what is propelling terrorism in governance in Nigeria of today is nothing but power imbalance. Power is not balanced in Nigeria as it were, but terrorism does not appear to be coming from those in disadvantaged position in the issue of power balancing. Rather it is coming from those in hegemonious position. And it is the hand of Esau (Britain) in the unfair creation of Nigeria. Great Britain created the hegemony we are seeing in the Nigeria of today. Since independence of this country, Britain's attitude toward or in the affairs of Nigeria has been very inimical. It was Britain under Prime Minister Harold Wilson, that fuelled the Nigeria Civil War that ravaged the

country between 1966 – 1970.

As it is reported in Cervenka (1977: 97), Britain supplied the most decisive war weapons valued at £10 million while the war raged with the intention to wipe out a segment of the country. Great Britain is the hand of "Esau" over Nigeria. They refused to put a stop to the war rather they encouraged it.

Let that be said. In the present day Nigeria, we now have the National Assembly comprised of the House of Representatives and the Senate which have the power to decide or preside over issues affecting Nigeria but they appear to be mute over important issues and so Nigeria is boiling with terrorists activities all over. Instead of acting up, they are lining millions and billions of Nairases in their pocket at the detriment of the nation.

This might be the reason for the call for "restructuring" though a thorning issue in Nigeria governance. And that might be the only way out for the country to laugh and not to cry.

One important issue as noted in Alika (2018: 167) is the issue of ethnic supremacy which is strongly responsible for terrorism and the mass killing of innocent and unarmed citizens in the country, a situation where certain ethnic group claimed supremacy over others in the same country. Terrorism in Nigeria as of today, has a semblance of what happened in Europe between 1791 – 1794 usually referred to as "Reign of Terror" during the French Revolution. Jacobin was behind the mass killing of people when he was running the state. The terrorists acts carried out against the citizens was state sponsored. Since Jacobin runs the state, those responsible for the massive killing were never referred to as "terrorists". (Alika, 2004: 23).

Terrorists acts in the present day Nigeria has similarity with the French Revolution of 1791 – 1794 where the state sponsored terrorism waged against the citizens. Those who sponsored acts of terrorism never regard or call it terrorist activities and hence the state by implication, the Federal Government of Nigeria under President (Gen) Mohammadu Buhari (Rtd), refusal to declare Boko Haram and the Herdsmen killers waging acts of terrorism against Nigerian citizens as "terrorist group" though the state had been severally called upon to declare the group "a terrorist group" in the country.

Having placed on record the possible causes of terrorism in Nigeria governance almost a decade ago, the next thing is to shift the discourse to security in governance.

Security in Nigeria Governance

Security is the state of being secure; especially, freedom from danger, risk, care, or apprehension, etc (Webster, 2010). By this definition, we shall proceed to discuss security in Nigeria governance.

Every individual of the Nigerian society is expected to be safe, free from danger of any sort and no life is to be put into risk unnecessarily by any other. The safeguard for life and property in any given nation, is the ability to provide security – through good governance. Good governance guarantee security for all within the nation. Security bothers on care and the alleviation of suffering.

Sometimes security may be seen as a collective responsibility but it is mostly entrusted and thus concentrated in the hands of those elected into governance. Good governance and security go together.

For decades, sustainable peace and security had continued to be elusive in Nigeria governance. Nigeria has experienced civil war; it has severally passed through turbulence of political crises more than any other incidence all because of failed governance or lack of good governance.

Under failed governance anything goes; arms are freely acquired illegally without recourse to law. The proliferation of arms threatens security especially where a segment of the society has the privilege to carry arms while others are precluded to own one. Under the scenario the security of those not privileged to own arms will most certainly be at risk. If government felt the need to grant the privilege to own arms, it should be granted to the whole and not just only a part.

There is no segment of the nation that does not require security. All citizens in the country need protection, of course, they are hungry for security, they are thirsting for security, therefore they should not be starved of this need.

In the face of insecurity confronting the entire nation, security for all should be made paramount in governance of the country. If it is legal for a section of the country to

carry arms, it should be legal too for the rest to do so.

As it is there is a great threat to security in Nigeria. This is observable all over. There is need to eliminate whatever is leading to threat to life by governance. Almost all the constitutions in the world guaranteed right to life, The Bible and the Quran also guaranteed same and respected the sanctity of life. For instance, the Bible says. "Thou shall not kill" (Exodus 20:13); the Quran says. "[Do not] kill (or destroy) yourselves, for verily God hath been to you most merciful if any do that in rancor and injustice, soon shall We cast them into fire…" (Surah IV: 29 – 30).

In the views of Mohammed Abed al-Jabiri and Mohammed Mahmoud El-Imam (1995: 67). "Life is a gift from God to man. It is his right and he is obliged to safeguard its physical and spiritual components. No one is to violate a person's life, either physically or spiritually".

In keeping with the above, Nigeria government must do everything within its power to put a stop to the threat to security of the nation and the individual citizens.

At this point, it is germane to state that a true adherent of Islam does not kill because he tenaciously believe in the Quran injunction. "Do not kill or destroy yourselves" (IV:29). It is also true that he believes in the freedom of belief as it is written:

> *"Let there be no compulsion in religion; truth stands out from error…" (Surah II:256).*

The Holy Quran also stressed that if it were the will of the Lord, all would have believed in the same religion and it states thus:

> *"If it had been thy Lord's will, they would have believed, all who are on earth. Will thou then compel mankind, against their will to believe?" (Surah X:99).*

Mohammed and Mohammed (1995: 68) concluded that "God would have forced them to believe, but as it is He left it a matter of choice".

At this juncture, it would appear inappropriate to compel or force anybody to

convert to Islam or become a Muslim. To do so would strongly be against the spirit and practice of Islam as stated above.

If members of the National Assembly made up of men and women who are strong adherent of the Bible and Quran, are sincere to serve their country Nigeria, they ought to be able to advocate or do something understood to be fair and effective for everyone; something potential to the saving of life and property in the nation. It is yet to be understood, of course, illogical, how we can talk about security without war being outlawed reliably and politics pledged to eliminate everything capable of causing war. As it is today, war drum beat is sounding to the ears of all Nigerians while the Senators and Representatives appear to play the lamedock without doing something to arrest the situation, except those few who are really concerned about Nigeria as their only country and no other.

It is the opinion of this paper that the only way to ensure peace and security without conflicts in Nigerian governance is to have a Federal Government that is responsive to the security need of all citizens. That not being done, security may likely be elusive and evasive.

It is pertinent to ask why National Assembly of this country cannot debate how to restructure politics capable of abolishing certain situations, beliefs and attitudes that threaten all of us equally in this nation? Then let us study, communicate and debate outlawing war squabbles and deal successfully with its causes. Governance must consider this is an era where security must be taken as an imperative and everyone knows the importance of security and how devastating war is. One thing we must realize is that when there is outbreak of war in modern day Nigeria, no one and no place would be spared. So something must be done by those in governance.

Conclusion

Ethnic cleasing or mopping as noticed in the country is embedded in the bad blood and mutual mistrust arising from the past events in the nation. The mistakes of the past should not be allowed to take root as to lead to the disintegration of the nation. Any one or group, therefore in the pursuit of a hidden agenda to "conquer…" others in the same country where the right to life is constitutionally guaranteed as enshrined and also in the Holy Bible and the Holy Quran, must be anathematized for it.

The constitutions of the Federal Republic of Nigeria, 1979 and 1999, particularly section 41(1) and chapter IV, section 42(1) guaranteed the right to life and the freedom to reside in any part of choice within the country, without discrimination. The constitution placed Nigeria as a secular state not to be ruled by a particular religion in the spirit of oneness.

What is experienced in the present day Nigeria is a reversion; a situation where citizens from other states of the federation have been discriminated against as expatriates, killed or maimed, property own destroyed at one point or the other in a country presumed to be one entity. This is also at variance with the spirit to "keep Nigeria one", a reoccurring voice during the civil war. Nigeria can be one if all acts of terrorism and discrimination are eliminated in governance by all means and at all events.

As has been pointed out, terrorism in Nigeria has a semblance of t he 1791 – 1794 "Reign of Terror" in Europe in which Jacobin was in the hem of affairs of running the state. He was behind the mass killings of citizens during the French Revolution. Jacobin sponsored state terrorism against the citizens. The same is assumed in Nigeria of today where much innocent souls have been killed and property destroyed. There is no doubt that the dastard acts of killings in the country is state sponsored. Otherwise how do we explain the government silence over the years against terrorists activities in the country? What has also come to play in the incessant killings of the other citizens of the country is supremacy in race where certain group believed they are superior to others.

Ethnic supremacy is fingered in the acts of terrorism waged against other Nigerian citizens. While the phenomenon lasts, the Federal Government has continued to maintain silence over the killings going on in Nigeria. It is noteworthy that this is being done even at the hills of the call to the Federal Government to declare the killers in Nigeria as "terrorist group". The Federal Government has done nothing to put an end to the uncivilized killings on daily basis.

The silence and the refusal of the Federal Government to declare the killers in the country a "terrorist group" has lend credence to the fact that the whole exercise of terrorist activities in the country appears to mean that it is state sponsored. The irk of the incessant killings witnessed here and there in the country daily, has been responsible for the people calling for restructuring of the country perhaps to the old regional base as an option.

It is pertinent to state that if the current wave of conflicts and acts of terrorism threatening security in the nation continued, perhaps there is one option left, that is, the consequence of disintegration of the central government and the nation as a whole. It is a

known fact generally that the existence of Nigeria as a State has been threatened vehemently and in the process Nigeria is fast becoming a failed State following poor governance. The imperative of the survival of Nigeria lies in good governance and leadership and as such should be pursued vigorously by those in the Nigeria governance.

International Law or the Law of Nations generally recognizes the sovereignty of a State. Sovereignty of a State is respected to the extent that no one State is permitted to intervene in the internal or domestic affairs of another State (Umozurike, 1995: 41). The idea of non-intervention in the internal affairs of a State was a proclamation of the USA during its independence war. This doctrine has since been reflected in the UN Charter. Article 2(7) of the UN Charter indeed for bids intervention in the domestic affairs of a State unless authorized by the UN Security Council. This is fair enough. The question is: should the enforcement or observance of this doctrine be done blindly as to ignore a situation where it is observed that crime against humanity has been committed?

Regardless of the enforcement of this doctrine of non-intervention in domestic affairs of a State and because there are behaviours that are not in conformity to this rule or doctrine, especially acts of terrorism or genocide waged innocent citizens sponsored by the State, there has to be room for prompt intervention where such cases are reported. This is why serious recognition is accorded terrorism and genocide as evil to be rejected and discouraged by the big Powers. Following the rejection of genocide or acts of terrorism, that is why the rights to intervene in the internal or domestic affairs of a State where necessary is important in order to save lives and property from wanton destruction.

In this respect, though Article 2(7) of the UN Charter forbids intervention in the domestic affairs of States, the UN severally witnessed interventions by the big Powers in some States. (Umozurike, 1995: 41) till date where it is appropriate to do so.

In the case of Nigeria, acts of terrorism had been waged against innocent citizens. Genocide had been committed usually regarded in international law as crime against humanity yet no intervention by the big Powers to put an end to it in keeping with the international law. This is why wanton destruction of lives and property has continued in Nigeria. The non-intervention by the big Powers in the Nigeria case is not helping matters because it has created more opportunity for the genocide being committee so far to continue unabated.

In view of the above, the international community is called upon to see genocide committed in Nigeria as a crime against humanity and thus intervene.

Recommendations

In view of the foregoing, the following recommendations are made:

1) All forms of discrimination among Nigerian citizens should be eliminated in order to create room for development of the nation.

2) No one ethnic group should see itself as being superior to others in the same country.

3) Politics of bitterness should be avoided in Nigeria governance.

4) There should be sincerity of purpose in the heats of those in governance of the Nigerian nation.

5) Governance must work for the survival, unity, stability, peace and security of the country.

6) All forms of threats to security of Nigeria should be eliminated in governance.

7. The imperative of the survival of Nigerian nation should be pursued vigorously by those in governance.

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ECOSYSTEM CONTROL AND CAPACITY UTILIZATION OF THE SELECTED AGRO-ALLIED BUSINESSES IN NIGERIA

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Abstract

This study assessed the effect of ecosystem control on the capacity utilization of the selected agro-allied businesses in Nigeria. The researcher adopted survey design. Data were collected by structured questionnaire in Five Point Likert Scale format. The source of data was through primary source. The target population of the study comprised of owners/managers of all agro-allied businesses in North-central, Nigeria. Sample size was derived from the population with the application of Taro Yemane's formula for finite population while Bowley's proportional allocation method was adopted to determine the allocation of questionnaire to each organization. A Cronbach Alpha method was used to determine the reliability of questionnaire. The hypothesis was formulated and tested using Ordinary Least Square Regression and Z-test at .05 level of significance. The findings revealed that ecosystem control have positive effect on the capacity utilization of agro-allied businesses in north central Nigeria. The study concluded that despite the changes in legislation and regulations to protect the environment, Nigeria and various other countries are still facing many environmental problems of climate change, population growth, overflowing landfills, water scarcity, fuel shortages, and water and air pollution. The study recommended that the Nigeria government should strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations; and that ecopreneurs, government and society at large should tap international standard in order to support the phasing-out of products and processes that are known to

contribute to global warming and ozone depletion.

Keywords: ecosystem control, capacity utilization, agro-allied businesses
, agro-allied business

Introduction

Environmental degradation is perhaps the most prominent global issue of the 21st century. Academics, policymakers, non-governmental agencies and governments are all concerned about the increasing levels of land degradation, soil erosion, deforestation, and industrial toxins (Volery, 2012). For a company to have a positive environmental influence it must make a real and substantial contribution to environmental progress. A real improvement can be created only if the production processes, products and services are environmentally superior. A substantial contribution requires that the company exert significant market influence by gaining a large market share or by influencing competitors and other market actors (such as suppliers) to 1 adopt superior environmental solutions. (Ecopreneurs run companies that fulfill both requirement Ideally, ecopreneurship pulls the whole market towards more environmental progress. Ecopreneurs strive for business success through environmental solutions for the mass market. To measure how well a company has •done, the dimensions of ecopreneurship can be further subdivided. The priority of ^environmental goal range from low priority (environmental protection is regarded as a v trustee duty), to medium priority (environmental issues are seen as supplemental to ^conventional business issues) and high priority (environmental issues are regarded as an integral part of core business activities). The market effect of the company and its businesses can be small (i.e. the alternative scene), medium (i.e. the successful occupation of an eco- ipiche) or large (i.e. through a strong influence on the mass market).

Much of the work that has been done to date on ecosystem control and capacity utilization has largely taken the form of anecdotal reports and case study analysis. Large sample studies are needed to demonstrate how ecopreneurship may or may not enhance the innovative ability land performance of organizations. The present study aims to bridge the gap by examining the ^implications of ecopreneurship activities in sustaining innovative performance in a sample of ;selected agro-allied businesses in Nigeria.

‘The business activities of agro-allied businesses in Nigeria are not without some inhibiting problems emanating from their various environmental factors such as land degradation, soil (erosion, deforestation, industrial toxins, ozone depletion, climate change, nuclear radiation, | and the destruction of biodiversity. Today, these problems are posing serious challenges to their operational capabilities, survival and "performances. A cursory analysis of some of these problems prompted the crucial need for embarking on this proposed study. The environment factors in the agro-allied industry' in Nigeria tend to be harsh on indigenous firms and their operational activities nowadays. This has brought such consequences as low productivity, increasing risks, low profitability, and tensed competition, heavy investment on equipment, increased operational cost and high rate of business failures with many other threats.

In Nigeria, many local agric-businesses and small and medium scale enterprises have failed to fully imbibe the spirit of ecopreneurship in order to shun out those products that will be environmentally friendly and socially responsible. Only multinational enterprises have put this issue into concern in their want satisfying operations. Most agriculture related organizations complaint on lack of realistic estimates on how to successfully implement eco Market systems particularly in the area of agricultural related business have adversely affected the environment by failing to deal with negative environmental externalities and undervaluing natural resources, leading to their over-exploitation and depletion. Governments have sought to deal with the problem through a mix of command-and-control and market- based instruments, with limited success. One of the most potent alternatives for dealing with such market failures is ecopreneurship, which refers to a process by which entrepreneurs introduce eco-friendly (or relatively eco-friendlier) products and process into the market place. t is in the light of these problems that this work seeks to examine ecosystem control as a determinant of capacity utilization of agric-allied businesses in Nigeria. The following research questions guided the study: What effect would ecosystem control have on the capacity utilization of agro-allied businesses in Nigeria?

1. Conceptual Framework

Human activities which can also be referred to as marketing activities are inter-related. This is because any activity of man is done on the environment and the resultant effect is either if positive or negative to man. Human activities are diverse. The negative effects of man arise from economic and domestic activities. For instance, agriculture requires pesticides that pollute the atmosphere and enter drainage system via run off and sewers. Other activities which lead to pollution include thermal power stations, burning of fossil fuels, exhaust fumes. All this emit harmful pollutants like sulphur dioxide, carbon fe monoxide, etc, that cause acid rain, global warming, and the malfunctioning of the human 'haemoglobin, etc. Human activities capable of causing| environmental nuisance and the degradation was categorized as: Destructive logging of the forests; Over grazing and over-cropping of arable lands. All these human activities have combined deplete the ear - resources, degrade the environment and cause loss of biodiversity. The environment in which these human activities take place is the outer physical and biological systems in which man and the outer organisms live. Although complicated, there are many interacting components. The environment is the complex of physical, chemical and biotic factors that act upon organisms or an ecological community : and ultimately determines its form and survival. The environment was categorized into air, water, noise, biological, cultural and socio-economic environment. These views are all embracing. However, in a physical sense, The physical environment is made of air, water and land. From all indications, human activities I impinge on the environment, which is noted earlier, may have either positive or negative on man.

However, the positive effects may be well taken by man, but what are of concern are the negative effects especially as it concerns degradation.

Ecological Modernization Theory also provides the rationale for environmental entrepreneurship (Hajer, 1995; Mol, 1955). According to the theory, it is possible to promote economic growth by giving higher priority to the environment. It is no longer necessary to trade off economic growth for environmental quality (Tillery &Young, 2009). The capitalist system is seen as having the capacity to develop sustainable solutions to environmental problems; that capitalist drive for innovation can be harnessed to produce environmental improvements (Beveridge & Guy,2005). According to the environmental problems facing the world today, act as industrial activity and economic development". The theory calls for the modernization of the institutions of modem society. And as Joseph Huber the father of Ecological Modernization Theory sees it, entrepreneurs are the central point of change in that process of transformation to avoid an ecological crisis (Gibbs, 2009: Mol, 1995; Tillery& Young,2009). Entrepreneurial action, therefore, is the best solution to our environmental problems because this new generation of ecopreneurs are seeking to combine environmental awareness and conventional entrepreneurial activity to achieve entrepreneurial success (Anderson, 2008). Ecopreneurs have the potential to be a major force in the overall transition towards a more sustainable business paradigm (Schaper, 2002).

2. Empirical Review

The review of the work done by Oskamp (2000), agreed that the environment do present entrepreneurial opportunities. Despite the changes in legislation and regulations to protect the environment, the United States and various other countries are still facing many environmental problems, e.g., climate change, population growth, overflowing 511s, water scarcity, fuel shortages, and water and air pollution). The study found out that if we are to solve these problems, entrepreneurship is a major part of the answer.

3. **Methodology: Model Specification**

Model specification, the general formula for the Regression Analysis is:

$= a+ \beta x + e$

Where,

Y = Dependent Variable ,

X= Independent Variable

a = constant

β = coefficient of X

e = error margin

Model to be estimated is functionally stated as
CAU " = f(ESC)
This can be stated in econometric form as
CAU=a+ β ESC+e
Where,
CAU= Capacity utilization, ESC=ecosystem control

4. Results and discussions

One-sample statistic

	N	Mean	Standard deviation	Standard error mean
Decision on ecosystem control and Capacity utilization,	309	33.3100	28.34231	5.41121

Source: SPSS analysis of field data

One-sample Z-test: Test value =0

					95% confidence interval of the difference	
	Z	DF	Sig.2-tailed	Mean difference	Lower	Upper
Decision on ecosystem control and Capacity utilization	32.190	698	0.004	33.3100	20.8800	54.1900

Source: SPSS analysis of field data

The Z Value at 32.19 is higher than the critical Z value at 1.96 and therefore the null hypothesis is rejected to accept the alternative hypothesis that ecosystem control would affect the capacity utilization of agro allied businesses in Nigeria. This Z value is significant at 0.004 since it is less than 0.05.

In line with the data analysis, the following are the major summary of findings: Ecosystem control have positive effects on the capacity utilization of agro-allied businesses in north central Nigeria. This work revealed that ecosystem control has positive effect on capacity utilization among agro allied businesses in Nigeria. This shows that there is high positive

impact of ecological control system on the capacity building among agro allied firms. This agrees with the study of Zainab and Shafaat (2015) who were of the opinion that ecological management do not only enhance the scale of operation but also on capacity enhancement in agricultural activities. The study also in consonant with the work of McEwen (2013) who asserts that eco management in competitive agricultural industry facilitates technological exploitation, Cohen and Winn (2007), explained that it builds, transfers and knowledge sharing and assists organizations in enjoying efficiency of operations.

On the contrary, studies such as Hamsa (2014) have questioned the credibility of ecological control by arguing that new scenarios are constantly evolving and uncertainties may be difficult to ascertain. Bhide (2001) has also criticized the ecosystem from the light of natural disaster and global warming issues which are often unexpected, ascertaining that that the application of ecosystem has received much criticisms on the basis that it is highly volatile and subject to environmental disasters. However, despite the pitfalls alluded to the eco management, Mutura, (2016) argued that ecosystem control is still a popular option for enjoying favourable opportunities exploitation in the Nigeria agricultural industry.

5. Conclusion and recommendation

After a critical consideration of the finding and discussions so far, the following

recommendations were offered: The Nigeria government could do much to strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations. It could also take more proactive measures through the state-level cleaner production centres. This will encourage the ecopreneurs to develop more environmentally friendly goods and as well enhance their level of involvement in green product.

Ecopreneurs, government and society at large could tap into international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion. They could also strengthen the consumer movement in the country. Since environmental sustainability promote business growth, it is recommended that agro-allied business needs to build more on their sustainability concerns as it affect agricultural goods

During the next decade, the agro allied business in Nigeria will most certainly be marked by further disaggregation and aggregation due to the described shifts in the sector's value chain. In order to keep their status quo, agro-allied business must consider continued inven-

tion, innovation and creativity as the most viable method to get instant access to industry- or operations-specific knowledge and keep abreast with the pace of technological change. Non-innovative in nature may provide benefits to such firms only in the short term. Therefore, in the long-term an articulated developed ecological friendly innovation will control rival and give firms a sustainable and non-imitable competitive advantage.

Ecopractices must not just be a back-runner us agro-allied organizations anymore. It is the critical aspect of organizational turn-around and must be given its rightful place during policy making and through this process

That ecopreneurs can enjoy the long-run benefits without undue pressures and inconsistencies in Nigerian. Agro firms must therefore engage their managerial team, through training and development to know, understand, and apply, the principles of ecopreneurship practices and ecological management in their daily decision making, especially as it concerns agro-allied operations.

In the final analysis, it is the education of producers, consumers and regulators that will pave the way for a major transformation of agricultural industry. This will stimulate the ecopreneurs to develop more ecoprenerial practices that would not only give them competitive advantage but will also go a long way in developing the sector.

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ENVIRONMENTAL SUSTAINABILITY AND AGRICULTURAL BUSINESS GROWTH OF SELECTED AGRO-ALLIED BUSINESSES IN NIGERIA

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Abstract

The study assessed the effect of environmental sustainability on agricultural business growth of the selected agro-allied businesses in Nigeria. The researcher adopted survey design. Data were collected by structured questionnaire in Five-Point Likert Scale format. The source of data was through primary source. The target population of the study comprised of owners/managers of all agro-allied businesses in North-central, Nigeria. Sample size was derived from the population with the application of Taro Yemane's formula for finite population while Bowley's proportional allocation method was adopted to determine the allocation of questionnaire to each organization. A Cronbach Alpha method was used to determine the reliability of questionnaire. The hypothesis was formulated and tested using Ordinary Least Square Regression and Z-test at .05 level of significance. The findings revealed that environmental sustainability positively affects the agricultural business growth of agro-allied businesses in north central Nigeria. The study concluded that despite the changes in legislation and regulations to protect the environment, Nigeria and various other countries are still facing many environmental problems of climate change, population growth, overflowing landfills, water scarcity, fuel shortages, and water and air pollution.. The study recommended that the Nigeria government should strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations, while the hands of the ecopreneurs, government and society at large should be on deck to tap international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion.

keywords: Environmental sustainability , business growth , agro-allied businesses

1. Introduction

In a market system, sustainable development requires sustainable innovations and entrepreneurs are those who can achieve environmental goals with superior innovations that are successful in the marketplace. Market innovations that drive sustainable development do not occur by accident; they have to be created by leaders who put them into the core of their business activities. Actors and companies making environmental progress in their core business may be called 'ecopreneurs'. They generate new products, services, techniques and organizational modes that substantially reduce environmental impacts quality of life. Companies contribute most to the overall environmental progress of an economy and society if their core business deals with environmental solutions and environmentally superior .products and if their innovations substantially influence the mass market. Traditionally, efforts to address this problem have focused on how and why existing firms can become greener (Cohen & Winn, 2007). These efforts have not led to solving our environmental problems. Schaper (2012) suggested that it is now time to pay attention to the role that entrepreneurs can play in solving environmental problems. Entrepreneurs can contribute to solving environmental problems by , creating new, more environmentally sustainable products and services (Cohen & Winn, 2007; Dean & McMullen, 2007; York &Venkataraman, 2010). Entrepreneurship may be the solution to many of our social and environmental problems and could be the action needed to put us on the path to a more sustainable future (Brown, 2006; Brugmann & Prahalad, 2007). Cohen and Winn (2007) supported the need for entrepreneurial action to solve our environmental problems and ' agreed that "the real gains will only be made by harnessing the innovative potential of entrepreneurs who will develop the innovative business solutions to deal with the environmental challenges.

For a company to have a positive environmental influence it must make a real and substantial contribution to environmental progress. A real improvement can be created only if the production processes, products and services are environmentally superior. A substantial contribution requires that the company exert significant market influence by gaining a large market share or by influencing competitors and other market actors (such as suppliers) to 1 adopt superior environmental solutions. (Ecopreneurs run companies that fulfill both requirement Ideally, ecopreneurship pulls the whole market towards more environmental progress. Ecopreneurs strive for business success through environmental solutions for the mass market. To measure how well a company has •done, the dimensions of ecopreneurship can be further subdivided. The priority of ^environmental goal range from low priority (environmental protection is regarded as a v trustee duty), to medium priority (environmental issues are seen as supplemental to conventional business issues) and high priority (environmental issues are regarded as an integral part of core business activities). The market effect of the company and its businesses can be small (i.e. the alternative scene), medium

(i.e. the successful occupation of an eco- ipiche) or large (i.e. through a strong influence on the mass market).

Much of the work that has been done to date on ecopreneurship and environmental issues has largely taken the form of anecdotal reports and case study analysis. Large sample studies are needed to demonstrate how ecopreneurship may or may not enhance the innovative ability and performance of organizations. The present study aims to bridge the gap by examining the implications of ecopreneurship activities in sustaining innovative performance in a sample of ;selected agro-allied businesses in Nigeria.

The business activities of agro-allied businesses in Nigeria are not without some inhibiting problems emanating from their various environmental factors such as land degradation, soil (erosion, deforestation, industrial toxins, ozone depletion, climate change, nuclear radiation, | and the destruction of biodiversity. Today, these problems are posing serious challenges to their operational capabilities, survival and "performances. A cursory analysis of some of these problems prompted the crucial need for embarking on this proposed study. The environment factors in the agro-allied industry' in Nigeria tend to be harsh on indigenous firms and their operational activities nowadays. This has brought such consequences as low productivity, increasing risks, low profitability, and tensed competition, heavy investment on equipment, increased operational cost and high rate of business failures with many other threats.

In Nigeria, many local agric-businesses and small and medium scale enterprises have failed to fully imbibe the spirit of ecopreneurship in order to shun out those products that will be environmentally friendly and socially responsible. Only multinational enterprises have put **this issue** into concern in their want satisfying operations. Most agriculture related organizations complaint on lack of realistic estimates on how to successfully implement eco Market systems particularly in the area of agricultural related business have adversely affected the environment by failing to deal with negative environmental externalities and undervaluing natural resources, leading to their over-exploitation and depletion. Governments have sought to deal with the problem through a mix of command-and-control and market- based instruments, with limited success. One of the most potent alternatives for dealing with such market failures is ecopreneurship, which refers to a process by which entrepreneurs introduce eco-friendly (or relatively eco-friendlier) products and process into the market place.

It is in the light of these problems that this work seeks to examine ecopreneurship practices as a determinant of innovative performance of agric-allied businesses in Nigeria. The following research questions guided the study: What influence will environmental sustainability have on agricultural business growth?

Conceptual Framework

There are several definitions of the term" Sustainability". While some have defined sustainability in relation to the ability of man to preserve the available natural resources and not over use the resources in a way that will be deficient in the future, others have defined it in relation to policy making. But the definition given by the UN commission in Economics Development in its 1987 Brudt land report seems to be generally acceptable. In its report titled *our common future*, Sustainability is defined as that which "meets the needs of the present without compromising the ability of the future generation to meet their own goals."

Although, some writers have found this definition to be problematic yet, most believed that it meets most aspects of sustainability in its wild applications. In his critique of the UN definition, Taylor (2002), argued that it is often difficult to determine the future needs of people in the next generation which may be the needs of people today. He further added that the way the developed countries view the concepts of needs is completely different from the views of that of the developing countries. However, even though the UN definition of sustainability may have raised some controversies, it still covers the two fundamental issues, the pressing problem of environmental degradation that result from economic growth, and the need for such growth to lighten poverty in the society.

Human activities which can also be referred to as marketing activities are inter-related. This is because any activity of man is done on the environment and the resultant effect is either if positive or negative to man. Human activities are diverse. Negative effects of man arise from economic and domestic activities. For instance, agriculture requires pesticides that pollute the atmosphere and enter drainage system via run off and sewers. Other activities which lead to pollution include thermal power stations, burning of fossil fuels, exhaust fumes. All this emit harmful pollutants like sulphur dioxide, carbon fe monoxide, etc, that cause acid rain, global warming, and the malfunctioning of the human 'haemoglobin, etc. Human activities capable of causing environmental nuisance and the degradation can be categorized as: Destructive logging of the forests; Over grazing and over-cropping of arable lands . All these human activities have combined deplete the ear - resources, degrade the environment and cause loss of biodiversity The environment in which these human activities take place is the outer physical and biological systems in which man and the outer organisms live. Although complicated, there are many interacting components .Environment is the complex of physical, chemical and biotic factors that act upon organisms or an ecological community: and ultimately determines its fonn and survival. The environment is categorized into air, water, noise, biological, cultural and socio-economic environment. These views are all embracing. However, in a physical sense, the physical

environment is made of air, water and land. From all indications, human activities I impinge on the environment, which is noted earlier, may have either positive or negative on man. However, the positive effects may be well taken by man, but what are of concern are the negative effects especially as it concerns degradation.

Growth is an important phenomenon in small enterprises. In fact, their survival essentially depends on their power to participate in the market with other big companies. Growth decreases the possibility of closing small businesses. Strengthening is important not merely for the enterprises and their owners but for all stakeholders since *these companies* thrust forward the economy by underscoring diversity of products and *services.* The growth phenomenon of small enterprises had beer, widely analyzed within entrepreneurship. One motive is that most fail to expand during their life span and small businesses retrain from growing. Some enterprises do not desire growth and others desire slow growth. Growth is the product of an internal process in the development of an enterprise and an increase in quality and/or expansion. “Growth is defined as a change in size during a determined time span” A company's growth is essentially the result of expansion of demands for products or services. “It first results in a growth in sales and consequently in investments in additional production factors to adapt itself to new demands”. Entrepreneurs' ideas on growth are listed as: increase in sales, increase in the number of employees, increase in profit, increase in assets, increase in the firm's value and internal development. Internal development: comprises development of competences, organizational practices in efficiency and the establishment of professional sales process. This was the most important index for entrepreneurs that participated in the research. However, increase in the number of employees was not necessarily considered a sign of growth.

Growth may be related to new markets, especially in the case of technology firms, with reference to diversification. Another type of growth may be related to the combination of market-product .Growth is geographical expansion, increase in the number of branches, inclusion of new markets and clients, increase in the number of products and services, fusions and acquisitions”. According to these authors, growth is above all a consequence of certain dynamics built by the entrepreneurs to construct and reconstruct constantly, based on the assessment made on their firms and on the market. Entrepreneurs are not the sole vectors since there are many other agents involved, such as clients, kin, suppliers and others. In fact, growth is a “socially constructed factor” .Frontier progress in the milieu or expansion is the product of a constant dynamism since growth intentions change as a result of constant evaluations and re- evaluations that entrepreneurs make as agents. It may result in the displacement of the firm to another place and in fixing itself in the same place. It is the “growth dilemma” full of risks. It is easier to investigate the antecedent factors that affect growth and the consequences of growth (Leitch, 2010) and more difficult to investigate

growth dynamics or the manner firms grow (Mckelvie&Wiklund, 2010).

Four theories are best suited for this study. They are discussed in Schumpeterian Theory**.** This provides the theoretical basis for environmental entrepreneurship. According to Schumpter (1942), entrepreneurs are the innovators and as society's needs evolve the | entrepreneur provides the innovation or "creative destruction" that gives society a new way of addressing problems. He argued that "environmental problems are inherently calls for' innovation, as most of them are caused by the outdated applications of old, polluting and inefficient technology". Given that the current solutions to our environmental problems are inadequate for sustainability, there is need for entrepreneurial action to develop something new, whether it is a production method, technological development, product/service distribution system, or even a new organizational form (Lennox & York, 2011; Tillery& Young, 2009).

2. **Empirical Review**

On our review of the work done by Oskamp (2000), he agreed that environmental demands do represent entrepreneurial opportunities. Despite the changes in legislation and regulations to protect the environment, the United States and various other countries are still facing many environmental problems, e.g., climate change, population growth, over flooding, water scarcity, fuel shortages, and water and air pollution). The study found out that if we are to solve these problems, entrepreneurship is a major part of the answer.

Deyan and Omolekan (2015) conducted a study on the relevance of green marketing on environmental degradation. The study empirically examined the effect of green marketing on environmental degradation. The study employed the non-experimental research method and the data gathered for the study were analyzed. The study revealed that 80% of the consumers of products prefer products which are recyclable, reusable, and biodegradable, produce with

Zainab and Shafaat (2015) carried out a study on "Green activities: Environmental concern and customer satisfaction". The study empirically examined the level of awareness of green issues and whether green products are fulfilling their needs apart from benefiting their living environment and to create awareness about green products and green marketing. The imitative research technique was employed in the study and the questionnaire method adopted. The study revealed that green marketing is helping to save the environment. That product with green features plays a significant role in helping to save the environment. The Study also showed that using green products can help to reduce environmental problems. The study recommends that; companies should be transparent in describing what they are

actually doing for green marketing and their policy should be consistent with their work about environmental friendliness. Furthermore, government should develop policies to take strict f actions against those companies that produce products that are harmful to the environment. A work titled 'Impact of Innovation and Managing Technology Based Business for entrepreneurs' conducted by Hamsa (2010), explains that technological innovation and entrepreneurship embraces mainly two areas: the organization, development, and commercialization of technology-based innovation in existing firms; and the formation, development, and growth of technology-based new enterprises. Technology and innovation"businesses also cover a wide range of industries. These businesses may focus on activities such as researching and developing new products or providing innovative solutions to existing processes. This paper highlights problems faced by the entrepreneurs globally with regard to businesses to stimulate technological innovation and strengthen the role of small business in meeting research and development needs and increase business participation in this role. This is a qualitative paper and its study is based on the Secondary Data collected torn different sources. A work conducted by Mutura, Nyairo, Mwangi and Wambugu (2016), titled 'Analysis of Determinants of eco-systems among Firms in Lower Central Kenya', The study analyzed the determinants of eco-practices among small holder of dairy farmers in Lower Central Kenya and discover that such practices lead to high gross margins, influences choice of marketing channel and improves market participation, encouraging commercialization of dairy smallholder farming. A logit regression model was used to determine the likelihood of a household to introduce eco-practices in its dairy enterprise. A multistage sampling technique was used, and data was collected from 288 small holder dairy farmers in Kiambu County. Processing and analysis of the survey data were carried out using SPSS version 20 and STATA version 12. Fixed investment cost, storage type, milk cost share, the percentage of milk sold and dairy enterprise turnover were hypothesized to be key factors in explaining a household's likelihood to eco-practices into its dairy enterprise. An increase in total fixed investments, turnover and volume of output contribute to the probability of a household integrating vertically. The paper recommends that farmers should establish and strengthen existing associations and practices ecological activities more than before.

Significant premiums were found for a food processor and restaurant vertical integration or diversification strategies. Significant discounts were found for food wholesaler and retail supermarket integration or diversification strategies. Food processors were found to be involved toward retail supermarkets during this time period.

3. **Methodology: Model Specification**

Model specification, the general formula for the Regression Analysis is:

$Y= a+ \beta X + e$

where;

Y = Dependent Variable , X=Independent Variable

a = constant

β = coefficient of X

e = error margin

Model to be estimated is functionally stated as

ABG = f(EST)

This can be stated in econometric form as

$ABG=a+\beta EST+e$

where,

ABG = agricultural business growth

EST= environmental sustainability

4. Results and discussions

One-sample statistic

Model	R	R square	Adjusted R square	Standard error of estimate
1	0.813a	0.724	0.823	30.11122

A Predictors□constant), Environmental sustainability

ANOVA[b]

Model	Sum of square	DF	Mean square	F	Sig
Regression	22122.051	1	22122,051	16.122	0.001a
Residual	2533.149	339	1372.335		
Total	24655.200	340			

a. Predictors (constant), Environmental sustainability

b. Dependent variable: agricultural business growth

The above table revealed a F-value of 16.122. This interprets that the F-value is higher than the F-critical value of 1.698. This is because the decision rule says reject Ho if the calculated value of F is higher than the critical value and vice versa. Hence, we reject null hypothesis (Ho) to accept the alternative hypothesis that environmental sustainability affects agricultural business growth in Nigeria.The F value is significant at 0.001 because the value is more than 0.05. The R square at 0.724 shows that agricultural business growth accounted for 72.4% increase in the environmental sustainability of agro-allied businesses in Nigeria. Ho: The Z-value is significant .in line with the data analysis, the following are the major summary of findings: The environmental sustainability positively affect the agricultural business growth.

This finding shows that by being environmentally-friendly,agro-allied business have the chances of enjoying continued growth. This supports the work of Jone and Miskell(2007), who postulated that there is a considerable evidence for pursuing sustainability suppoet in business activities. Although, many sometimes may not be welcome by the publics, because of lack of adequate orientation, this nevertheless does not jeorpadise the benefits associated with it. The study of Mutura, nyairo , Nwangi and Wambugu (2016) in support of the work of Mamman,Aminu and Adah(2013)also showed that business organization can lean on sustainability to enjoy favourable word of mouth from people. The findings also supported Zainab and Shafaat (2015) results which revealed that environmental friendly activities are best tactics to maximizing and building a business in a highly competitive industry.

On the other hand, Roller and Stahl (2012) argued that environmental sustainability may not necessarily have effect on performance and firms may end up presenting a production cost schedule in negative light, considering the conceived potential uncertainties associated with negative societal perception on ecoactivity. Further, our result diverges from the out-

come of Dorsey and boland (2009) who explained that environmental sustainability has nothing to do with the firm's growth.

5. Conclusion and recommendation

After a critical consideration of the finding: and discussions so far, the following recommendations were offered: The Nigeria government could do much to strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations. It could also take more proactive measures through the state-level cleaner production centre. This will encourage the ecopreneurs to develop more environmentally friendly goods and as well enhance their level of involvement in green product.

Ecopreneurs, government and society at large could tap into international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion. They could also strengthen the consumer movement in the country. Since environmental sustainability promote business growth, it is recommended that agro-allied business needs to build more on their sustainability concerns as it affect agricultural goods

During the next decade, the agro allied business in Nigeria will most certainly be marked by further disaggregation and reaggregation due to the described shifts in the sector's value chain. In order to keep their status quo, agro-allied business must consider continued invention, innovation and creativity as the most viable method to get instant access to industry- or operations-specific knowledge and keep abreast with the pace of technological change. Non-innovative in nature may provide benefits to such firms only in the short term. Therefore, in the long-term an articulated developed ecological friendly innovation will control rival and give firms a sustainable and non-imitable competitive advantage.

Ecopractices must not just be a back-runner in agro-allied organizations anymore. It is the critical aspect of organizational turnaround and must be given its rightful place during policy making and through this process that ecopreneurs can enjoy the long-run benefits without undue pressures and inconsistencies in Nigerian. Agro firms must therefore engage their managerial team, through training and development to know, understand, and apply, the principles of ecopreneurship practices and ecological management in their daily decision making, especially as it concerns agro-allied operations.

In the final analysis, it is the education of producers, consumers and regulators that will

pave the way for a major transformation of agricultural industry. This will stimulate the ecopreneurs to develop more ecoprenerial practices that would not only give them competitive advantage but will also go a long way in developing the sector.

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GREEN AGRICULTURAL PRODUCTS AND CONTINUED SURVIVAL OF THE SELECTED AGRO-ALLIED BUSINESSES IN NIGERIA

G. Uwaleke (KSsU), E.A. Dangana (KSU), Faruna, Omaye Stephen (KSU), & Ahmed Shehu Awak (KIU)

Abstract

The study examined the effect of green agricultural products on the continued survival of the selected agro-allied businesses in Nigeria. The researcher adopted survey design. Data were collected by structured questionnaire in Five Point Likert Scale format. The source of data was through primary source. The target population of the study comprised of owners/managers of all agro-allied businesses in North-central, Nigeria. Sample size was derived from the population with the application of Taro Yemane's formula for finite population while Bowley's proportional allocation method was adopted to determine the allocation of questionnaire to each organization. A Cronbach Alpha method was used to determine the reliability of questionnaire. The hypotheses were formulated and tested using Ordinary Least Square Regression and Z-test at .05 level of significance. The findings revealed that green agricultural products have significant effect on the continued survival of agro-allied businesses in north central Nigeria. The study concluded that despite the changes in legislation and regulations to protect the environment, Nigeria and various other countries are still facing many environmental problems of climate change, population growth, overflowing landfills, water scarcity, fuel shortages, and water and air pollution.. The study recommended that the Nigeria government should strengthen external forces, especially with respect to establishing national standards for the quality of environment and the implementation of these regulations and that ecopreneurs, government and society at large should tap international standard in order to support the phasing-out of products and processes that are known to contribute to global warming and ozone depletion.

Keywords: green agricultural products, businesses survival, agro-allied businesses.

1. Introduction

The business activities of agro-allied business in Nigeria are not without some inhibiting problems emanating from their various environmental factors. Today, these problems are posing so many challenges to their operational capability survival and performance. A cursory analysis of some of these problems prompted the crucial need for embarking on this proposed study. The environmental factors on the agro-allied industry in Nigeria tend to be harsh on indigenous firms and their operational activities nowadays. This has brought such consequences as how productivity increasing risks, low profitability and tensed competition, heavy investment on equipment, increased operational cost and the rate of business failures with many other threats.

In Nigeria, many local agro-business and small and medium scale entrepreneurs have failed to fully enable the spirit of entrepreneurship in order to shun out those products that will be environmentally friendly and socially responsible. Only multi-national entrepreneurs have put this issue into concern in their want satisfying operations. Most agro-related organizations sustainable complaint on lack of realistic estimates on how to successfully implement ecopreneurs. Market systems particularly in the areas of agric related business have adversely affected the environment by facing to deal with negative environment external and under valuing natural resource, leading to their one exploitation and depletion gents have sought to deal with the problem through a mix of command and control and market based internal with limited success, one of the most recent allegations for dealing with such market failures is ecopreneurial practice of green product management, which refers to a process by which entrepreneurs introduce eco-friendly for relatively products and process into the market place. It is in the light of these problems that this work seeks to examine ecopreneurship practices as determinants of innovative performance of agro-allied businesses in Nigeria. The following research questions guided the study: What effect would green agricultural products have on the continued survival of agro-allied businesses in Nigeria?

2. Conceptual framework

Green products are recyclable, reversible. Product, produced with natural ingredients and contains, non-toxic chemical. They are referred to as environmentally friendly (Muturasu, 2014), green products are those products whose function and ideas with the process of material retrieval, production, sales, utilization, reduced pollination and waste treatment available or recycling, reduced pollination and energy saving in the opinion of chain (2012),green product development address environs using t product design and innovation Green products have also been described as product that claim to offer an environmental benefit. (terra choice 2010). Example of green product are building materials furnishing, consumer products electronics, washing machines, air conditioner, fridge, heath care prod-

ucts, organic and green foods (Tumon 2009, Wikipedia, 2015).

Durif (2010) also argued that green products can be referred to as environmental products .Green products are products with attentive designs such that less physical reasons are required during its life cycle i.e. products manufactured through green technology and causes no environmental hazards. Promotions of green products are necessary for conservation of natural resource and sustainable development. The following are faction that implies organization to go green: social responsibility, competitive advantage consumer awareness, government pressure and cost reduction.

Best (2009) noted business survival increases as market share index corporate image, promotional index, innovations, competitive advantage business opportunities, dimension, productivities and ecopreneurship.

The four theories best suited for this study are; Schumpeterian theory, ecological modernization theory, social change theory, theory of technology and social change. The Schumpeterian theory of Schumpter (1942) provides the theoretical bases for environmental entrepreneurship. The proponent behaves that entrepreneurs are the innovators and as society needs evolve the entrepreneurs provides the innovation or creative declaration that gives society a new way of addressing problems. He answered that environmental problems inherently calls for innovation, as canceled by the out dated application of old, pollution and ineffective technology. Given that the current solution to our environmental problems are inadequate for sustainability, these is need for entrepreneurial action to develop something new, whether it is a production method, technological development, product service distribution system or even a new organ form (Lennox and York 2011).

The ecological modernization theory of Hajar (1995) and Mol (1995)also provides the rationale for environmental entrepreneurs and state that is possible to promote economic growth by giving his/her promptly to the environment, according to Tilley and Young (2009), it is no longer necessary to trade-off econ growth. The capitalize system is seen as having the capacity to develop sustainable solution to environmental problems, that capitalist drive for innovation can be harnessed to produce environmental improvements (Beveridge and Gluy 2005). They argued that the environmental problem facing the world today, act as a driving force for future industrial activity and economic development. The theory calls for the progressive modernization of the institution f modern society. Gibbs (2009) observed that entrainment is the central assent of change in that process of transportation to avoid an ecological crisis. Anderson (2008) said entrepreneurial action is the best solution to our environmental problems because this new generation of entrepreneurs are seeking to combine environmental awareness and environmental entrepreneurship activity to achieve

entrepreneurs ,hence the potential to be a major force in the overall transaction towards a more sustainable business paradism (scheper 2002).

The social change theory of Veblem: Thorgteinpounde (1967) is a essentially a technological theorem of history. The proponents behave that the society state of the industrial arts i.e the availability of determines the character of such society, culture investigation was the mothers of necessity.

The theory of technology and social change of Bernard and Pelto (1987) was built around the assumption that the pressure of human activities would optimize personal resound, access to sexual activity and satisfaction of others basic psychological activities exit at all ,were sustained under the exert for personal gain . Here the advantage of new technology gives nu to behavoural and culture change in the society

3. Empirical review

Gbadeyan and Omoke (2015) conducted a study on the relevance of green marketing on environmental degradation. The study empirically examined the effect of green marketing on environs degradation.

Zainab and Shafaac (2015) carried out a study on green activities environmental concern and customer satisfaction. The study empirically examines the level of awareness of green issues and whether green product is fully that their needs apart from benefiting their living environ and to create awareness about green products and green marketing. The quantitative research technique was employed in the study and the questioner method adopted. The study revealed that green marketing is helping to save the environment, that product with green features plays a significant role in helping to save the environs. The study also showed that using green products can help to reduce environmental problems the study recommends that compensates should be transparent in deseeding what they are actually along for green marketing and their problem should be consistent with the work about environmental friendliness. Furthermore government should develop polices to take straight actions against those companies tat produce products that are harmful to the environment. Dirsen and Doland (2009) under took a work on the impact of green product on food business firm value. The study analyses whether an image binding strategies in food processing wholesale grocery an retail supermarkets and restaurants. The study used progression. Food processors were found to be involved toward retail supermarket during this time period.

4. Methodology: Model Specification

Model specification, the general formula for the Regression Analysis is:

$Y= a+ \beta X + e$.

where;

Y = Dependent Variable, X=Independent Variable

a =constant

β =coefficient of X

e =error margin

Model to be estimated is functionally stated as

COS = f(GAP)

This can be stated in econometric form as

COS=a+βGAP+e

Where,

COS= continued survival,

GAP= green agricultural products

5. Results and discussions

Ho: green agricultural products have no effect on the continued survival of agro-allied businesses in Nigeria.

One-sample statistic

	N	Mean	Standard deviation	Standard error mean

Decision on green product and survival	309	28.4100	22.12101	4.91221

Source: SPSS analysis of field data

The analysis in the above table revealed the grand mean of 28.41 and standard deviation of 22.12.

One-sample Z-test: Test value =0

					95% confidence interval of the difference	
	Z	DF	Sig.2-tailed	Mean difference	Lower	Upper
Decision on green product and Survival	27.910	308	0.003	28.4100	17.7400	46.1500

Source: SPSS analysis of field data

The Z-value at 27.91 is higher than the Z critical value of 1.96. This reject Ho if the calculated value of Z is higher than the critical value and vice versa. Hence, we reject null hypothesis to accept the alternative hypothesis that green agricultural products have effect on the continued survival of agro-allied businesses in Nigeria. The Z-value is significant at 0.004 for it is less than 0.05. In line with the data analysis, the following are the major summary of findings: Green agricultural products have significant effect on the continued survival of agro- allies businesses in north central Nigeria. This result is in consonance with the findings of Cohen and Winn (2007) .Gbadeyan and Omolean (2015) Oskamp (2000), and Mutura, and Wambusu 2016 and conversely contended by Jonas and Miskel (2007) Hamsa (2010).

Cohan Anwenn (2007) supported this findings suggested that the making of an effective environmentally friendly goods have a multiple object on both the performance of business and t main stimulate to finding is also in line with the work to Gbaayan and Omocekan 2015 who asserted that the making of the green product for the society so long way in contributing to the continued Opperation of firm in turbulent environment and it has implica-

tions for the development t of business growth in the shake of uncertainties. It also confirmed he findings of Oskemp (2000) as well as Mutura, Nyairo, Mwamge and Wambugu (2016) which showed that the business creation of green seeds allows such organizations to build on their internal competences and reliability. This shows that a good number of literature such as the studies stated above have clearly established a relationship between GNP and Organizational survival of a firm.

Conversely, Jonas and Miskell (2007) supported by William (2010) have contended that green products may not necessarily determine operational capabilities of any organization. This is so because to Hamas (2010) green products are not strategies derivation to consider in some situation

6. Conclusion and Recommendation

Based on the reviewed literature, most researchers agree that environmental problems also present entrepreneurs opportunities. Despite the changes in legislation and regulations to protect the environment, many countries are still facing many environmental problem of climate change, population growth overflowing land full, water scarcity, fuel shortage, and water and air pollination. If we are to solve these problems, Ecopreneurship practice of green products management is a major part of the answer.

Theoretically, te existence of ecopreneurship practice can trigger change and promote eco preneurship. However, whether such change can be sustained over longer period of time will depend on the support gained from key forces most especially the government and society at large. In the case of Nigeria, we find five activities strong amongst to bring above change namely: the green product, creation and environmental practice, and to lesser extent the ecosystem control and environmental sustainability.

However, as of now, the competitive and economic advantage of sowing green are not very strong and hence it may take some time for ecological values to express themselves in the agricultural business arena. At the grass root level, where economic states are not very harsh, expression of such value seem to be less inhibited, a situation that also applies to the upper end of agricultural sector and industry, where large industrial houses and multinational have to meet international standards to remain competitive for the buck of ……. small and medium sized agro-allied firms.

After a critical consideration of findings and the discussions so far, the following recommendation were offered: The Nigerian Government should do more to strengthen extend

forces with respect to establishing national standard for the quality of environment and the implementation of these regulations. It can take more progressive measures through the state-level cleaner production the eco preneurs to develop more environmentally friendly goods and as well enhance their level in green product. Eco preneurship, government and society at large should tap into international standard in order of products and process that are known to contribute to global warming and ozone layer depletion. They should also strengthen the country, since environmental sustainability produce business growth, it is recommended that agro-allied business needs to build more on their sustainability concerns as it affect Agricultural goods.

During the next decade, the Agro-allied business in Nigeria will most certainly be marked by further as aggregation and reaggregation due to the described sips in the section vaue chain. In order to keep their status quo, largo-allied businesses most consider continued intervention, innovation and creativity as the most raced method to get instantly access to industry or operation specific knowledge and keep abreast with the pace of technical change. Non-innovative in nature man provide benefits to such firms only in the short term. Therefore, in the long run, an articulated developed, enclosed friendly innovation will control rival and give firm a sustainable and non-initiable competitive advantage.

Eco preneurship must not be a back-runner in agro-allied organizations anymore. It is the most control aspect of organizational turn around and most be given to institute during policymaking and strategic decisions. It is only through this process that ecopreneurs can enjoy the long run benefits without undue pressure and inconsistency in Nigeria. Agro-terms must therefore engage their managerial team through tracing and development to know, understand and apply the principles of ecopreneurship practice and ecological management in their daily decision making, especially as it concerns agro-allied operations.

In the final analysis, it is the education of producers, consumers and regulators that will pave the way for a major transformation of agricultural industry. This will stimulate the ecopreneurs to develop more ecopreneurial practices that would not only give them competitive advantage but will go a long way in developing the sector.

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FOREIGN PORTFOLIO INVESTMENT AND STOCK MARKET PERFORMANCE IN NIGERIA

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Abstract

The study investigated the effect of foreign portfolio investment on the performance of the stock market in Nigeria. The study made use of annual data spanning a period of 1986 and 2016.The data were analysed using multiple regression analysis, augmented dickey fuller of unit root test, Cointegration test and error correction model. The study revealed that foreign portfolio investment has a negative but insignificant effect on the performance of the stock market. It was recommended that government should put facilities in place to lure more foreign portfolio investors, since it is very glaring that it boosts the economy and makes stock market more robust.

Keywords: Foreign portfolio investment, all share indexes, foreign direct investment.

Introduction

Capital inflow is the movement of capital resources in to a country for the purpose of investment, trade or business production. Global flows to Africa have increased rapidly since 1990s for all types of private investment and capital. Financial liberalization whose key factor is free movement of capital has been experienced in the last decade. In following years there has been a growing interest among researchers in the examination of effect of foreign investor transactions on emerging stock markets. Reason behind that interest could be the view which associates foreign investor transactions and financial crises for emerging markets. According to proponents of this view, foreign investor transactions lead emerging markets to become destabilized and expose them to financial crises.

Thus, many African countries are trying to attract private capital flows. With regards to the economic weight of African countries, net private capital flows remain high. Contrary to popular beliefs, bilateral donors and international institutions are no longer the main source of funding (capitals flows and transfer included) of investment and growth (Sayeh, 2011). With the increase of private investment on equity returns and economic growth in African countries hosting major stock markets?

Foreign investment flows are important to nations that are recipients of these flows as they have an opportunity to benefit from less expensive modes of financing. Nevertheless, they intensify a country's susceptibility to global economic meltdown which occurs during spontaneous reversals in foreign investment flows. The economic crisis of the 1980s, Latin American and the association of Southeast Asian Nations in the 1990s and Argentina in 2001-02, are examples of the adverse effects resulting from uncertainties in foreign portfolio flows (Chen and Quang, 2012). Although the economic turmoil in the united states of America (U.S.A) and some parts of the group of European nations in 2008-2009 may have been agitated on many issues such as bank failures, property bubbles and government fiscal deficit, the crises were transmitted to other nations through financial intermediaries. The meltdown in these advanced economies that were believed to be resilent exposed the vulnerability of developing countries that depended on foreign inflows and the global financial system as a whole.

Foreign capital brings credit, knowledge, and discipline to the host countries, which are thought to be essential for economic growth. In addition, access to foreign funds can enhance capital allocation efficiency and productivity, and thus growth in recipient countries (Ahmed and Zlate, 2014). Yet, a number of recent studies argue against such and the other positive benefits of capital inflows. For example, capital inflows can cause a transfer of economic resources from tradable to non tradable sectors, which are often subject to slow productivity growth (Benigno and Fornaro, 2014; Reis2013). In addition, episodes of large

capital inflows increase the possibility of a sudden stop which hurt economic performance (Calvo and Reinhart, 2000) and may trigger a shift of capital and labour out of the manufacturing sector to non manufacturing sectors (Beningo converse and Fornaro, (2015). All in all, the jury is still out on whether capital inflows are associated with better economic growth performance.

A close survey of the Nigeria economy indicates that Nigeria has recorded the trade imbalances in most fiscal years, indicating that total payments surpassed total receipts in relation to total imports and total exports. Overall balance of payments became worse in 1999, 2002 and 2008 mostly because of increased outflow from capital accounts (CBN, 2009). Most of the capital outflow must be attributed to increased importation, declining exports mainly non-oil subsector and particular due to external debt servicing required in meeting up with resource gaps. Essien and Onvioduokit (1999) and Ariyo (1999) described debt servicing and reserave creation as fluctuating variables that create dependence on foreign capital the flows into Nigeria through foreign investors' transactions. Investment inflows are a broad term which foreign direct investment (FDI) and foreign portfolio investment (FPI).

Portfolio investment is a recent phenomenon in Nigeria. Up to the mid-1980s, Nigeria did not record any figure on portfolio investment (inflow or outflow) in her balance of payment account. The nil return on the inflow column the account is attributable to absence of foreign portfolio investors in the Nigerian economy. This is largely because of non-internalization of the country's money and capital market as well as nondisclosure of information on the portfolio investments in foreign capital /money markets. Following a careful review of consequences of the Exchange Control Act of 1962 on the economy, after some 33years of its operation, Nigerian authorities came to the conclusion that the Act had not brought the economy any substantial benefits. The Act was judged inimical to a market driven economy. While equity trickled into Nigeria as a result of the Exchange Control Act of 1962, portfolio investments dried up, because portfolio investment required an investment climate, which guarantees speedy free entry and free exit of investment funds into and out of the country in a flash. The investment climate in Nigeria engineered by the Exchange control Act of 1962 did not guarantee the speedy mobility of funds across borders. It took the authorities more than three decades to realize that protection of the economy in a world striving to dismantle economic frontiers had not paid off., and that the capital market being the major player in the mobilization of funds for investment has to be liberalized and modernized to enable it capture enough resources for the economy from within and from outside. The Exchange control Act of 1962 was identified as a major constraint on the growth of the Nigeria capital market. Accordingly, the Act was blown away with gale force in 1995,by the strong wind of deregulation which swept across the Nigerian macroeconomic arena from the beginning of the last quarter of 1986 (Onoh, 2002). The deregula-

tions of the securities pricing by SEC in 1993, the abolition in 1995 and the reorganization of the Nigerian stock Exchange to make more dynamic and mobile in the provision of adequate liquidity of investment bring up the operation of the Exchange to international standard and attract foreign portfolio investors. Accordingly, FGN in March 1996 set up a panel on the Nigeria stock Exchange and the panels term of reference include the reorganization of the Nigerian stock Exchange to make it more dynamic.; to recommend ways for modernizing the Exchange to bring it to international standard and to make other recommendations, which in the view of the panel, would strengthen the operation of the Exchange, and position it to deal with the domestic and international capital market challenges to the coming millennium(Onoh,2002).

Every investor wants to get better returns from investment .there are many investment opportunities around the globe, investment in stock market is one of them. The return on investment in stock market depends on various factors, the precise number of those factors is not known yet. All share index is mostly used to determine the growth of the market as it captures the overall performance of the market. NSE all share index captures all the other performance measures such as market capitalisation, liquidity and turn over ratios. It the major determinants of market size of any stock exchange. The size of the all share index and its growth rate pose a major influence on the growth and Development of the economy.

1. Conceptual Framework and Theoretical Framework

Foreign portfolio investments consist of securities and other fiscal resources inactively held by alien investors. Foreign portfolio investment does not provide the investor with direct ownership of financial assets, and thus no direct management of a company. This kind of investment is relatively liquid, depending on the volatility of the market invested in as is usually used by investors who do not want to manage a firm abroad. Foreign portfolio investment (FPI) is an important source of investment in flows to an economy. FPI investors usually make short term investment in domestic security of foreign country with expectation of earning return on it after weighing the expected risk. Nigeria in the last few years had clamored for foreign portfolio investment to the country as this is believed to be a facilitator of economic growth and development, which could lead to industrialization of the economy in the long run (Adeleke et al, 2004).

Foreign private investment is an investment made by a private individual or a private entity in a foreign country. This type of investment differs from other investments made by a foreign public or governmental entity in another country for the fact that it is made by an individual or a private entity. It can either be direct or indirect in nature, that is, foreign direct investment and foreign portfolio investment. Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company by anoth-

er country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast with portfolio investment which is a passive investment in the securities of another country such as stocks and bonds (Adeleke, Olowe, and Fasesin, 2014).

The stock market is common feature of a modern economy and it is reputed to perform functions that promote the growth and development of the economy. It is an institution that promotes efficiency in capital formation and allocation.

The capital market has been identified as an institution that contributes to the economic growth and development of emerging and developed economies. The stock market, through the provision of long term funds, enhances capital accumulation that is seen as significant tool in the process of economic growth and development. The stock market has basically been viewed as a predictor of the direction of national economy. It is a fact that if significant occurs in the share (stock) price, they are reflective of an impending recession while if significant increase occurs in the share (stock) price they are suggestive of a future economic boom (Uremadu, 2008).

Capital market is defined as the market where medium and long term finance can be raised (Akugbohungbe, 1996). It offers a variety of financial instruments that enable economics agents to pool liquidity and risk characteristics, as well as encourage savings in financial form. According to Al-Faki (2006), the capital market is a network of financial institutions, series of mechanisms, process and infrastructure, that in various ways facilitate the bringing together of suppliers and users of medium to long term capital for investment in economic development projects.

The Markowitz Efficient Frontier Model: Markowitz (1952, 1958) conveyed two significant insights with regard to modern portfolio theory. Firstly, he realized that the mathematics could not out a single optimal portfolio but rather could only identify a set of efficient portfolios. Secondly, he recognized that the appropriate risk facing an investor was portfolio risk which led to a fundamental point that the riskiness of a stock should not be measured just by the variance of the stock but also by their covariance. Markowitz discovered that it was the covariance that determines the risk of a portfolio and not the variance of individual assets in the portfolio. The best portfolio would consist of assets which are perfectly negatively (inversely) correlated. However, according to Markowitz, the benefits of diversification need not only exist if the assets are perfectively negatively correlated. In fact, as long as the correlation coefficient between two assets was less than 1.0, there will be a reduction in risk by combing both assets in portfolio. Markowitz proposed that investors should instead consider variances of return along expected returns, and choose portfolio that offered the highest expected return for a given level of variance he called this rule

the E-V maxim (Markowitz, 1959). In Modern portfolio theory, the Markowitz stock portfolio model is optimizing by minimizing the risk of the portfolio as measure by the variance of stock prices, subject to a given portfolio return. In reality, modern portfolio theory is a way to determine just how many eggs to put in each of several specified baskets.

Markowitz also demonstrated that for given level of risk, an investor can identify particular combinations of securities that maximize expected return. Markowitz referred to a continuum of such portfolio in dimensions of expected return and standard deviation as the 'efficient frontier'. According to Markowitz's E-V maxim, investors should restrict their choice of portfolio to those that are located along the efficient frontier. The efficient frontier considers a universe of risky investments. The notion of 'optimal' portfolio can be defined in one of two ways: for instance, for any level of risk (standard deviation), consider all the portfolios which have the level of risk. From among them all, select the one which has the highest expected return; and also for any expected return, consider all the portfolios which have that expected return. From among them all , select the one which has the lowest risk (standard deviation). Markowitz opined that the first definition produces an optimal portfolio for each possible level of risk while the second definition produces an optimal portfolio for each expected return. However the two definitions are equivalent as the set of optimal portfolio obtained using one definition is exactly the same set which is obtained from the other. The efficient frontier comprises a series of points each of which represents a particular allocation of assets across the clusters. Each allocation produces a specific return at a specific level of risks. In 1956, Henry Markowitz published the critical line algorithm for tracing out the efficient frontier given estimates of expected reruns, variances and covariance for any number of securities subject to various kinds of constraints. There are two restrictions in solving the efficient frontier. Firstly, the sum of the proportions of each assets represented in the portfolio must equal one, and secondly all assets must have positive or zero representation in the portfolio. Returns are varied between the minimum risk portfolio and the maximum risk portfolio.

2. Empirical Review

Ajayi, Adejayan and Obalade (2017) examined the impact of foreign private investment on the Nigerian capital market using time series data from 1986 to 2014. ADF unit root test, Johansen co-integration test and error correction mechanism were used for the purpose of analyses. Capital market development is proxies by market capitalization while foreign private investment is stationary at first difference and that there is a long run co-integration among market capitalization, foreign direct and portfolio investment. ECM results showed that, both types of private investment have positive impact on market capitalization but only the foreign direct investment is significant ($0.0015<0.05$) in determining market capi-

talization. The study concluded that foreign private investment has positive and significant impact on the development of capital market.

Koskei (2017) studied the effect of foreign portfolio equity outflow on stock returns of listed financial institutions in Kenya, the study of population was 21 financial institutions listed on the Nairobi securities exchange. The study adopted panel data regression using the ordinary list square (OLS) method where the data included time series and cross sectional. A unit root test was carried out to examine stationary of variables, because it used panel data which combines both cross sectional and time series information. Panel estimation result indicated that foreign portfolio equity outflow have no effect on stock returns of listed institutions kenya.

Ibrahim and Akinbola (2017) examined the relationship between foreign portfolio investment, democracy and economic growth in Nigeria. This was with a view to explore the nexus between foreign portfolio investment, democracy and economic growth in Nigeria. Secondary data were used in this study. Annual time-series data for the period 1986 to 2013 on foreign portfolio investment and maximum lending rate. Data collected were analyzed with both descriptive statistics and econometric techniques. Time series properties of the variables were examined using both Augmented Diskey Fuller and Phillip Peron tests. Co integration properties of the variables were also examined. Vector auto-regressive technique supported by variance decomposition and impulse response analysis were employed to empirically determine the relationship between foreign portfolio investment and economic growth in Nigeria. The results showed that foreign portfolio investment inflow was more stable in democratic periods between 1999 and 2013 than the military periods between 1986 and 1998 and that the correlation between economic growth and foreign portfolio investment is positive and very significant. The result showed that in the long run foreign portfolio investment had positive and significant effect on the economic growth in Nigeria ($t=3.7$, $p<0.05$). it also showed that democracy had a positive and significant effect on economic growth ($t=2.7$, $p<0.05$), while it has positive but not significant effect on the relationship between foreign portfolio investment and economic growth($t=1.92$, $p<0.05$). this study therefore concluded; the impact of foreign portfolio investment on economic growth significantly and positively but democratic government had no significant effect on the relationship between foreign portfolio and economic growth.

Onyeisi, Odo and Anoke (2016) studied the impact of foreign portfolio investment inflows on stock market growth in Nigeria from 1986 to 2014. The study used co-integration, vector error correction model and granger causality econometric tools. The results obtained includes the following; the trace statistics indicates one co-integrating equation at 5% level of significance, the vector error correction model indicates long run significant impact of foreign portfolio investment on stock market growth in Nigeria and the granger causality

shows there is no causality between foreign portfolio investment and stock market growth in Nigerian economy.

Okafor, Ezeaku and Eje (2015) examined the effect of foreign investments (disaggregated into foreign direct investment and foreign portfolio investment) inflows on economic growth in Nigeria with a view of ascertaining the better contributor, using time series data from 1987-2012. The OLS and the granger causality procedures were employed in analyzing the data. The result displays that both foreign direct investment and foreign portfolio investment have positive and significant effect on economic growth though the partial correlation coefficient show that foreign portfolio investment is the better contributor.

Okpoto (2015) analyzed the impact of foreign private investment on the Nigerians economic growth from 1980-2013 using Augmented Dickey Fuller (ADF) and ECM to analyze the long run relationship between real GDP and other variables in the model. In order to actualize this, the relationship between real GDP and foreign private investment, inflation, exchange rate and interest rate were considered. The findings revealed that the activities in Nigeria within the period of study.

Baghebo and Apere (2014) in an attempt to ascertain the impact of foreign portfolio investment (FPI) On Economic growth as well as the long run determinant of FPI in Nigeria, it was discovered that foreign portfolio investment, market capitalization and trade openness has a positive long run relationship with real gross domestic product in Nigeria using Augmented Dickey Fuller unit root test. The variables considered were foreign portfolio investment, inflation rate, market capitalization, trade openness.

Ozurumba (2012) investigated the impact of stock market returns on foreign portfolio investment in Nigeria. Data were collected from central bank of Nigeria (CBN) statistical bulletin. The data were consequently analyzed using E-views statistical package. The methodology used was multiple linear regression analysis to capture the impact of foreign portfolio investment and inflation rate on stock market returns as well as granger causality tests to determine the direction of causality between the variables. The results showed that foreign portfolio investment has a positive and significant impact on stock market returns while inflation rate has positive but insignificant impact on stock market returns. In the case of causality test, evidence of the result showed that there is a unidirectional causality running from stock market returns to foreign portfolio investment in the economy, while in turn will foster stock market returns in Nigeria.

Olotu and Jegbefume (2011) in their study of the place of foreign capital flows in the Nigerian economic growth equation with a bias in the foreign portfolio investment, the result

indicates that domestic investment is not statistically different from zero, openness has a negative value. They also found a close relationship between FDI and the real nonoil GDP.

Duasa and Kassim (2009) in their study examined the relationship between foreign portfolio investment (FPI) and Malaysias economic performance. In particular, the study analyses the relationship between FDI and real GDP using the widely adopted granger causality test and the more recent Toda and Yamamotos (1995) non-causality test to establish the direction of causation between the two variables. Similar method is also applied on the relationship between volatility of FPI and the real GDP. Additionally, the study used an innovation accounting by simulating variance decompositions and impulse response functions for further inferences. Using quarterly data covering the period from 1991 to 2006 the study found evidence that economic growth causes changes in the FPI and its volatility and not vice versa. Also, Ekeocha (2008) submitted that the volatility nature of foreign portfolio investment does not affect its role as an important source of fund to support investment in any economy that has a wide saving-investment gap like Nigeria.

In a study by Prasad, Raghuran and Subramanian (2007) on foreign capital and economic growth, they highlighted that among developing countries, there exists positive correlation between current account balances (surpluses, not deficit) and growth. The correlation is quite strong because it is present in cross-sectional as well as in panel data; it is not very sensitive to the choice of period or countries examined. It cannot be attributed simply to aid flows and it survives some other robustness tests. The went further to reveal that among industrial countries, those that rely more on foreign finance seem to grow faster. So it is probable that when facing improved domestic investment opportunities and related higher incomes, poor countries do not have financial systems are particularly unlikely to utilize foreign capital to finance growth.

Sethi and Patnaik (2005) researched on the impact of international capital flows on Indians financial market and economic growth. By using monthly data, they find that FDI positively affects the economic growth, while the effect of foreign portfolio investment is negative. This result is in line with the study of Durham (2003) on the effects of foreign portfolio investment and other foreign investment on economic growth using cross-country data observes that FPI has no effect on economic growth and does not correlate positively with macroeconomic vitality. Knill (2003) studies the impact of the FPI on small firms and finds that it helps to bridge the gap between the amount of financing small firms need and that which they can access through the capital markets. Particularly, he finds that FPI is linked with an increased capacity to issue publicly traded securities for small firms in all nations.

3. Model Specification:

1. Multiple Regression Model

Functionally, ASI=f(FDI,FPI,EXR),
Mathematically, $ASI=B_0+B_1FDI+B_2FPI+B_3EXR+e$
Converting the above equation into log-linear form, we have:
$LogASI=B_0+B_1logFDI_t+B_2logFPI_t+B_3logEXR_t+e_t$
The a-priori expectation of the slope coefficient is:
$B_o>0$; $B_1>0$; $B_2>0$ and $B_3>0$.

2. Error Correction Model

$dASI=B_0+B_1dFDI_{t-1}+B_2\ dFPI_{t-1}+B_3\ dEXR_{t-1}+ECM+e_t$

3. Augmented Dickey Fuller Model

$dY_t=a_0+a_1Y_{t-1}+\ b_1dY_{t-1}+e_t$
where,
ASI=All-share index proxy for stock exchange performance
FDI=foreign direct investment
EXR=exchange rate
B_i=coefficient parameters of the variable or a_i
e=stochastic error term
d=change
ECM=error correction model
In order to have a first insight into the nature and trend of the individual variables , descriptive analysis was conducted for this study and the result presented below:

Table 1: Descriptive statistic result

Variables	observations	Mean	Maximum	Minimum
ASI	31	15623.95	57990.2	163.8000
FDI	31	404861.4	1360308	735.8000
EFI	31	299735.8	2687233	151.6000
EXR	31	90.31806	305.0000	1.75OO

Source: E View Version 8

In order to have an first insight into the order of integration of the individual variables ,Augumented Dickey Fuller unit root test was conducted for this study and the result presented below:

Table 2: Unit Root Test

VARIABLE	ADF at level	ADF at first difference	Order of integration
ASI	-2,631672	-3.803834***	1(1)
FDI	-2.385838	-8.802471***	1(1)
FPI	0.050594	-6.026549***	1(1)
EXR	-2.518820	-5.527176***	1(1)

Source: E View Version 8

Note: Test critical value at i% =-3.67, 5%=-2.96, and at 10%=-2.62.
Asterisks *,**,and *** represents 10%,5%, and 1%.
The ADF unit root test result above showed that all the variables were not stationary at level as their values in absolute terms are less than their critical value at 5% level of significance. However, all the variables became stationary after the first difference.
The result of the dependent variable ASI indicates that its mean value during the period under study is 15623.95, maximum value 57990.20 and minimum 163.800. On the other hand, FPI shows an average of 299735.8 during the period under study with the maximum and minimum of 2687233 and 151.600 respectively.

Table 5: Parsimonious Result for the study

Dependent variable: D(LogASI)
Method: Least squares
Date:10/11/2018< Time:9:30amSample(adjusted): 1987-2016
Included observations: 30 after adjustments

Variable	Coefficient	Standard error	t-statistic	Prob.
C	1.376784	0.407807	3.376066	0.0024
LOGFDI(-1)	-0.145135	0.069501	-2.088236	0.0471
LOGFPI(-1)	-0.037256	0.027100	-1.374368	0.1814
LOGEXR(-1)	0.222378	0.104130	2.135585	0.0427
ECM(-1)	-0.355236	0.117651	-3.019413	0.0058

R squared	0.464488	Mean dependent variable	0.170010
Adjusted R squared	0.378806	S.D. dependent Variable	0.309931
S.E. of Regression	0.244275	Akaike Information criterion	0.169967
Sum squared residual	1.491757	Schwarz criterion	0.403500
Log Likelihood	2.450489	Hannan-Quinn criterion	0.244677
T-statistic	5.42068	Durbin-watson criterion	1.707625
Prob.(t-statistic)	0.002770		

Source: E View Version 8
$ASI=B_0+B_1FDI+ B_2FPI+B_3EXR+e$

ASI=1.38-0.15FDI -0.04FPI+ 0.22EXR+e

The above table showed that there exists a negative but insignificant relationship between one-year lagged FPI and stock market performance, proxies in ASI in Nigeria. This means that 1% increase in FPI leads to $% decrease in in stock market performance. The probability value of FPI (0.180) is greater than the test significant level (0.05).With this, we conclude that FPI has significant effect on stock market performance in Nigeria in the short run. This collaborates with the study of Koskei (2017), who found out that FPI has no effect on stock returns of listed institutions in Kenya.

Furthermore, an important feature to notice is the coefficient of error correction term. This carries the correct sign and it is statistically significant at 5% level with the speed of adjustment to equilibrium of 36%. This implies that in the short run, the economy adjusts by 36%of the past years deviation from equilibrium. This indicates that the speed of adjustment to equilibrium is relatively low. This is essential for maintaining long run equilibrium to reduce the existing disequilibrium over time. This result justifies the use of an ECM specification of the model in the study.

The coefficient of determination measured by adjusted $R^{2,}$ showed that 46% of the variations in stock market performance, proxies by LogASI are explained by changes in independent variables (FPI,EXR). Hence, the remaining 54% of the variations are due to other factors(which may be qualitative), not included in the model.

Finally, the Durbin-Watson statistic (1.70) which is approximately 2, showed that there is no presence of autocorrelation being that 2<=DW>=4. Most interestingly, the Durbin Watson statistic exceedsthe R-squared value ($DW>R^2$) which indicates that the regression result is not spurious.

4. Conclusion and Recommendation

The study found out that foreign portfolio investment has a negative and insignificant effect on stock market performance in Nigeria. The study investigated the effect of foreign private investment inflows on the stock market performance in Nigeria. Foreign direct investment and foreign portfolio investment were chosen as proxies for foreign private investment inflows. Exchange rate was introduced as an explanatory variable while all share index of the Nigeria stock exchange served as the proxy for stock market performance. The study made use of annual data spanning 1986 to 2016. Findings showed that foreign direct investment has a negative and significant effect on stock market performance. In conclusion, the study argued that foreign investment inflows have significant effect on stock market performance in Nigeria. The study recommends that inflow of foreign portfolio investment should be encouraged, even though it has negative and insignificant effect on the stock performance in Nigeria.

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EXCHANGE RATE AND STOCK MARKET PERFORMANCE IN NIGERIA

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Abstract

The study investigated the effect of exchange rate on the performance of the stock market in Nigeria. The study made use of annual data spanning a period of 1986 and 2016.The data were analysed using multiple regression analysis, augumented dickey fuller of unit root test, cointegration test and error correction model. The study revealed that exchange rate has a positive and significant effect on the performance of the stock market. It was recommended that government should fashion out ways of holding the movement of exchange rate such that it does not spiral into threshold of which it starts to undermine stock market investments in Nigeria.

Keywords: Exchange rate, All share index, foreign direct investment.

1. Introduction

Capital inflow is the movement of capital resources in to a country for the purpose of investment, trade or business production. Global flows to Africa have increased rapidly since 1990s for all types of private investment and capital. Financial liberalization whose key factor is free movement of capital has been experienced in the last decade. In following years there has been a growing interest among researchers in the examination of effect of foreign investor transactions on emerging stock markets. Reason behind that interest could be the view which associates foreign investor transactions and financial crises for emerging markets. According to proponents of this view, foreign investor transactions lead emerging markets to become destabilized and expose them to financial crises.

Thus, many African countries are trying to attract private capital flows. With regards to the economic weight of African countries, net private capital flows remain high. Contrary to popular beliefs, bilateral donors and international institutions are no longer the main source of funding (capitals flows and transfer included) of investment and growth (Sayeh, 2011). With the increase of private investment on equity returns and economic growth many African countries are hosting major stock markets.

Foreign investment flows are important to nations that are recipients of these flows as they have an opportunity to benefit from less expensive modes of financing. Nevertheless, they intensify a country's susceptibility to global economic meltdown which occurs during spontaneous reversals in foreign investment flows. The economic crisis of the 1980s, Latin American and the association of South East Asian Nations in the 1990s and Argentina in 2001-02, are examples of the adverse effects result in from uncertainties in foreign portfolio flows (Chen and Quang, 2012). Although the economic turmoil in the united states of America (U.S.A) and some parts of the group of European nations in 2008-2009 may have been agitated ny many issues such as bank failures, property bubbles and government fiscal deficit, the crises were transmitted to other nations through financial intermediaries. The meltdown in these advanced economies that were believed to be resilient exposed the vulnerability of developing countries that depended on foreign inflows and the global financial system as a whole.

Foreign capital brings credit, knowledge, and discipline to the host countries, which are thought to be essential for economic growth. In addition, access to foreign funds can enhance capital allocation efficiency and productivity, and thus growth in recipient countries (Ahmed and Zlate, 2014). Yet, a number of recent studies argue against such and the other positive benefits of capital inflows. For example, capital inflows can cause a transfer of economic resources from tradable to non-tradable sectors, which are often subject to slow productivity growth (Benigno and Fornaro, 2014; Reis2013). In addition, episodes of large

capital inflows increase the possibility of a sudden stop which hurt economic performance (Calvo and Reinhart, 2000) and may trigger a shift of capital and labour out of the manufacturing sector to non-manufacturing sectors (Beningo converse and Fornaro, 2015). All in all, the jury is still out on whether capital inflows are associated with better economic growth performance.

A close survey of the Nigeria economy indicates that Nigeria has recorded the trade imbalances in most fiscal years, indicating that total payments surpassed total receipts in relation to total imports and total exports. Overall balance of payments became worse in 1999, 2002 and 2008 mostly because of increased outflow from capital accounts (CBN, 2009). Most of the capital outflow must be attributed to increased importation, declining exports mainly non-oil subsector and particular due to external debt servicing required in meeting up with resource gaps. Essien and Onvioduokit (1999) and Ariyo (1999) described debt servicing and reserve creation as fluctuating variables that create dependence on foreign capital the flows into Nigeria through foreign investor's transactions. Investments inflows are a broad term which foreign direct investment (FDI) and foreign portfolio investment (FPI).

Portfolio investment is a recent phenomenon in Nigeria. Up to the mid-1980s, Nigeria did not record any figure on portfolio investment (inflow or outflow)in her balance of payment account. The nil return on the inflow column on the account is attributable to absence of foreign portfolio investors in the Nigerian economy. This is largely because of non-internalization of the country's money and capital market as well as nondisclosure of information on the portfolio investments in foreign capital /money markets. Following a careful review of consequences of the Exchange Control Act of 1962 on the economy, after some 33years of its operation; Nigerian authorities came to the conclusion that the Act had not brought the economy any substantial benefits. The Act was judged inimical to a market driven economy. While equity trickled into Nigerians a result of the Exchange Control Act of 1962, portfolio investments dried up, because portfolio investment required an investment climate, which guarantees speedy free entry and free exit of investment funds into and out of the country in a flash. The investment climate in Nigeria engineered by the Exchange control Act of 1962 did not guarantee the speedy mobility of funds across borders. It took the authorities more than three decades to realize that protection of the economy in a world striving to dismantle economic frontiers had not paid off., and that the capital market being the major player in the mobilization of funds for investment has to be liberalized and modernized to enable it capture enough resources for the economy from within and from outside. The Exchange control Act of 1962 was identified as a major constraint on the growth of the Nigeria capital market. Accordingly, the Act was blown away with gale force in 1995,by the strong wind of deregulation which swept across the Nigerian macroeconomic arena from the beginning of the last quarter of 1986 (Onoh, 2002). The deregulations of

the securities pricing by SEC in 1993, the abolition in 1995 and the reorganization of the Nigerian stock Exchange to make more dynamic and mobile in the provision of adequate liquidity of investment bring up the operation of the Exchange to international standard and attract foreign portfolio investors. Accordingly, FGN in March 1996 set up a panel on the Nigeria stock Exchange and the panels term of reference include the reorganization of the Nigerian stock Exchange to make it more dynamic.; to recommend ways for modernizing the Exchange to bring it to international standard and to make other recommendations, which in the view of the panel, would strengthen the operation of the Exchange, and position it to deal with the domestic and international capital market challenges to the coming millennium(Onoh,2002).

Every investor wants to get better returns from investment .there are many investment opportunities around the globe, investment in stock market is one of them. The return on investment in stock market depends on various factors, the precise number of those factors is not known yet. All share index is mostly used to determine the growth of the market as it captures the overall performance of the market. NSE all share index captures all the other performance measures such as market capitalisation, liquidity and turn over ratios.it the major determinants of market size of any stock exchange. The size of the all share index and its growth rate pose a major influence on the growth and Development of the economy.

2. Conceptual and Theoretical Framework

Foreign private investment is and investment made by a private individual or a private entity in a foreign country. This type of investment differs from other investments made by a foreign public or governmental entity in another country for the fact that it is made by an individual or a private entity. It can either be direct or indirect in nature, that is, foreign direct investment and foreign portfolio investment. Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company by another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast with portfolio investment which is a passive investment in the securities of another country such as stocks and bonds (Adeleke, Olowe, and Fasesin, 2014).

Foreign portfolio investment consists of securities and other fiscal resources inactively held by alien investors. Foreign portfolio investment does not provide the investor with direct ownership of financial assets, and thus no direct management of a company. This kind of investment is relatively liquid, depending on the volatility of the market invested in as is usually used by investors who do not want to manage a firm abroad. Foreign portfolio investment (FPI) is an important source of investment inflows to an economy. FPI investors usually make short term investment in domestic security of foreign country with expecta-

tion of earning return on it after weighing the expected risk. Nigeria in the last few years had clamoured for foreign portfolio investment to the country as this is believed to be a facilitator of economic growth and development, which could lead to industrialization of the economy in the long run (Adeleke et al, 2004).

The stock market is common feature of a modern economy and it is reputed to perform functions that promote the growth and development of the economy. It is an institution that promotes efficiency in capital formation and allocation.

The capital market has been identified as an institution that contributes to the economic growth and development of emerging and developed economies. The stock market, through the provision of long term funds, enhances capital accumulation that is seen as significant tool in the process of economic growth and development. The stock market has basically been viewed as a predictor of the direction of national economy. It is a fact that if significant occurs in the share (stock) price, they are reflective of an impending recession while if significant increase occurs in the share (stock) price they are suggestive of a future economic boom (Uremadu, 2008).

Capital market is defined as the market where medium and long term finance can be raised (Akugbohungbe, 1996). It offers a variety of financial instruments that enable economics agents to pool liquidity and risk characteristics, as well as encourage savings in financial form. According to Al-Faki (2006), the capital market is a network of financial institutions, series of mechanisms, process and infrastructure, that in various ways facilitate the bringing together of suppliers and users of medium to long term capital for investment in economic development projects.

Capital Flow Liberalization Theory: Cited in Miguel and Paul (2006) argued that early and middle 1990s saw a rough consensus the openness to capital flows has salutary effects on economic growth. According to Miguel and Paul, (2009), subsequence to the Asian crisis of 1997 and the Russian crisis of 1998, the consensus unravelled. Strong and opposing views are feasible because hypothesized relationship between financial openness and future growth do not assert themselves strongly in statistics. They stated that at this point, it is not clear whether or not (and under what conditions) capital account openness and/or liberalization lead to economic growth. Also, that openness is a continuous economic concept that has most often been measured with discrete or categorical policy variables with attendant loss of statistic power. Furthermore, the argued that early studies of this issue access financial openness using single indicator variable summarizing government policies. More so, the cited Bekaert, et al (2002) which adopted measures of openness that consider richer information, such as political environment and information in stock market time series. These measures retained the featurethat openness is non-decreasing over time within most

of the samples that have been studied. According to Bekaert et al (2002),the assessment of liberalization focus on time of a breakout in capital flows in an upward direction in determining liberalization occurs. Baier et al. (2004) studied investment and productivity before and after the establishment of a stock exchange. Taylor (2006) showed that policy openness is only one aspect of actual openness. These finding suggested that a more flexible measure might be useful. Data in cross-border investment flows are one possibility. Though henry (2000) showed that net investment flows are strongest on average immediately after liberalizations, there is considerable variation in the cross-section. Also, gross invested flows (i.e. inflows and outflows together) also exhibited substantial variation across countries but, on average; tend to grow slowly following liberalization. Finally, gross flows are much larger than net flows, so outflows of funds are significant consequences of openness. Defenders of capital flow liberalization argue that foreign portfolio investment tends to increase the liquidity and the efficiency to local markets. They claim that the long-run, the expected return decreases as a result of market integration. Henry (2000) and Bekaert and Harvery (2000) address this issue and the abnormal after market liberalization. These studies argue that, with more foreign investor, start-up companies as well as existing companies are raised capital easier. The entrance of foreign investors also increases the liquidity of local market, and makes the base of investors broader, increasing the risk sharing.

3. Empirical Review

Exchange is the price of a unit of a given currency in relation to other currencies. The performance and profitability of industries and companies that are major importers or heavy users of imports are considerably affected by the exchange rate of the Naira against major currencies of the world (Osamwonyi 2003). Exchange rate is a product of a country's external trade and directly related to the balance of payments. Balance of payments deficit and the level of external reserve usually influence exchange rate. There is paucity of literature on the effect of exchange rate on stock price behavior. The theoretical postulation states that there is a positive relationship between exchange rate and stock returns. Maku and Atanda (2010) shows that stock returns and depreciating Naira rate are positively related.

4. Model Specification:

1. Multiple Regression Model

Functionally, ASI=f(FDI,FPI,EXR),
Mathematically, $ASI=B_0+B_1FDI+B_2FPI+B_3EXR+e$
Converting the above equation into log-linear form, we have:
$LogASI=B_0+B_1logFDI_t+B_2logFPI_t+B_3logEXR_t+e_t$

The a-priori expectation of the slope coefficient is:
$B_o>0$; $B_1>0$; $B_2>0$ and $B_3>0$.

2. Error Correction Model

$dASI=B_0+B_1dFDI_{t-1}+B_2\ dFPI_{t-1}+B_3\ dEXR_{t-1}+ECM+e_t$

3. Augmented Dickey Fuller Model

$dY_t=a_0+a_1Y_{t-1}+\ b_1dY_{t-1}+e_t$
where,
ASI=All-share index proxy for stock exchange performance
FDI=foreign direct investment
EXR=exchange rate
B_i=coefficient parameters of the variable or a_i
e=stochastic error term
d=change
ECM=error correction model
The result of the dependent variable ASI indicates that its mean value during the period under study is 15623.95, maximum value 57990.20 and minimum 163.800. On the other hand, EXR shows an average of 90.31806 during the period under study with the maximum and minimum of 305.000 and 1.75000 respectively.

In order to have an first insight into the order of integration of the individual variables ,Augumented Dickey Fuller unit root test was conducted for this study and the result presented below:

Table 2: Unit Root Test

VARIABLE	ADF at level	ADF at first difference	Order of integration
ASI	-2,631672	-3.803834***	1(1)
FDI	-2.385838	-8.802471***	1(1)
FPI	0.050594	-6.026549***	1(1)
EXR	-2.518820	-5.527176***	1(1)

Source: E View Version 8

Note: Test critical value at i% =-3.67, 5%=-2.96, and at 10%=-2.62.
Asterisks *,**,and *** represents 10%,5%, and 1%.
The ADF unit root test result above showed that all the variables were not stationary at level as their values in absolute terms are less than their critical value at 5% level of significance. However, all the variables became stationary after the first difference.

4. Result and discussions

In order to have a first insight into the nature and trend of the individual variables, descriptive analysis was conducted for this study and the result presented below:

Table 1: Descriptive statistic result

Variables	observations	Mean	Maximum	Minimum
ASI	31	15623.95	57990.2	163.8000
FDI31		404861.4	1360308	735.8000
EFI31		299735.8	2687233	151.6000
EXR31		90.31806	305.0000	1.75OO

SOURCE: E VIEW VERSION 8

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Note: Test critical value at i% =-3.67, 5%=-2.96, and at 10%=-2.62.
Asterisks *,**,and *** represents 10%,5%, and 1%.
Johansen cointegration test

Table 3: Panel A: Trace statistic

Hypothesized No. of CE	Eigen value	Trace statistic	.05 critical value	Prob.**
None*	0.569316	59.52236	47.85613	0.0028
At most 1*	0.544593	35.09333	29.79707	0.0112
At most 2	0.251711	12.28300	15.49471	0.1439
At most 3*	0.125048	3.873996	3.641466	0.0490

Source: E View Version 8

Table 3: Panel B: Max-eigen statistic

Hypothesized No. of CE	Eigen value	Max-eigen statistic	.05 critical value	Prob.**
None*	0.569316	24.42903	27.58434	0.1204
At most 1*	0.544593	22.81033	21.13162	0.0288
At most 2	0.251711	8.409003	14.26460	0.3386
At most 3*	0.125048	*3.873996*	3.841466	0.0490

Source: E View Version 8

Note: Max-Eigen value tests indicate 2 cointegrating equation at the 0.05 level of significance

- Denotes rejection of the hypothesis at the 0.05 level

Table 5: Pasimonious Result for the study
Dependent variable: D(LogASI)
Method: Least squares
Date:10/11/2018< Time:9:30amSample(adjusted): 1987-2016
Included observations: 30 after adjustments

Variable	Coefficient	Standard error	t-statistic	Prob.
C	1.376784	0.407807	3.376066	0.0024
LOGFDI(-1)	-0.145135	0.069501	-2.088236	0.0471
LOGFPI(-1)	-0.037256	0.027100	-1.374368	0.1814
LOGEXR(-1)	0.222378	0.104130	2.135585	0.0427
ECM(-1)	-0.355236	0.117651	-3.019413	0.0058
R squared		0.464488	Mean dependent variable	0.170010
Adjusted R squared		0.378806	S.D.dependent Variable	0.309931
S.E. of Regression		0.244275	Akaike Information criterion	0.169967
Sum squared residual		1.491757	Schwarz criterion	0.403500
Log Likelihood		2.450489	Hannan-Quinn criterion	0.244677
T-statistic		5.42068	Durbin-watson criterion	1.707625
Prob.(t-statistic)		0.002770		

Source: E View Version 8

$ASI=B_0+B_1FDI+ B_2FPI+B_3EXR+e$
ASI=1.38-0.15FDI -0.04FPI+ 0.22EXR+e

The above table showed that there exists a positive and significant relationship between one-year lagged EXR and stock market performance, proxies in ASI in Nigeria. This means that 1% increase in EXR leads to 22% increase in stock market performance. The probability value of EXR (0.042) is less than the test significant level (0.05).With this, we conclude that EXR has significant effect on stock market performance in Nigeria in the short run. This collaborates with the study of Koskei (2017), who found out that FPI has no effect on stock returns of listed institutions in Kenya.

Furthermore, an important feature to notice is the coefficient of error correction term. This carries the correct sign and it is statistically significant at 5% level with the speed of adjustment to equilibrium of 36%. This implies that in the short run, the economy adjusts by 36%of the past years deviation from equilibrium. This indicates that the speed of adjustment to equilibrium is relatively low. This is essential for maintaining long run equilibrium to reduce the existing disequilibrium over time. This result justifies the use of an ECM specification of the model in the study.

The coefficient of determination measured by adjusted $R^{2,}$ showed that 46% of the variations in stock market performance, proxies by Log ASI are explained by changes in independent variables (FPI,EXR). Hence, the remaining 54% of the variations are due to other factors (which may be qualitative), not included in the model.

Finally, the Durbin-Watson statistic (1.70) which is approximately 2, showed that there is no presence of autocorrelation being that 2<=DW>=4. Most interestingly, the Durbin Watson statistic exceeds the R-squared value ($DW>R^2$) which indicates that the regression result is not spurious.

5. Conclusion and recommendation

The study also found out that exchange rate has a positive and significant effect in stock market performance in Nigeria exchange rate was introduced as an explanatory variable while all share index of the Nigeria stock exchange served as the proxy for stock market performance. The study made use of annual data spanning 1986 to 2016. Findings showed that foreign direct investment has a negative and significant effect on stock market performance. In conclusion, the study argued that foreign investment inflows have significant effect on stock market performance in Nigeria.

The study recommends that the government should fashion out ways of holding the movement of the exchange rate such that it does not spiral into thresholds in which it would start to undermine stock market investment in Nigeria.

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FOREIGN DIRECT INVESTMENT AND STOCK MARKET PERFORMANCE IN NIGERIA

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Abstract

he study investigated the effect of direct investment on the performance of the stock market in Nigeria. The study made use of annual data spanning a period of 1986 and 2016.The data were analysed using multiple regression analysis, Augumented dickey fuller of unit root test, Co-integration test and error correction model. The study revealed that foreign direct investment has a negative but significant effect on the performance of the stock market. It was recommended that government should put facilities in place to lure more foreign direct investors, since it is very glaring that it boosts the economy and makes stock market more robust.

Keywords: Foreign direct investment, all share index, portfolio investment

1. Introduction

Capital inflow is the movement of capital resources in to a country for the purpose of investment, trade or business production. Global flows to Africa have increased rapidly since 1990s for all types of private investment and capital. Financial liberalization whose key factor is free movement of capital has been experienced in the last decade. In following years there has been a growing interest among researchers in the examination of effect of foreign investor transactions on emerging stock markets. Reason behind that interest could be the view which associates foreign investor transactions and financial crises for emerging markets. According to proponents of this view, foreign investor transactions lead emerging markets to become destabilized and expose them to financial crises.

Thus, many African countries are trying to attract private capital flows. With regards to the economic weight of African countries, net private capital flows remain high. Contrary to popular beliefs, bilateral donors and international institutions are no longer the main source of funding (capitals flows and transfer included) of investment and growth (Sayeh, 2011). With the increase of private investment on equity returns and economic growth in African countries hosting major stock markets, foreign investment flows are important to nations that are recipients of these flows as they have an opportunity to benefit from less expensive modes of financing. Nevertheless, they intensify a country's susceptibility to global economic meltdown which occurs during spontaneous reversals in foreign investment flows. The economic crisis of the 1980s, Latin American and the association of Southeast Asian Nations in the 1990s and Argentina in 2001-02, are examples of the adverse effects resulting from uncertainties in foreign portfolio flows (Chen and Quang, 2012). Although the economic turmoil in the United States of America (U.S.A) and some parts of the group of European nations in 2008-2009 may have been agitated by many issues such as bank failures, property bubbles and government fiscal deficit, the crises were transmitted to other nations through financial intermediaries. The meltdown in these advanced economies that were believed to be resilient exposed the vulnerability of developing countries that depended on foreign inflows and the global financial system as a whole.

Foreign capital brings credit, knowledge, and discipline to the host countries, which are thought to be essential for economic growth. In addition, access to foreign funds can enhance capital allocation efficiency and productivity, and thus growth in recipient countries (Ahmed and Zlate, 2014). Yet, a number of recent studies argue against such and the other positive benefits of capital inflows. For example, capital inflows can cause a transfer of economic resources from tradable to non-tradable sectors, which are often subject to slow productivity growth (Benigno and Fornaro, 2014; Reis2013). In addition, episodes of large capital inflows increase the possibility of a sudden stop which hurt economic performance

(Calvo and Reinhart, 2000) and may trigger a shift of capital and labour out of the manufacturing sector to non-manufacturing sectors (Beningo converse and Fornaro, 2015). All in all, the jury is still out on whether capital inflows are associated with better economic growth performance.

A close survey of the Nigeria economy indicates that Nigeria has recorded the trade imbalances' in most fiscal years, indicating that total payments surpassed total receipts in relation to total imports and total exports. Overall balance of payments became worse in 1999, 2002 and 2008 mostly because of increased outflow from capital accounts (CBN, 2009). Most of the capital outflow must be attributed to increased importation, declining exports mainly non-oil subsector and particular due to external debt servicing required in meeting up with resource gaps. Essien and Onvioduokit (1999) and Ariyo (1999) described debt servicing and reserve creation as fluctuating variables that create dependence on foreign capital the flows into Nigeria through foreign investors transactions. Investments inflows are a broad term which foreign direct investment (FDI) and foreign portfolio investment (FPI).

Portfolio investment is a recent phenomenon in Nigeria. Up to the mid- 1980s, Nigeria did not record any figure on portfolio investment (inflow or outflow) in her balance of payment account. The nil return on the inflow column the account is attributable to absence of foreign portfolio investors in the Nigerian economy. This is largely because of non-internalization of the country's money and capital market as well as nondisclosure of information on the portfolio investments in foreign capital /money markets. Following a careful review of consequences of the Exchange Control Act of 1962 on the economy, after some 33years of its operation, Nigerian authorities came to the conclusion that the Act had not brought the economy any substantial benefits. The Act was judged inimical to a market driven economy. While equity trickled into Nigeria as a result of the Exchange Control Act of 1962, portfolio investments dried up, because portfolio investment required an investment climate, which guarantees speedy free entry and free exit of investment funds into and out of the country in a flash. The investment climate in Nigeria engineered by the Exchange control Act of 1962 did not guarantee the speedy mobility of funds across borders. It took the authorities more than three decades to realize that protection of the economy in a world striving to dismantle economic frontiers had not paid off., and that the capital market being the major player in the mobilization of funds for investment has to be liberalized and modernized to enable it capture enough resources for the economy from within and from outside. The Exchange control Act of 1962 was identified as a major constraint on the growth of the Nigeria capital market. Accordingly, the Act was blown away with gale force in 1995,by the strong wind of deregulation which swept across the Nigerian macro economicarena from the beginning of the last quarter of 1986 (Onoh, 2002). The deregulations

of the securities pricing by SEC in 1993, the abolition in 1995 and the reorganization of the Nigerian stock Exchange to make more dynamic and mobile in the provision of adequate liquidity of investment bring up the operation of the Exchange to international standard and attract foreign portfolio investors. Accordingly, Federal Government of Nigeria in March 1996 set up a panel on the Nigeria stock Exchange and the panels term of reference include the reorganization of the Nigerian stock Exchange to make it more dynamic; to recommend ways for modernizing the Exchange to bring it to international standard and to make other recommendations, which in the view of the panel, would strengthen the operation of the Exchange, and position it to deal with the domestic and international capital market challenges to the coming millennium(Onoh,2002).

Every investor wants to get better returns from investment .there are many investment opportunities around the globe, investment in stock market is one of them. The return on investment in stock market depends on various factors, the precise number of those factors is not known yet. All share indexes is mostly used to determine the growth of the market as it captures the overall performance of the market. NSE all share indexes captures all the other performance measures such as market capitalisation, liquidity and turn over ratios.it the major determinants of market size of any stock exchange. The size of the all share index and its growth rate pose a major influence on the growth and Development of the economy.

2. Conceptual Framework and Theoretical Framework

Foreign private investment is and investment made by a private individual or a private entity in a foreign country. This type of investment differs from other investments made by a foreign public or governmental entity in another country for the fact that it is made by an individual or a private entity. It can either be direct or indirect in nature, that is, foreign direct investment and foreign portfolio investment. Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company by another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast with portfolio investment which is a passive investment in the securities of another country such as stocks and bonds (Adeleke, Olowe, and Fasesin, 2014).

Foreign portfolio investment consists of securities and other fiscal resources inactively held by alien investors. Foreign portfolio investment does not provide the investor with direct ownership of financial assets, and thusno direct management of a company. This kind of investment is relatively liquid, depending on the volatility of the market invested in as is usually used by investos who do not want to manage a firm abroad. Foreign portfolio investment (FPI) is an important source of investment in flows to an economy. FPI investors

usually make short term investment in domestic security of foreign country with expectation of earning return on it after weighing the expected risk. Nigeria in the last few years had clamored for foreign portfolio investment to the country as this is believed to be a facilitator of economic growth and development, which could lead to industrialization of the economy in the long run (Adeleke et al, 2004).

The stock market is common feature of a modern economy and it is reputed to perform functions that promote the growth and development of the economy. It is an institution that promotes efficiency in capital formation and allocation.

The capital market has been identified as an institution that contributes to the economic growth and development of emerging and developed economies. The stock market, through the provision of long term funds, enhances capital accumulation that is seen as significant tool in the process of economic growth and development. The stock market has basically been viewed as a predictor of the direction of national economy. It is a fact that if significant occurs in the share (stock) price, they are reflective of an impending recession while if significant increase occurs in the share (stock) price they are suggestive of a future economic boom (Uremadu, 2008).

Capital market is defined as the market where medium and long term finance can be raised (Akugbohungbe, 1996). It offers a variety of financial instruments that enable economics agents to pool liquidity and risk characteristics, as well as encourage savings in financial form. According to Al-Faki (2006), the capital market is a network of financial institutions, series of mechanisms, process and infrastructure, that in various ways facilitate the bringing together of suppliers and users of medium to long term capital for investment in economic development projects.

Developing economy like Nigeria has realized the important of infusing foreign capital into domestic economy and accordingly foreign investors are being lured with financial and fiscal incentives. Host economy get benefited by positive effect in terms of productivity gains, technology transfer, introduction of new process, international production network, and acess to market (Encarnation and Wells, 1985). Besides these direct effects of foreign capital, their spillover effects also contribute significantly towards economic growth of the host country (Alfaro et al, 2004). Although, theoretically foreign investment inflows has positive impact on host economy but empirical evidences at nation level and firm level reported in literature induce ambiguity in its benefits. Aitken and Harrison (1990) observed small improvement in overall productivity of plant due to foreign direct investment. They also report that productivity of plant using foreign capital increases but it decreases for plant not using foreign direct investment funded firms and pure domestic firms is very high in Nigeria. going by the international standard, it is expected to converge in lond term

(Romer, 1993). This convergence is emerging economy like Nigeria is issue of interest for researchers.

Capital Flow Liberalization Theory: In this study there are two theories that we discussed the effect of foreign private investment inflows of stock market performance, but this study is anchored on capital flow liberalization theory, owing to the fact that this study has a lot to do with capital movement from one economy to another.

Cited in Miguel and Paul (2006) argued that early and middle 1990s saw a rough consensus the openness to capital flows has salutary effects on economic growth. According to Miguel and Paul, (2009), subsequence to the Asian crisis of 1997 and the Russian crisis of 1998, the consensus unraveled. Strong and opposing views are feausible because hypothesized relationship between financial openness and future growth do not assert themselves strongly in statistics. They stated that at this point, it is not clear whether or not (and under what conditions) capital account openness and/or liberalization lead to economic growth. Also, that openness is a continuous economic concept that has most often been measured with discrete or categorical policy variables with attendant loss of statistic power. Furthermore, the argued that early studies of this issue access financial openness using single indicator variable summarizing government policies. More so, the cited Bekaert, et al (2002) which adopted measures of openness that consider richer information, such as political environment and information in stock market time series. These measures retained the featurethat openness is non-decreasing over time within most of the samples that have been studied. According to Bekaert et al (2002),the assessment of liberalization forcus on time of a breakout in capital flows in an upward direction in determining liberalization occurs. Baier et al. (2004) studied investment and productivity before and after the establishment of a stock exchange. Taylor (2006) showed that policy openness is only one aspect of actual openness. These finding suggested that a more flexible measure might be useful. Data in cross-border investment flows are one possibility. Though henry (2000) showed that net investment flows are strongest on average immediately after liberalizations, there are considerable variation in the cross-section. Also, gross invested flows (i.e. inflows and outflows together) also exhibited substantial variation across countries but, on average; tend to grow slowly following liberalization. Finally, gross flows are much larger than net flows, so outflows of funds are a significant consequences of openness. Defenders of capital flow liberalization argue that foreign portfolio investment tends to increase the liquidity and the efficiency to local markets. They claim that the long-run, the expected return decreases as a result of market integration. Henry (2000) and Bekaert and Harvery (2000) address this issue and the abnormal after market liberalization. These studies argue that, with more foreign investor, startup companies as well as existing companies are raised capital easier. The

entrance of foreign investors also increases the liquidity of local market, and makes the base of investors broader, increasing the risk sharing.

3. Empirical review

These finding have implications on fiscal policy, monetary policy and exchange rate.

Okafor, Ugwuegbe and Ezeaku (2016) investigated the relationship between foreign capital inflows and economic growth in Nigeria for the period of 1981-2014. In this study, foreign capital inflows were proxied by foreign direct investment, foreign portfolio investment and foreign aid while economic growth was proxied by gross domestic product (GDP). The study employed annual data generated from CBN statistical bulletin and Toda Yamamoto test of causality was used to determine the relationship between foreign capital inflow and economic growth in Nigeria. The result revealed that there is bi-directional causality running from GDP to FDI as well as from FDI to GDP. It also indicated that there is unidirectional causality between FPI and GDP with causation running from FA to GDP. Finally, the joint causation between all the components of foreign capital inflow i.e FDI, FPI, FA and GDP indicates that increase in foreign capital inflow causes positively.

ChigbuUbah and Chigbu (2015) examined the impact of capital inflows on economic growth of developing economies, the case of Nigeria, Ghana and India from 1986-2012. Augmented Diskey Fuller unit root test was employed to evaluate the stationary of the data while Johansen co-integration was used to estimate the long-run equilibrium relationship among the variables. The causal relationship was teste using Granger causality and ordinary least square method was used to estimate the model. The findings revealed that capital inflows have significant impact on the economic growth of the three countries. In Nigeria and Ghana, foreign direct and portfolio investment as well as foreign borrowing have significant and positive impact on economic growth.

Odili (2015) investigated the impact of exchange rate volatility and stock market performance on the inflow of foreign direct investment to Nigeria using time series data from 1980 to 2013. It employed the ordinary least square technique and error correction mechanism in its estimations. The result revealed that exchange rate volatility has negative and significant effect on the inflow of foreign direct investment to Nigeria both in the long run and un the short run. It further revealed that market capitalization, proxy for stock market performance was positively signed and statistically significant. Apparently, a stable and well-developed capital market will definitely attract direct foreign investment in Nigeria.

Nkoro and Uko (2013) evaluated the nature of causality between foreign capital inflows and real economic growth and also, the effect of foreign capital inflows on GDP in Nigeria.

The result of the variance decomposition was in consonance with that of co integration analysis of causality, which revealed the causality runs from foreign direct investment (FDI) and foreign aid to real GDP (growth). In addition, the result of the error correction model indicated that there is a significant positive effect of FDI on the real GDP. Again, Mojekwu and Ogege (2012) studied foreign direct investment and the challenges of a sustainable development in Nigeria and finds that gross capital formation has a positive and significant relationship with economic growth in Nigeria.

Ramzan and Kiani, (2012), in their empirical study used the econometric technique of error correction methods (ECM) Inanalyzing the relationship between FDI, trade openness and economic growth in Pakisan. As a necessity, the study employed annual data set covering the period 1975-2011, while employing the Augmented Dickey Fuller (ADF) to test for unit root on each variables unit. The findings explained that FDI and trade advance growth of real sector of economy of Pakistan. In a related study, Khan and Khan (2011) empirically studied the nexus between industry-specific foreign direct investment and output over the period 1981-2008. The granger causality and panel co-integration for Pakistan were utilized. The results revealed that FDI has positive effect on real output in the long run. Moreover, in the short run, there was evidence of two-way causality between FDI and GDP.

Okodua (2009) examined the FDI-growth relationship in Nigeria using the Johansen co-integration framework and a multivariate VAR within a VEC model. It was revealed that a long-run equilibrium relationship exist between economic growth and FDI inflows, and that a unidirectional causality runs from FDI and economic growth in Ireland. The empirical results found significant positive impact of foreign direct investment on economic growth in both short-run and long term run. Granger causality results indicated that foreign direct investment granger causes economic growth.

Duasa, (2007) utilized GARCH and pairwise granger causality tests to ascertain the impact of FDI on the stability of GDP and causal link between FDI and economic growth respectively. The result revealed that there is no strong causal relationship between FDI and economic growth. But it was observed that foreign direct investment flows contribute negligibly to the instability of economic growth and vice versa. An empirical study of the relationship between FDI flows and economic growth in China by Sahoo, et al (2002) the regression show that there is a long-run relationship between variables such as GDP, FDI and change in domestic capital formation.

4. Model Specification:

1. Multiple Regression Model

Functionally, ASI=f(FDI,FPI,EXR),
Mathematically, $ASI=B_0+B_1FDI+B_2FPI+B_3EXR+e$
Converting the above equation into log-linear form, we have:
$LogASI=B_0+B_1logFDI_t+B_2logFPI_t+B_3logEXR_t+e_t$
The a-priori expectation of the slope coefficient is:
$B_o>0$; $B_1>0$; $B_2>0$ and $B_3>0$.

2. Error Correction Model

$dASI=B_0+B_1dFDI_{t-1}+B_2\ dFPI_{t-1}+B_3\ dEXR_{t-1}+ECM+e_t$

3. Augmented Dickey Fuller Model

$dY_t=a_0+a_1Y_{t-1}+\ b_1dY_{t-1}+e_t$
where,
ASI=All-share index proxy for stock exchange performance
FDI=foreign direct investment
EXR=exchange rate
B_i=coefficient parameters of the variable or a_i
e=stochastic error term
d=change
ECM=error correction model

4. Results and Discussions

In order to have a first insight into the nature and trend of the individual variables , descriptive analysis was conducted for this study and the result presented below:

Table 1: Descriptive statistic result

Variables	observations	Mean	Maximum	Minimum
ASI	31	15623.95	57990.2	163.8000
FDI	31	404861.4	1360308	735.8000
EFI	31	299735.8	2687233	151.6000
EXR	31	90.31806	305.0000	1.75OO

SOURCE: E VIEW VERSION 8

The result of the dependent variable ASI indicates that its mean value during the period under study is 15623.95, maximum value 57990.20 and minimum 163.800. On the other

hand, FDI shows an average of 404861.4 during the period under study with the maximum and minimum of 1360308 and 735.8000 respectively.

In order to have an first insight into the order of integration of the individual variables,Augumented Dickey Fuller unit root test was conducted for this study and the result presented below:

Table 2: Unit Root Test

VARIABLE	ADF at level	ADF at first difference	Order of integration
ASI	-2,631672	-3.803834***	1(1)
FDI	-2.385838	-8.802471***	1(1)
FPI	0.050594	-6.026549***	1(1)
EXR	-2.518820	-5.527176***	1(1)

SOURCE: E VIEW VERSION 8

Note: Test critical value at i% =-3.67, 5%=-2.96, and at 10%=-2.62.
Asterisks *,**,and *** represents 10%,5%, and 1%.
The ADF unit root test result above showed that all the variables were not stationary at level as their values in absolute terms are less than their critical valye at 5% level of significance. However, all the variables became stationary after the first difference.

Johansen cointegration test: In order to have an insight into the long run relationship of the individual variables , Johansen cointegration test was conducted for this study and the result presented below:

Table 3: Panel A: Trace statistic

Hypothesized No. of CE	Eigen value	Trace statistic	.05 critical value	Prob.**
None*	0.569316	59.52236	47.85613	0.0028
At most 1*	0.544593	35.09333	29.79707	0.0112
At most 2	0.251711	12.28300	15.49471	0.1439
At most 3*	0.125048	3.873996	3.641466	0.0490

SOURCE: E VIEW VERSION 8
Note: Trace test indicates 3 cointegrating equations at the 0.05 level
*denotes rejection of the hypothesisat the 0.05 level.

Table 3: Panel B: Max-eigen statistic

Hypothesized No. of CE	Eigen value	Max-eigen statistic	.05 critical value	Prob.**
None*	0.569316	24.42903	27.58434	0.1204
At most 1*	0.544593	22.81033	21.13162	0.0288
At most 2	0.251711	8.409003	14.26460	0.3386
At most 3*	0.125048	*3.873996*	3.841466	0.0490

SOURCE: E VIEW VERSION 8

Note: Max-Eigen value tests indicate 2 cointegrating equation at the 0.05 level of significance

- Denotes rejection of the hypothesis at the 0.05 level

To investigate the existence of longrun equilibrium relationship among the variables, two statistics were adopted: Trace and Max-eigenstatistics.The trace statistic indicates thattherexists 3 cointegrating equations at 5% level of significance. From the result, the Trace statistic value (59.52236) is greater than the critical value(47.85613). The Trace statistic value (35.09333) is greater than the critical value(29.79707). Also, The Trace statistic value (3.873996) is greater than the critical value(3.641466).

Moreso ,when we apply the cointegration test based on Max-eigen test , the results indicates that there is 2 cointegrating equations at 5% level of significance. From the result, the max-eigen statistic value (22.81033) is greater than the critical value(21.13162) ; Again,(*3.873996*) is greater than (3.841466). This is an indication that the variables of the model are related in the longrun and as such reliable.

Table 5: Parsimonious Result for the study

Dependent variable: D(LogASI)
Method: Least squares
Date:10/11/2018< Time:9:30amSample(adjusted): 1987-2016
Included observations: 30 after adjustments

Variable	Coefficient	Standard error	t-statistic	Prob.
C	1.376784	0.407807	3.376066	0.0024
LOGFDI(-1)	-0.145135	0.069501	-2.088236	0.0471
LOGFPI(-1)	-0.037256	0.027100	-1.374368	0.1814
LOGEXR(-1)	0.222378	0.104130	2.135585	0.0427
ECM(-1)	-0.355236	0.117651	-3.019413	0.0058

R squared	0.464488	Mean dependent variable	0.170010
Adjusted R squared	0.378806	S.D. dependent Variable	0.309931
S.E. of Regression	0.244275	Akaike Information criterion	0.169967
Sum squared residual	1.491757	Schwarz criterion	0.403500
Log Likelihood	2.450489	Hannan-Quinn criterion	0.244677
T-statistic	5.42068	Durbin-watson criterion	1.707625
Prob.(t-statistic)			0.002770

SOURCE: E VIEW VERSION 8

$ASI=B_0+B_1FDI+ B_2FPI+B_3EXR+e$

ASI=1.38-0.15FDI -0.04FPI+ 0.22EXR+e

From the result above, all the variables are stationary after first difference and thus OLS method gives consistent estimates. From the parsimonious result above, it is evident that one-year lagged FDI has a negative and significant relationship with stock market performance, proxies by ASI in Nigeria.This implies that a 1% increase in FDI leads to 15% decrease in stock market performance in Nigeria. The probability value of FDI (0.047) is less than the test significant level (0.05). Hence, we conclude that FDI has a significant effect 0n stock market performance in Nigeria. This finding supports the views of Kunai and Kunai (2017which found out that FDI) has negative and significant effect on stock market performance.

Furthermore, an important feature to notice is the coefficient of error correction term. This carries the correct sign and it is statistically significant at 5% level with the speed of adjustment to equilibrium of 36%. This implies that in the short run, the economy adjusts by 36%of the past years deviation from equilibrium. This indicates that the speed of adjustment to equilibrium is relatively low. This is essential for maintaining long run equilibrium to reduce the existing disequilibrium over time. This result justifies the use of an ECM specification of the model in the study.

The coefficient of determination measured by adjusted $R^{2,}$ showed that 46% of the variations in stock market performance, proxies byLogASI are explained by changes in independent variables (FPI, EXR). Hence,the remaining 54% of the variations are due to other factors (which may be qualitative), not includedin the model.

Finally, the Durbin-Watson statistic (1.70) which is approximately 2, showed that there is no presence of autocorrelation being that 2<=DW>=4. Most interestingly, the Durbin Watson statistic exceedsthe R-squared value ($DW>R^2$), which indicates that the regression result is not spurious.

5. Conclusion and recommendation

The results showed that foreign direct investment has a negative but significant effect on stock market performance in Nigeria. The study investigated the effect of foreign private investment inflows on the stock market performance in Nigeria. Foreign direct investment and foreign portfolio investment were chosen as proxies for foreign private investment inflows. Exchange rate was introduced as an explanatory variable while all share index of the Nigeria stock exchange served as the proxy for stock market performance. The study made use of annual data spanning 1986 to 2016. Findings showed that foreign direct investment has a negative and significant effect on stock market performance. In conclusion, the study argued that foreign investment inflows have significant effect on stock market performance in Nigeria.The study recommends that the government should put facilities in place facilities in place so as to lure more foreign direct investors, since it very glaring that foreign direct investment help to boost the economy and also make stock market more robust.

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GLOBALIZATION AND NATIONAL ECONOMIC DEVELOPMENT: THE NIGERIAN EXPERIENCE

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Abstract
The paper discussed the relevance of globalization through integration that creates room for increasing interaction of people through the growth of international flow of money, ideas and cultures etc. It stated that globalization involves goods and services, economic resources including capital and technology being moved to other areas. The paper however, postulated that the benefits of globalization have not fully been transmitted to the developing nations due to the fact that globalization itself is a concept being enunciated by the Western nations for their own economic integration and development, while the gap between the rich and poor continues to get wider and wider every day. The paper observed, that if globalization is anything to go by, it has not really affected the growth of the Nigerian and most third world nations' economy. That globalization has not succeeded in using the abundant Nigerian natural resources to push it to the international market. It concluded that whether globalization is good or bad to the African and most third world nations, the experience so far is that there is unequal power and recognition in terms of international trade between the developed and the developing nations and if this is not controlled it could further increase the level of poverty and underdevelopment in the less

developed countries. The paper recommended interalia, that Nigeria and most third world nations should find a way of competing favourably in the global process so as not to be left behind in the field of events and also try to reduce the level of poverty, corruption and underdevelopment.

Keywords: *Economic recovery, Growth, Development, Globalization and Underdevelopment*

Introduction

Globalization is an economic process which tends to unite and integrate states into global economic system. It creates room for increasing interaction of people through the growth of the international flow of money, ideas and culture etc (David, 2009). The whole essence of globalization is for economic growth and National development especially that of the underdeveloped countries such as Nigeria. Globalization involves goods and services and the transportation of economic resources including capital and technology. Wolf (2014) stated that today the importance and relevance of globalization have not been fully accepted and noticed in the minds of most third world nations especially Nigeria.

There are various reasons why the relevance of globalization has not been fully appreciated among the developing nations and in Africa. Upon the whole noise about globalization and its integration, the experience of the third world nations has remained the same. This is attributable to the fact that globalization itself is a concept which is enunciated by the western capitalist industrialized nations for the purpose of their economic integration and development. Its relevance has not been seriously felt in the third world nations. It is mainly serving the interest of those who credited it. Another reason why the concept has not really been appreciated in this part off the world is because the gap between the north and the south is still very wide. The rich western nations are becoming richer while the third world nations are becoming very poor and even poorer. Igudia (2003) posits that through this concept, many have tried to create some few impact in the third world nations like Nigeria, while the impact and gap between the rich and poor is still very wide and moreover there is nothing serious to show that Nigeria has entered into a global integration of economic development. The truth is that globalization is still on the advanced countries who coined the concept for their own benefit and growth. The point is that the relevance of globalization has not affected the economic growth of Nigeria. Example is the recent study given by the internet users from the International Telecommunication Union (ICT) (2005) to (2016) estimated the following by regions:

2005 2010 2016

Africa	2%	10%	25%
America	36%	49%	65%
Arab state	8%	26%	42%
Asia and pacific	9%	23%	42%
Europe	46%	67%	79%

Source: International Telecommunication Union.

From the figure, it showed that Africa is the list and the smallest in the table of places where internet information is available. The truth is that the impact of globalization is yet to be experienced in Nigeria and other third world nations. If globalization is for economic growth and development, why has it not affected growth of Nigerian industry and creates impact on trade transaction and economic growth and development in Nigeria as a state?

Statement of Problem

According to Abati (2007), and library of congress (2008), the abundant natural resources inherent in Nigeria is capable of making it the most affective state in the sub-Saharan African. Even Nigeria is the sixth largest oil producer in OPEC, with an estimated proven oil reserve of 36.2 billion barrels. Nigeria is the tenth largest in the world, the eight largest exporter of oil and the United States being fifth largest source of its imported oil. Nigeria has limited natural gas reserve of about 182 trillion cubic feet, the seventh largest in the world. The country has a recoverable coal reserve amounted to 209 million short tons (mmst) but produced less than one percent because the coal industry suffers from extremely low productivity and high transport costs (Library of Congress, 2005). This is not the outing one, Nigeria's 75 percent of land is arable, of which 40 percent is cultivated in 2002, and oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue.

The point here is where is the place of Globalization in this context? One would think that with globalization in the face of these abundant natural resources, Nigeria should heve been actively propelled into the international market and thus reduce or close the widening gap between her and the rich countries.

Today, there is a collapse of basic infrastructure and social services, Nigeria's per capital income has reduced tremendously. Globalization has not been able to help reduce massive corruption in the Nigeria State.

Agriculture has equally suffered much more than other sectors of our economy

due to mismanagement and poor policies. Agriculture was formerly the bedrock of the Nigerian economic development but with the discovery of oil in the early 70s, agriculture was abandoned in place of oil. Nigeria is no longer a major export of cocoa, groundnut and palm oil. (National Planning Commission, 2004). Corruption has taken over every aspect of the country's development. According to Arowolo (2004), corruption continues to drain the country's revenue and developmental potential. Moreover, it is undermining the willingness of ordinary Nigerian to endure the pain of economic adjustment. The questions being asked by most economic observers and foreigners are whether in the midst of this economic downturn and failures whether globalization can help change or review the development strategies in Nigeria and whether the perception of Nigerians towards globalization can change to make way for economic development. This is in the backdrop of the fact that people have not really seen positive effects of Globalization in the economic development of Nigeria. This is because globalization which supposed to bring about increasing interaction of people through the growth of the international flow of money, ideas and culture which is more or less an intensification of worldwide interaction and environmental changes have not really been seen in Nigeria and most third world nations. No wonder most of the African Authors like Aluko (2003), have stated that Globalization has failed since it has not been able to reconcile the differences and interests of the economically rich and developed nations with that of the poor and under-developing nations of Africa. In the presence of Globalization, we continue to witness a very wide gap between the rich and the poor nations. Exploitation and corruption continue to grow and increase unabated. Most of these rich capitalist nations continue to encourage the leaders of these poor countries to siphon the money of their nations and give them safe landing in their countries. The leaders of African countries embezzle and steal money of their countries and send it to them, while the poor people continue to suffer. To them, globalization means corruption enrichment, money laundry and safe deposit of stolen money for safe and secured keeping abroad. A good example is the report of the Nigeria Economic Society (NES, 2003) that most of the Africa and third world trade and contracts with the Advanced countries have caused a decline and collapse of the external purchasing power of the currencies of their governments. It has equally weakened them and their position in international and global economic competitiveness since 1980. Aigbokhan (2003) has also supported Aluko (2003) and concluded that since 1983 and 1986 Nigeria embarked on the restructuring of her economy by joining WTO, the economy instead of improving, the structural Adjustment programme has not helped to reduce the economic downturn in Nigeria. The globalization programmes such as liberalization and deregulation of the economy have succeeded in worsening the Nigerian economic condition. Globalization therefore can be seen as a temporary process of change which underpins a transformation in the organization of human affairs by linking together and expanding human activity across different Nations. The benefits of globalization are only skewed to

their rich advanced countries and not the poor nations. To the poor Nations of Africa, one can say globalization presents a temporary show of relief but it deepens the rate of economic exploitation of the poor nations for the benefit of the rich ones.

Conceptual clarification and etymology

The word Globalization came from the word "Globalize" which is seen to have arrived as an international network of economic programme (Etymology Dictionary 2012). It was also used in 1930 in a publication entitled, "Towards new education" (Oxford English Dictionary, 2009). However, the earlier concept and usage was by Charles Taze Russell who coined the word corporate giants. He was a minister in the watch tower Bible and tract society in 1897, though the concept was used by the economist since 1981 but it did not take a wide acceptance until the 1990s. Recently, credit could be given to Levitt for popularizing and making it to gain wider acceptance. From the 1980s, the term Globalization has become increasingly used as a household term which has generated lot of controversy in the area of definition, explanation and interpretations. For Wolf (2001) globalization is "all those processes by which the people of the world are incorporated into a single world society". The concept can equally be seen in the area of transformation, cultural practices and tradition. While Gidden (1999) sees globalization as the intensification of worldwide social relational which link distant localities in such a way that local happenings are shaped by events occurring many miles away ordinarily. The term represents a form of widening, deepening and speeding up of global interconnections (Casali, 2004:115). But James and Paul (2005) define Globalization in a direct contextual form as the extension of social relations across world-space. Those in Economics have taken the term to another level. According to Fotoponlos (2001), economic globalization is the opening and deregulation of commodity capital and labour markets that led towards the present Neorhberol globalization. They also identified what they called the political globalization to refer to the emergence of a transnational elite and a phasing out of the nation state.

Mclean and McMillan (1996) have a different meaning of globalization which includes a universal process(es) which generate multiplicity of linkages and interconnections, which transcend the states and societies which make up the modern system". It involves a dramatic increase in the density and depth off economic, ecological and societal interdependency, with density referring to the increased number, range and scope across border transactions and depth to the degree to which that interdependency affects and is affected by the ways in which societies are organized domestically. In order words, it refers to the relationship between communities and states including cultures and how they came to being through geographical spread of ideas and social norms at local and

regional levels.

The creation and origin of globalization can be addressed in three main ideas. The first represents how the adaptative and implementation of system principles from the Eastern origin without the ideas from the East. The second idea shows that the interactions among states were not on a global scale but however were continued to Africa and Asian countries, while the third shows the interdependence, stability and regularity and how this mutual relationship affects one another. This is the power and force behind global connection without which trade and globalization would not have come to being.

The old globalization is distinguished from modern globalization from the point of view of expansionism, through trade and information exchange till the annual new commodities including slave trade. The modern globalization came into being around the 19th century as a result of individual revolution which gave room for the standardization of commodities using economies of scale. By this time, globalization was shaped by the European imperialism on African and Asian nations and increased the rate of goods and services.

Finally, globalization means free movement of goods, services and people across the world in interactive manners. It can be seen as a result of the opening up of the global economy and the resultant increase in trade information and discoveries. Globalization will take place anytime nations decide to open up their economies for increase in trade with other foreign Nations. Recently, Globalization has come to mean when nations decide to open up their economies and liberalize their import duties and allow foreign investment into sectors off their main economy. It could equally come in the area of Liberalization of their Visa protocols and rules so as to permit the free flow of people from one country to another. When these occur, the unproductive sectors may be opened up to investment and the productive sectors to export related areas.

Theoretical framework of analysis

Looking at the reasons for Nigerian failure in the midst of plenty, Patron-client and Conflict Theories will be more appropriate to analyze this study on globalization and National economic development, the Nigeria experience. The conflict theory according to Otomar (2002) is of the opinion that the society or organization functions in pattern of struggle and conflict in order to achieve its purposes and services. In this manner of struggle, each individual participating in its group struggle to maximize their benefits, which inevitably contributes, to social change, while the Patrol-Client politics according to Coser (1996) is of the opinion that political events are viewed from the ethnic points of view, thereby constraining and aggravating the choice of political elites. The consequence is the intense struggle for ownership and control over the spoil of office. The various

nationalities laced unanimity of purpose thereby making policy and ethic consideration pervade policy and political process. In this situation, the struggle and contention will be for the control of the good things of office. This is the reason why majority of the Nigerian citizens are subjected under poverty while the few minorities who constitute the white and godfathers control the wealth of the nation. You can only benefit from the wealth of the nation unless you are close to them (African Report 2006). This is the reason why political process in Nigeria is characterized by corruption and continued electoral malpractices together with intercommunal clashes and killing of the innocent citizens. The leaders of the Nigerian state because of corrupt enrichment have hijacked the political powers and reduced the rest of the citizens to second class citizens. This is the reason why there is abuse of power and the inability of the state to ensure good governance. The electoral promises are hardly fulfilled, coupled with high level of corruption, bribery, nepotism and the emergence of militants in some regions of the state. The resultant effect is the killing of many innocent citizens in the country. The ruling elite took advantage of the lucrative and large deposit of oil to manipulate the nation's public policy to their own advantage and fortunes. Arolowo (2006) was of the opinion that these problems were responsible for the crisis in the Niger Delta areas where it is believed that the government has taken over $320 billion worth of crude oil in its bowels since 1970 and is one the largest producing oil countries. Infact, the sixth world largest producer of oil in the world while the area they produce this oil has nothing to show for it or has been neglected in terms of serious and reasonable development. The proceeds from the oil is used to develop other parts of the regions in Nigeria. According to Ebuka (2005), the central bank of Nigeria report for the year 2005 stated that Nigeria received up to 99% of its total export revenue from oil, making it the most oil dependent economy in the world. Of the total of $5.547 trillion earned in 2005 according to Ebuka (2005), there was nothing that the Nigeria elite did with money, yet hunger and poverty are ravaging the country and this hunger and poverty have given room for the emergence of many regional militia under different names (Agba & Okeke, 2017).

The liberal point of view was of the opinion that underdevelopment is a stage that has to give way for another state to take place, but in the case of Nigeria poverty, hunger and underdevelopment have continued to strive and grow wings flying in Nigeria. Liberalism believes that politics and economics should exist side by side for the interest of efficiency, growth and development giving room for the consumer or citizens to make choice in the market economy. This view of the liberalism contends that no country should remain in the state of underdevelopment because it is a stage where most countries pass through and become what they are today. It is an experience for managing the market economy so as to achieve greater efficiency and economic growth. If this theory is true, why is it that the Nigeria and most Africa's economy has remained stagnant and

underdeveloped over a long period of time with corruption and nepotism being the other of the day. In Nigeria, there is complete lack of respect for the rule of law, lawlessness in many ways are celebrated. According to Lawel (2006), the former speaker of the house of representative in Nigeria, Honourable Aminu Bello Masari attributes this to the circumstances that led to the emergence of a leader into political power. As he puts it, most of Nigeria leaders and those who commit lawlessness were products of rigged electoral processes. He went on to state that most politicians who rigged their way into power were responsible for the poor performance of some elected officials (Ebiri, 2016).

The Nigerian experience

Globalization tends to increase the number off interactive relations among nations which gives room for the abilities and reduction of the level of import tariffs, renewal of export taxes, export subsidies, elimination of non tariff barriers and devastation of the local currency (Obadan 1990:20). However, this positive benefit notwithstanding, the trade liberalization was what gave room for Nigeria's Structural Adjustment Programme (SAP). This free flow of import was part of what dealt a blow and hindered the growth of local industries in a very serious extent. It affected Nigeria negatively in that it reduced the level of production and brought about serious devaluation of the Nigerian currency without considering its implication to production and performance of the local industries. Many workers lost their jobs and unemployment became very rampant. It never helped the export off local manufactured products but rather facilitated import of all kinds of luxury goods to the disadvantages of the local ones. In terms of integration, some developing countries like Malaysia, Hong Kong and Singapore are more integrated to the world economy than Nigeria (Obadan, 2001). The very poor and non-performance of non-oil export was the major reason for the downward and low performance of Nigeria's share in global export.

Secondly, the truth is that most poor countries like Nigeria cannot involve themselves in this liberation process because they are not properly established to involve or participate and compete in this international competition of the global economy. Nigeria cannot claim to be involved in the sense that it does not produce anything that it wants to sell outside. What has it to compete with other nations in the international market in the absence of oil? The most dangerous aspect of it is that Nigeria as import dependent nation, liberation has tended to ruin domestic industries and destroy supply capacity due to this prohibitive aspect of imported input costs. The danger and most unfortunate aspect of this is that, the liberalization continues to give room for massive importation of foreign made goods to flourish in Nigeria at the detriment of locally produced ones. Most of the local industries in Nigeria have closed up because of this in flow of the foreign produced ones (Igiebor & Arasomwan, 2017).

This liberation process has not really helped the Nigerian economy to grow. Egonmwan (2000) stated that a report from ILO estimated that in sub – Sahara Africa, the proportion of the population living in abject poverty will increase to over 50% by the year 2010. He went on to state that more than 50% of Nigerians currently live below the poverty line with the closure of most industries as a result of lack of competition with the foreign made ones while most people are out of jobs and unemployment is equally increasing. This kind of trade liberation has not helped the Nigerian economy well.

Most people were off the view that globalization tend to increase level of inequality within and among the countries. It also increases unemployment and threatens the level of standard of living. Some people were of the opinion that globalization and trade liberalization have succeeded in creating debt problems while the global banking has brought increasing impoverishment in the less developed countries through borrowed loans (The south commission report 1990). They were of the opinion that the trade protection policy together with devaluation and removal of subsidies have tended to lower capacity utilization in industries and gradually contributed to the collapse of most industries in Nigeria. Some were of the opinion that globalization can have stagnant effect on the economy, because this protectionisms can have adverse effect and depression on the GDP and development.

Finally, in a corrupt society if globalization is not controlled, it could further increase the level of poverty and underdevelopment. However, it is not all bad and negative, globalization and trade liberalization also have some positive effects (Owenorisiede, 2017).

CONCLUSION

The point here is not whether globalization is good or bad. To Africans and most third world nations the experience so far is that there is unequal power and respect in terms of international trade between the developed and the underdeveloped countries of the world. The argument here is that there is a wide gap between the rich and the poor nations, and this gap continues to get wider and widening every day. Globalization has only succeeded in granting power or handing over power and resources of the nations to the top big nations hence they themselves continue to remain backward, beggars and visitors at the table of economy. Many of the Africans and third world nations who produce little or nothing at the international market only succeed in becoming a prey to the big ones. Globalization only favours the nations who occupy the advantaged position in the international market. Hence most of the African nations cannot benefit here because they are monoculture with low domestic investment. Nigeria in particular cannot accept its problems because of low export prices, monoculture products and heavy burden on external debt servicing.

Way forward

However, other factors not withstanding, the truth is that Nigeria cannot close up its doors to globalization and trade liberalization in this modern times, rather what it should do is to try to follow what is lawful and right way like other nations of the world to succeed and participate favourably in the global process so as not to be left behind in the field of events. It should find a way to competing favourably to enhance the growth of its economy and reduce its incidence of poverty, corruption and underdevelopment.

Despite the fact that some like Allege (2004) and the commission report of 1990 have revealed that globalization and trade liberalization create debt problems as a result of global banking which brought increased impoverishment in the south global loan to the south which increased in the 1970s and the borrowed sums have rarely generated long terms viable enhancement of the general welfare. According to this report, the south external debt grew fourteen fold between 1970 and 1994. The present system has not really helped most of the third world countries because the gap between the rich and the poor is still very wide. The Africans should find a way that could increase their economic potentials, using the modern technology that will lead to high value added products for export to the international market that will be beneficial to them (Shafaeddin, 1994).

Another potential factor is for the third world nations to seek a better alternative way of maximizing the benefit of globalization and minimize the risks of destabilization of their economy and promote growth. What we are saying is not to avoid the free trade, but effort should be made to integrate in such a way that the free trade should be on equal trade basis.

African countries Nigeria inclusive that parade themselves with monocultural products, until they move way from this single monocultural commodity act, they can not compete favourably in the international market with this commodity that has very much less percentage in the international market.

The most important factor to tackle before globalization can become meaningful to the third world countries is the issue of corruption; globalization cannot succeed in an environment of massive corruption, increased rate of poverty and underdevelopment.

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IMPACT OF GOVERNMENT EXPENDITURE ON ECONOMIC GROWTH IN NIGERIA

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Abstract

This study examined the relationship between government expenditure and economic growth in Nigeria using a co-integration and granger causality test for the period 1981-2014. A time-series data was obtained from the Central Bank of Nigeria for the analysis. The outcome of the ADF unit root test indicated that all variables included in the model were non-stationary at their levels but integrated of order one, I (1). From the long-run analysis, the results revealed a positive and significant linear relationship between the two categories of government expenditure and Economic growth (measured by real GDP), The result of the Pairwise Granger Causality test in a Vector Error Correction Model indicated a unidirectional (one-way) causality, running from economic growth to capital expenditure and recurrent expenditure to economic growth, while bi-directional causality runs from capital expenditure to recurrent expenditure and vice versa. Therefore, the study recommended the need to stimulate economic growth by allocating appropriate proportion to capital expenditure of government in the national budget.

Keywords*:* Government, Expenditure, Economic Growth, Nigeria
JEL Classifications:

Introduction

Economic growth refers to increase in a countries potential GDP, although this differs depending on how national product has been measured. Economic growth must be sustained for a developing economy to break the circle of poverty; countries usually pursue fiscal policy to achieve accelerated economic growth. Over the past decades, the public sector spending been increasing in geometric term through government various activities and interactions with its ministries, department and agencies (Niloyetal 2003). Although, the general view is that public expenditure either recurrent or capital expenditure, notably on social and economic infrastructure can be growth enhancing. Hence, financing expenditure provides essential infrastructural facilities. The size and structure of public expenditure will determine the pattern and form of growth in output of the economy.

The structure of Nigerian public expenditure can broadly be categorized into capital and recurrent expenditure. The recurrent expenditure are government expenses on administration such as wages, salaries, interest on loans maintenance etc, whereas expenses on capital projects like roads, airports, education, telecommunication, electricity generation etc., are referred to as capital expenditure. One of the main purposes of government spending is to provide infrastructural facilities (Taiwo, and Abayomi 2011).

Nurudeen and usman (2010) added that in Nigeria, government expenditure has continued to rise due to the huge receipts from production and sales of crude oil, and the increased demand for public (utilities) goods like roads, communication, power, education and health. Besides, there is increasing needs to provide both internal and external security for the people and the nation. Available statistics, according to show that total government expenditure (capital and recurrent) and its components have continued expenditure (capital and recurrent) and its components have continued to rise in the last three decades. For instance, government total recurrent expenditure increased from N3, 819.20 Million in 1977 to N4, 805.20 million in 1980 and further to N36, 219.60 million in 1990. Recurrent expenditure was N461, 600 million and N1, 589270.00 million in 2000 and 2007 respectively. In the same manner, composition of government recurrent expenditure shows that expenditure on defense, internal security, education, health, agriculture, construction and transport and communication increased during the period under review. Moreover, government capital expenditure rose from N5, 004.60 million in 1977 to N10, 163.40 million in 1980 and further to N24, 048.60 million in 1990. The value of capital expenditure stood at N239, 450.90 million and N759, 323.00 million in 2000 and 2007 respectively. Furthermore, the various component of capital expenditure (that is, defense, agriculture, transported and communication, education and health) also show a rising trend between 1980 and 2007).

The effect of government spending on economic growth is still an unresolved issue theoretically as well as empirically. Although the theoretical positions on the subject are quite diverse, the conventional wisdom is that a large government spending is a source of economic instability or stagnation Empirical research, however, does not conductively support the conventional wisdom. A few studies report positive and significant relation between government spending and economic growth while several others find significantly negative or no relation between an increase in government spending and growth in real output.

Many researchers have attempted to examine the effect of government expenditure on economic growth. Such as Ranjan and Sharma (2008), Ahsan et al. (1989), Ram (1986), Holmes and Hutton (1990), Singh and Sahni (1984) concluded that public expenditure expansion has a positive significant effect on national growth. On the contrary, Barth et al (1990) and Laudau (1983, 1986) found that public expenditure expansion has negative effect on national income growth for both developed and less developed countries. Fajingbesin and Odusola (1999) empirical investigated the relationship between government expenditure and economic growth in Nigeria. Their econometric results indicated that real government capital expenditure have significant positive influence on real output.

This section highlights some basic theories that have been used to support the effect of public expenditure on economic growth. Generally economic growth deals with long-run growth trend of the economy or potential growth path (Bronson 2002). The Keynesian sees demand as a pre-requisite for growth. Therefore, their analysis concludes that aggregate demand management policies can and should be used to improve economic performance. On the other hand, Harrod-dommar model points out some dynamics of growth. For instance, to determine equilibrium growth rate in the economy, the balance between supply and demand for a countries output should be maintained.

Whilst acknowledgement the fact that the study is not the first of its kind using Nigerian data, however, it shall go a little further than earlier works to correctly capture all known composition of public expenditure during the years under review to assess the impact of public expenditure on economic growth.

This paper is structured into four sections. Section one is the introduction, followed by Literature review and theoretical framework in section two; section three is the methodology of the paper; section four is the estimation techniques and result analysis while conclusion and recommendations forms the fifth section.

Literature Review

Government expenditures are the expenses which a government incurs for Its own maintenance Society and the economy helping other countries (Bhatia 2002). Public expenditure represents the total government spending to attain the macroeconomic objectives. Governments have recorded a continuous increase over time in almost every country. Despite the fact the fact that there is continuous increase in government expenditure and in spite of its growing role and importance in national economies the area of public expenditure remains relatively unexplored unlike the attention on the theory of taxation. However, the classical have unfavorable thinking towards increasing public expenditure, positing that government lack capacity to decide and judge economic interests on behalf of others; hence it should limit its spending. The following are the kind of public expenditure:

i. ***Productive and unproductive expenditures:*** productive expenditures are in the nature of investment which helps the economy in improving its productive capacity while the unproductive versions are expenditures in form of consumption. The productive once are those that are committed to incur and maintain social overheads. The expenditures on administration, defense, justice, law and order and maintain ace of state are unproductive (Bhatia, 2002).

ii. Government expenditure is usually classified into two ***capital and recurrent expenditure:*** Recurrent expenditure is the expenditure that is incurred yearly for the implementation of the various functions of government. It includes general administrative expenses on defense, social and economic services. A capital expense refers to the expenses earmarked for specific projects that can last for many years. It includes investment in buildings, roads, airport, petrochemical project etc.

iii. ***Transfer and non-transfer expenditures:*** pigou champions this classification, A transfer expenditure is a payment without corresponding receipt of goods and services by the state e.g. interest payment on the acquired debt, old-age pensions, unemployment benefit and benefit/allowance paid to the disaster displace people etc. the non-transfer expenditure is that by which the state pays for its purchase or use of goods and services. Expenditure on **defense**, **agriculture**, **transportation and communication** and such like are all of non-transfer expenditure.

Theoretical Framework

Generally, economic growth theory deals with long-run growth trend of the economy, or potential growth path (Branson, 2002). The focus is on factors that lead to economic growth over time and analysis of the forces that allow some economies to grow rapidly, some slowly and others not at all. Early growth theories emphasized on different aspects of

the economy. For instance, Mercantilists emphasized surplus balance of trade, Physiocrats emphasized agriculture as the source of all wealth while the Cameralists favoured taxation and state regulation for strong economy (Lombardini, 1996).

Within the framework of the classical models of Smith and Malthus, economic growth is described in terms of fixed land and growing population. But without technological change, increasing population eventually exhausts the supply of free land and triggers law of diminishing returns which results to declining real wage down to subsistence level at which point Malthusian equilibrium obtains. The Keynesians see demand as a prerequisite for growth. Therefore, their analysis concludes that aggregate demand management policies can and should be used to improve economic performance. In the Keynesian model, increase in government expenditure (on infrastructures) leads to higher economic growth. Contrary to this view, the neo-classical growth models argue that government fiscal policy does not have any effect on the growth of national output. However, it has been argued that government fiscal policy (intervention) helps to improve failure that might arise from the inefficiencies of the market.

Exploring the Keynesian framework, Harrod-Dommar model points out some dynamics of growth. For instance, to determine equilibrium growth rate in the economy, the balance between supply and demand for a country's output should be maintained. On supply side, saving is a function of the level of GDP. Investment is an important component of the demand for the output of an economy as well as the increase in capital stock. Therefore, the equilibrium rate of growth is given by matching proportionate change in output with the ratio of savings-output to that of capital-output. This sustains the economy along some warranted steady growth path.

Methodology

Data and Sources this study employed annual time series data that covers the period from (1981-2014) for Nigeria. To investigate how government spending could affect economic growth in Nigeria, a number of variable have been taken into consideration in this study. These variables consist of Real Gross Domestic Product (RGDP), Total Recurrent Expenditure (TRE), Total Capital Expenditure (TCE), and are defined in our model specification. All the variables are secondary data sourced from central bank of Nigeria (CBN), Statistical Bulletin, World Bank Development Indicators.

Model Specification

This study aim at establishing the dynamics property of the relationship between government spending and Real Gross Domestic Product (RGDP) in Nigeria over the years (1981-2014). The functional form on which our model was based employed a multiple regression equation in the analysis of the work. In an attempt to capture our essence of this study, and has on previous studies. The Real Gross Domestic Product (RGDP), Total Recurrent Expenditure (TRE), Total Capital Expenditure (TCE), was used to formulate our model. Thus, the model is represented in a functional form shown below:

$$RGDP=F(TRE, TCE,) \quad (1)$$

Where;
RGDP= Real Gross Domestic Product (Dependent Variable)
TRE= Total Recurrent Expenditure (Independent Variable)
TCE= Total Capital Expenditure (Independent Variable)

In the mathematical model;

$$RGDP=\beta_0+\beta_1 TRE+\beta_2 TCE \quad (2)$$

Where;
β_0= the intercept
β_1= Regression co-efficient of TRE
β_2= Regression co-efficient of TCE

Equation (1) and (2) above can be transformed into an econometric model as follows;

$$RGDP=\beta_0+\beta_1 TRE+\beta_2 TCE+\mu_t \quad (3)$$

Where;
μ_t= Error Term

The error term examines the interpretation of equation errors in time series econometrics. We contrast the view of errors as what is omitted from the statistical model with the view that the errors represent the shocks that are the important driving forces of model dynamics and it is said to be independently and identically distributed(N,I,I,D) around zero mean (0,1).

From equation (3) above;

$\beta_1 + \beta_{2>} 0.$

Therefore, β_1 is expected to be positive implying that TRE impact positively on RGDP (β_1>0), β_2 will also indicate a positive relationship between TCE and RGDP (β_2>.

Estimation Technique

Unit Root Test

A unit root test is a feature of process that evolves through time that can cause problems in statistical inference involving time series models. A unit root test, test whether a time series variable is non stationary using an autoregressive model. David dickey and Wayne fuller (1979, 1981) said and dickey (1984) have developed a method to determine whether a variable contain a unit root. For empirical process, a test for unit root is required because all other models can apply only to variables that are non-stationary in levels that is they contain a unit root. The tests are conducted including a drift term and both with and without a trend. The addition of a trend allows testing that whether the series is trend or different stationary.

The Cointegration Test

Co-integration implies identifying the co-integrating or long run equilibrium relationship. The methodology developed by Johnson (1991, 1995) is used in explaining the co-integration test. The central concept of integration is the specific of models that include the long run movements of one variable relative to others. Co-integration implies the idea that linear combination of non-stationary series can be stationary, implying a long run relationship that is it shows that the relationship between the stationary linear combination of non-stationary variable exist.

Granger Causality Test

Granger causality is a statistical concept of causality that is based on prediction. Its mathematical formulation is based on linear regression modeling of stochastic processes (Granger 1969). It determines the direction of causality between variables. This test would be carried out to show the causal relationship between exchange rate volatility and

international trade.

Results and Discussion

Unit Root Test Results

This involves testing for stationary of the individual variables using both the Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) tests to find the existence of unit root in each of the time series. The result of both the ADF and PP tests are reported in table 4.1 (levels) and 4.2 (first difference) respectively.

Table 1: ADF Unit Root Test Results

	ADF Level		ADF First Difference		Order of integration
Variables	**Intercept**	**C & T**	**Intercept**	**C & T**	
InRGDP	0.924412	-2.632456	-3.292395**	-3.867236**	I (1)
InTCE	-1.027230	-1.003523	-5.746844*	-5.794098*	I (1)
InTRE	-1.217602	-1.861722	-7.827426*	-7.932025*	I(1)

Source: Computation from E-views 8.0

Note: * denotes 1% level of significant, ** 5% level of significant. I (1) mean that the series is integrated at first difference.

From the ADF test which is presented in table 4.1 above, it is clear that all the variables (RGDP, TCE, and TRE) are non-stationary at levels but were found to be stationary at first difference. This is because, at levels, the observed values of ADF statistics are less than their critical values in both intercept and linear trend. While at the first difference, the null hypotheses of all the variables are rejected, since the observed values of ADF statistics are greater than their critical values all at 1%, except for RGDP which is 5% significance level.

Table 2: PP Unit Root Test Results

	ADF Level		ADF First Difference		Order of integration
Variables	**Intercept**	**C & T**	**Intercept**	**C & T**	
InRGDP	1.724733	-2.567341	-3.254843**	-3.838714**	I (1)
InTCE	-1.025999	-1.196613	-5.766144*	-5.795754*	I (1)
InTRE	-1.151439	-1.737461	-7.827426*	-8.091917*	I (1)

Source: Computation from E-views 8.0

Note: * denotes 1% level of significant, ** 5% level of significant. I (1) mean that the series is integrated at first difference.

The PP test presented in table 4.2, further confirmed the non-stationary of the series at both levels and their stationary after differencing them once at first difference. At the level, the null hypothesis for unit root was failed to be rejected for all the series because the observed PP values are less than the critical value. However, at first difference, none of the null hypotheses is failed to be rejected, because the observed values of PP statistics are greater than their critical values at 1% level of significant for TCE and TRE, which RGDP is rejected at 5% level of significance.

Evidently, both the two tests reveal that all the variables are characterized by the presence of unit root at levels but found to be stationary at first difference. Since all the series are integrated of order one i.e.

1. After differencing the variables once, then a combination of these variables may reveal the long run relationship. Therefore, the next step is to test if a long run relationship (co integration) exists among the variables.

Cointegration Test Results

After identifying the order of integration at levels and first difference using both ADF and PP test, the results from the two unit root tests suggested that the long run relationship among the variables may exist. Therefore, it is necessary to investigate if the individual variables of interest can actually converge in the long run. To investigate this, the study employed Johasen Multivariate Conintegration technique. The result of the cointegration test is presented in table 4.3 and table 4.4 for the Trace criterion and the Maximum Eigenvalue criterion, respectively:

Table 3: Johansen Cointegration Rank Test (Trace)

Hypothesized			**Trace**	**0.05**	
Ho	**Hi**	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****
r=0	**r>0**	0.426134	30.26717*	29.79707	0.0441
r≤1	**r>1**	0.234352	12.49568	15.49471	0.1347
r≤2	**r>2**	0.116141	3.950644	3.841466	0.0468

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Table 4: Johansen Cointegration Rank Test (Maximum Eigenvalue)

Hypothesis			Max-Eigen	0.05	
Ho	**Hi**	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****
r≤1	**r>1**	0.426134	17.77150*	21.13162	0.1386
r≤2	**r>2**	0.234352	8.545033	14.26460	0.3260
r=0	**r>0**	0.116141	3.950644	3.841466	0.0468

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

From the two tables above, it can be observed that both Trace test and Maximum Eigenvalue test reject the null hypothesis (H0) of conintegration at 5% level of significance, implying presence of one cointegrating equation among the variables. Specifically, the trace test statistics indicates the existence of one co integrating equation, and equally the maximum Eigenvalue statistics reveals the same at 5% level of significance in both cases. Therefore, we can conclude that there is long run relationship among Real Gross Domestic Product, Total Capital Expenditure and Total Recurrent Expenditure variables.

The Long run Relationship

Base on the Johansson multivariate cointegration technique, the normalized co integration equation is obtained which shows the long run relationship among real gross domestic product, total capital expenditure and total recurrent expenditure. These can be presented on the normalized co integration coefficient table below:

Table 5: Normalized Co-integrating coefficients

InRGDP	**InTCE**	**InTRE**
1	0.313675	-0.574804
Standard Errors	(0.10304)	(0.09303)
Test Statistics	[3.04408]	[-6.17863]

Source: Computation from E-views 8.0

From the above table, the coefficients of the normalized co integration equation and the standard error in bracket alongside with the test statistics in parenthesis. The test statistics are computed by dividing the coefficient of each variable by its respective standard error. Using the normalized co integration coefficients and their test statistics, we can observe that all the variables are highly statistically significant using the normalized co integration. The long run equation can now be constructed below:

InRGDP = -8.404790 + 0.313675InTCE – 0.574804InTRE
(0.10304) (0.09303)

The above shows the estimated long run relationship that exists among the two variables. As expected, there is a high statistical significant positive relationship between total capital expenditure (TCE) and economic growth (InRGDP). This implies that the total capital expenditure plays a vital role in the growth process of the Nigerian economy. However, total recurrent expenditure turn out with an unexpected negative sign which is contrary to the apiriori expectation, but however the variable is also highly statistically significant.

Given the fact that our model is log-linear model, we can interpret the coefficients of the long run equation as long run elasticity. Meaning each coefficient of the variables measures the contribution of variable to real GDP. For instance, a 1% increase in total capital expenditure will result in almost 4% increase in real GDP all things being equal. By this model, we can regard capital expenditure contribution as the most significant in the impact public expenditure and economic growth.

Granger Causality Results

The dynamic natures of the causal relationship between variables were analyzed through the use of Granger causality approach. Granger causality allows for several causal relationships to be identified in different alternative models. Table 4.4 shows the summary results of the Granger causality test.

Table 6: Pairwise Granger Causality Test

Null Hypothesis	F-Statistic	Prob.	Decision Rule	Remark
INTCE does not Granger Cause INRGDP	2.66800	0.0876	Reject H0	Unidirectional Causality
INRGDP does not Granger Cause INTCE	1.05238	0.3630	Do not reject H0	
INTRE does not Granger Cause INRGDP	5.94245	0.0073	Reject Ho	Unidirectional Causality
INRGDP does not Granger Cause INTRE	1.38136	0.2684	Do not reject Ho	
INTRE does not Granger Cause INTCE	0.97328	0.3907	Do not Reject H0	No Causality
INTCE does not Granger Cause INTRE	1.09588	0.3487	Do not reject H0	

Source: Computation from E-views 8.0

Table 6 above presents the results of pairwise granger causality among real GDP, Total capital expenditure, Total recurrent expenditure. The results shows that the null hypothesis that the capital expenditure does granger cause real GDP and could be safely accepted. This implies that unidirectional granger causality does not emanate from real GDP to capital expenditure. The result of the null hypothesis shows that, the recurrent expenditure does not granger cause real GDP is rejected. This means that a unidirectional causality runs from recurrent expenditure to economic growth, similarly, the null hypothesis TRE does not

granger cause TCE and TCE does not granger cause TRE was also failed to be rejected indicating absence of causality among the variables. This is consistent with the expectation and with the realities in the Nigerian economy since the amount of recurrent expenditure is higher in the national budget.

The empirical findings of this study is similar to some of the previous empirical studies conducted in Nigeria for instance, fajingbesin and odusola (1999) empirical investigated the relationship between government expenditure and economic growth in Nigeria, their econometric result indicated that real government capital expenditure have significant positive influence on real output. Odedokun (1997) and shioji (2001) obtain a similar result as they find that public investment promotes economic growth.

Olugbenga and Owoye (2007) investigated the relationship between government expenditure and economic growth. The regression result showed the existence of a longrun relationship between government expenditure and economic growth. In addition, the authors observed a unidirectional causality from government expenditure to growth.

In contrast, Abu and Abdullahi (2010) revealed that, total capital expenditure; total recurrent expenditure has negative effect on economic growth. Ram (1986) model and regression on real GDP tested for the presence of stationarity in the variables using the Augmented Dickey-fuller, unit root test, and used the co-integration test to establish the long-run relationship among variables. These made it unique and different from other researches that mostly used the ordinary least square in conducting their research.

Conclusion and Recommendations

From the findings of this work, we could conclude that Nigerian huge public spending has little or no effect on the economic growth or on the people as a whole. It is pertinent to mention that the government while managing or relocating resources to various sectors has as a responsibility, the duty of maintaining law and order, protection of lives and properties, and also the provision of amenities to improve the living standard of the people. It is noticeable that Nigerian economic growth changes in response to the ever changing economic, social, and political environment. This calls for the need to device measures that will ensure the efficient monitoring of the economic activities and the supervisory authorities of all the sectors created with the aim of increasing economic growth.

Base on the findings, the study recommends the followings:

1. Effort should be made by the government to stimulate economic growth. This will have impact on the government goal of economic development through increased in public expenditure especially capital expenditure.

2. Government and its managers should ensure that a reasonable proportion should be allocated for capital expenditure in the budget. This will increase the volume of economic activities through multiplier effects.

3. Government should ensure that capital expenditure and recurrent expenditure are properly managed and administered in a manner that will raise the nation's production capacity and accelerate economic growth.

4. Transparency and accountability must be thoroughly pursued by the government to eliminate or minimize huge public expenditure in Nigeria.

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Assessment of Ugandan's multilateral diplomatic relations with ideological blocs; Afrocentric relations and China: challenges and prospects

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Abstract
The research examined the challenges and prospects of Ugandan's multilateral diplomatic relations with the two ideological blocs namely USA and Russia (USSR) on one hand and with African continent and China on the other hand. The research observed that although there are significant benefits in these multilateral relations among the aforementioned state actors, there are by no means some challenges. These prospects and challenges in Ugandan multilateral diplomatic relations formed the focus of this research. The paper adopts descriptive approach as the methodology of analysis in the research. The work made useful recommendations and policy options for improved multilateral diplomacy in inter-state relations among the affected states.

Key words: Diplomacy, multilateral, state-actors, ideological blocs, Nigeria, South Africa, China

Introduction

The United States established Diplomatic relations with Uganda in 1962, following Uganda's formal Independence from the United Kingdom. In the post-independence period, the country endured despotism and near economic collapse. The Human Rights abuses of several Ugandan governments strained United States relations with Uganda.

President Museveni, came to power in 1986, after decades of internal strife. Under Museveni, Uganda experienced relative political stability and economic growth. Uganda faces numerous challenges, however, that could affect future stability, including explosive population growth, power and infrastructure constraints, corruption, underdeveloped democratic institutions, and human rights deficits.

There has been bilateral Foreign relations between the two countries that is, Russia and Uganda. Russia has an Embassy in Kampala and Uganda has an Embassy in Moscow. The links between the two countries are traditionally friendly.

Trade Ministers from Uganda and South Africa have reaffirmed their commitment towards facilitating trade and investment flows between the two countries.

The two Ministers Amelia Kyambadde, the Minister of Trade, Industry and Cooperatives and her counterpart Gratitude Bulelani Magwanishe, the South African Deputy Minister for Trade and Investment signed a declaration on Tuesday in Pretoria, South Africa recognizing the imperative to build a mutually beneficial trade and investment relationship that supports the industrialization imperatives of the two countries.

They have also seen movements of Nigerian people to and fro the two countries for Trade, Investment and Religious purposes. Furthermore, Uganda hosts a number of Nigerian Banks including the United Banks for Africa (UBA), ECO Bank, Orient Bank, Guaranty Trust Bank (GTB) and National Insurance Company (NIC). There are equally a number of Nigerian churches in the country ie. Mountain of Fire Ministries, Living Faith (Winners Chapel), Deep Life, Redeem Christian Church of God, Christ Embassy, Living Word and host of others. Let me also add that over the past two years, large numbers of Nigerian's students have been admitted in many Uganda Universities.

Relations between Uganda and the People's Republic of China were established in 1962. Trade between the two nations totaled over $1 billion in 2017. Additionally, Chinese companies have contributed significantly to the building of infrastructure in Uganda. China also owns about 20% of Uganda's debt, equivalent to about $1.6 billion. The Ugandan Ambassador to China is Chrispus Kyonga while Chinese Ambassador to Uganda is Zheng ZhuQiang.

Since Uganda's Independence in 1962, Diplomatic Relationships have existed between the two nations. China was one of the first nations to recognize the newly independent nation. In 1971, Uganda was one of 76 nations voting in favor of restoring UN membership to the Chinese government. Following President, Yoweri Museveni's rise to power in 1986, the two nations have developed closer ties and signed multiple Cultural Cooperation Agreements, exchanging Student and Medical teams. Relationships between the two nations have been strengthened by a Policy of Non-interference in Political Affairs. On the issue of the passage of the Uganda Anti-Homosexuality Act, 2014 Uganda Anti-Homosexuality Act, 2014, Western criticism of the Ugandan government and Museveni's Presidency increased. Many nations withdrew economic aid and support. China's policy of political non-involvement allowed them to take on the role of supplying aid and infrastructure to Uganda.

Uganda's foreign policy with United States of America (USA)

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Uganda has been a reliable partner for the United States in promoting stability in the Horn and East/Central Africa and in combatting terror, particularly through its contribution to the African Union Mission in Somalia.

United States Assistance to Uganda

The United States provides significant Development and Security assistance to Uganda, with a total assistance budget exceeding $970 million per year. The United States government plays a key role in supporting the professionalization of the Military; providing anti-retroviral treatment for more than 990,000 HIV-positive Ugandans; and working to boost Economic growth and agricultural productivity, improve educational and health outcomes, and support democratic governance through inclusive, accountable institutions. The U.S. Mission is working with the

Government of Uganda to improve tax collection and Oil Revenue Management, and to increase Uganda's domestic funding for Public Services and the National Response to HIV/AIDS.

Bilateral Economic Relations

Uganda is eligible for preferential trade benefits under the African Growth and Opportunity Act. U.S. exports to Uganda include machinery, optical and medical instruments, wheat, and aircraft. United States imports from Uganda include coffee, cocoa, base metals, and fish. The United States has committed to signing trade and investment framework agreements with the East African Community and with the Common Market for Eastern and Southern Africa. Uganda is a member of both regional organizations.

Uganda's Membership in International Organizations

Uganda and the United States belong to a number of the same International Organizations, including the United Nations, International Monetary Fund, World Bank, and World Trade Organization.

Bilateral Representation

The current U.S. Ambassador to Uganda is Deborah Malac. Other principal Embassy officials are listed in the Department's Key Officers List. Uganda maintains an Embassy in the United States.

Uganda foreign policy with USSR (Russia)

Russia–Uganda Relations

Russia–Uganda relations: There has been bilateral Foreign relations between the two countries that is, Russia and Uganda. Russia has an Embassy in Kampala and Uganda has an Embassy in Moscow. The links between the two countries are traditionally friendly.

Bilateral Relations

The Soviet Union established Diplomatic Relations with Uganda on October 11–12, 1962. In 1964, the USSR and Uganda signed a Trade Agreement and an agreement on Economic and Technical Cooperation, which provided for a loan of 14 million rubles to Uganda. Registered dynamic political dialogue in June 2004, Ugandan President, Yoweri Museveni had a brief conversation with Russian President Vladimir Putin at Sea Island, the Summit of the G8. In June 2008 - First Deputy Minister of Foreign Affairs of the Russian Federation Andrey Denisov visited Kampala and signed a Memorandum of Consultations between the Ministries of Foreign Affairs of Russia and Uganda. The most active bilateral relations began to develop in the last two years. In August 2009, Ugandan President Yoweri Museveni was in Moscow on a private visit. He held talks with Foreign Minister Sergey Lavrov, the Russian Chamber of Commerce and Industry, President Yevgeny

Primakov. The Ugandan leader also visited the International Aviation and Space Salon MAKS-2009 in Zhukovsky, the Kubinka Tank Museum, the company-manufacturer of equipment for the Food Industry FSUE "FSPC device." On June 6, 2011 the President of the Russian Federation Dmitry Medvedev and the President of Uganda Yoweri Museveni had a telephone conversation. In 2010, the trade turnover, according to the Federal Customs Service of Russia totaled $49 million. Russia exported goods to Uganda worth 29.3 million (wheat, medicine, tires, metal, spare parts), imports - $19.7 million (cashew nuts, tea, coffee, spices, tobacco). The country has a representation of the Kazan Helicopter Plant, as group of Russian experts on operation and maintenance of helicopters. In February 2011, a group of observers from the Russian Central Election Commission worked in the general elections in Uganda. In the Ugandan hospitals under the "Zdraveksport" opened with seven (7) Russian Doctors, 11 more - Private Contracts and four (4) thousand Ugandans have graduated in the country. Uganda in 2010, it was a seven (7) State scholarships for its citizens in the Russian Universities (5 had Full Course of Study, 2 had Graduate school). In 2010, to study the State line arrived in Russia one man and 19- on a Commercial basis.

Uganda's foreign policy with Africa

Africa-Uganda

Kampala, Uganda (GODFREY SSALI) Trade Ministers from Uganda and South Africa have reaffirmed their commitment towards facilitating trade and investment flows between the two countries.

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The Ministers met during the 2nd South Africa – Uganda Joint Trade Committee (JTC) Meeting in Pretoria. The meeting followed the 1st JTC held in November 2015 in Kampala, which was established to strengthen the Trade Relations between Uganda and South Africa. In her remarks, Minister Kyambadde underscored the widening and imbalanced trade and investment flows between Uganda and South Africa.

By 2016, Uganda's trade imbalance with South Africa was estimated at $198 million, Uganda's imported from South Africa goods worth $215 million against Uganda's exports worth $17 million.

"Imports from South Africa are mainly processed and manufactured products that include

flat rolled products of iron or non-alloy steel, transport goods vehicles, electricity meters, semi-finished products of iron and non-alloy steel, printed matters, apples and medicine, while Uganda's export was mainly coffee.

Kyambadde noted that there has been an increase in the South African Companies operating in the Ugandan economy yet the number of Ugandan Companies operating in the South African market was minimal.

Currently, there are over 60 South African companies in Uganda and they are broadly in the areas of Financial, Telecommunications, Hospitality Industry, Power generation and Manufacturing. Some of the notable companies are Stanbic Bank, MTN Uganda, Shoprite, Game, Eskom and Woolworth.

Kyambadde said that "There is need to enhance Uganda's market access and improve our Trade relations; which calls for flexibility, reciprocity and preferential access to their market".

In response, Gratitude Magwanishe said South Africa was committed to maintaining and improving the already vibrant relations between both countries however, cautioning Uganda to work harder towards improving her exports to South Africa.

"The onus is on Uganda to work harder in improving exports to South Africa and thus should effectively utilize the Joint Trade Committee for the two countries to achieve this", said Magwanishe. He also added that South Africa is committed to facilitating trade and investment flows between the two countries as contained in the Trade Agreement signed in 2002 and in keeping with the principles of the Tripartite Free Trade Area (T-FTA) negotiations.

Uganda under the auspices of the East African Community (EAC), is in negotiations with South African Customs Union (SACU), and on this issue Minister Kyambadde appealed for a more flexible approach on market access tariff negotiations at the SACU-EAC deliberations on products of specific interest to both parties in the TFTA negotiations.

The Permanent Secretary Ministry of Trade, Industry and Cooperatives Ambassador Julius Onen noted Uganda's potential in the trading of fresh products like peppers, chilies, green bananas, and avocados in South Africa. He added that coffee is another key strategic product in Uganda's export basket and appealed for structured negotiations for market access of these products in the South African market.

The two countries agreed to implement exchange programmes in various areas of cooperation so that product preferences could become known as opportunities are uncovered. In particular, the Ministers agreed that the two countries would exchange information on the Legal and Regulatory Framework in order to learn about each other's requirements for a smooth flow of trade and investments.

"We agreed to exchange information on the implementation of Proudly South African Initiative and the Buy Uganda Build Uganda (BUBU) initiative so that we can learn from each other", explained Kyambadde.

Another area is the tourism sector where Uganda can learn from South Africa's expertise in Tourism Marketing and the two countries could exchange knowledge and best practice.

The two countries also agreed to strengthen collaboration between the trade investment agencies including Uganda Industrial Research Institute (UIRI) and the South African Council for Scientific and Industrial Research (CSIR), South Africa Industrial Development Corporation (IDC), Uganda Development Corporation (UDC) and Uganda Development Bank Limited (UDBL), the South African Bureau of Standards and Uganda National Bureau of Standards, and the Department of Small Business Development (DSBD) in South Africa and the MSME Directorate in Uganda.

(b) Nigeria –Uganda Relation under Bilateral Agreement

Federal Republic of Nigeria since 1987 established a Technical Aid Corps (TAC) scheme to streamline Nigeria's Technical Aid policy and assist States in Africa, Caribbean and Pacific (ACP) regions in their social economic development effort through the participation of Nigeria experts in various fields of human endeavour has assisted Ugandans. TAC scheme is an alternative to direct Financial Aid to African by sharing knowledge and expertise with them on the basis of their assessed and perceived needs.

This has fostered meaningful contacts between Nigerian Volunteers and recipient countries, since inception, over 4000 volunteers have served in about 33 countries which Uganda is one. The TAC programme has been a success in Uganda, necessitating the renewal of the Bilateral TAC Agreement between Nigeria and Uganda on 17th October, 2013. This year alone the High Commission has received a number of requests from Universities in Uganda. About 78 lecturers were deployed to Uganda i.e Kampala International University (KIU), Mbarara University, Kabale University, and Islamic University in Uganda (IUIU).

The cordial relations have been reciprocated by the high profile visits between the top political, economic and religious leadership of both countries.
(c).

Nigeria-Uganda relationship on immigration and emigration

They have also seen movements of Nigerian people to and fro the two countries for Trade, Investment and Religious purposes. Furthermore, Uganda hosts a number of Nigerian Banks including the United Banks for Africa (UBA), ECO Bank, Orient Bank, Guaranty Trust Bank (GTB) and National Insurance Company (NIC). There are equally a number of Nigerian churches in the country ie. Mountain of Fire Ministries, Living Faith (Winners Chapel), Deep Life, Redeem Christian Church of God, Christ Embassy, Living Word and host of others. Let me also add that over the past two years, large numbers of Nigerian's students have been admitted in many Uganda Universities.

Bilateral Representation

Uganda High Commission is located in Abuja, Nigeria.

Uganda's Foreign policy with China

China–Uganda Relations

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Economic Relations

Trade between China and Uganda has also increased under Museveni's Presidency. Even within the last 10 years, the amount of trade between the two nations has more than quadrupled, from around $230 million in 2008 to over $1 billion in 2018. The majority of this trade is Chinese exports to Uganda, which account for about $850 million in trade. China's largest exports are Machinery and Electrical equipment. Uganda's major exports to China include many raw goods such as Hides, Oils, and Seeds.

In fact, Uganda has emerged as a potential market for many Chinese businesses, both State-owned and Private. These businesses include oil and construction, as well as smaller stores and factories for electronics, clothes, and other consumer goods.

Infrastructure and Debt

China and Chinese companies have also contributed too many infrastructure projects in Uganda. Chinese construction companies have won contracts for many major infrastructure projects, such as Mandela Stadium and the country's largest hydroelectric dam. More so recently, Chinese companies are in charge of the Construction of an Express Highway connecting the major city of Entebbe to the Capital, Kampala. The Ugandan government also utilizes Chinese technology for small and large-scale agri-business projects, with over 40 Chinese agricultural scientists having taken part in planning these projects in Uganda since 2012.

China also supports infrastructure within Uganda through loans and currently Uganda has $1.6 billion in loans to China. These loans largely finance major infrastructure projects, while Uganda typically pay for Chinese contracting work on these mega-projects.

Public Opinion in Uganda

Opinions vary in Uganda on the role China plays in the Local Economy. According to Afro Barometer data, 57% of Ugandans believe China has a positive influence on Uganda, compared to only 7% saying negative. The largest positives of China's influence were China's investment in infrastructure, China's business investment, and the cost of Chinese products. By far the largest source of negative opinion was the quality of Chinese products. Public opinion of Chinese influence has improved in China since 2010.

Ugandan business owners have expressed opposition to Chinese influence in the country. Shopkeepers and creators of local goods have difficulty competing with the price of Chinese exports. In addition, local construction companies introduced a bill that would force the national government to prioritize local construction companies in the completion of government projects. This bill was vetoed, with MPs citing the inability of Ugandan con-

struction companies to handle the scale of large infrastructure projects. [13] Some Chinese business, particularly smaller private businesses, have also felt the effect of increased regulation and scrutiny from local government officials.

Research on relations between the two nations and cultures found that the major sources of dislike between the two nations include China's State-capitalism model and Ugandans' experiences with Chinese shopkeepers and employers who may harbor racial bias.

Incidents

In 2014, China sentenced two Ugandans to death for drug trafficking in Guangdong province. Although the Ugandan government claimed that the incidents did not impact Diplomatic relationships between the two nations, many Ugandan citizens and MPs were angered by the perceived violation of sovereignty and Human Rights. In 2018, many Chinese businesses in Ugandan industrial parks were vandalized and robbed, prompting President Museveni to increase Security presence in these Regions.

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CONVENIENCE PRINCIPLE OF TAXATION AND TAX SYSTEM: ANALYSIS OF QUARTERLY PREPAYMENT OBLIGATION IN RWANDA

Case study: Kigali city registered company taxpayers

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ABSTRACT

The study sought to analyze the convenience principle of taxation and tax system: An analysis of quarterly prepayment obligation in Rwanda with the case study of Kigali city registered company taxpayers 2005-2016. To achieve objectives of this study, the study used the following hypotheses: H1: Established taxes based on requirements of principles of taxation are the determinants of a well-designed tax system, H2: Government need of cash flow and easy payment of taxes are the determinants of the quarterly prepayment obligation, H3: Convenient timing and manner to the taxpayer and Government that taxes are levied and collected are indicators of convenience principle of taxation towards a tax system. The sample of the study was 67 company taxpayers registered on CIT in the city of Kigali gotten in a population of 41,234 using the table of Alain Bouchard. The study used both primary and secondary data. The findings of the study revealed that quarterly prepayment has correlated negatively to the determinants of convenience principle of taxation. It was concluded that convenience is among core principles of taxation which are effective for any country to develop its economic growth and if the tax system abides by this canon of taxation perfectly, the tax administration and its stakeholders will work in harmony. The study further recommends that the governing, possibly supported by tax administration, should take adequate actions to consider the convenience principle of taxation when CIT and PIT are declared and paid.

KEY TERMS: Convenience principle, Tax system, Quarterly prepayment, Tax, Corporate income tax

Introduction

Tax has been defined as a financial charge or other levy imposed upon its payer by the state or its functional equivalent, usually considered as a source of funding for the funding of various public expenditures[1]. Accordingly, for it to be legitimate it must be supported by a valid statute (which includes a bye-law supported by a statue)[2] No country is a scaled up or reduced version of another, therefore each needs streamlined institutions and decision making to facilitate a comprehensive approach which allows a clear focus on the principles and objectives of taxation and welfare across the entire public sector and beyond. Thus, Rwanda has enacted various laws to suit the changing needs of the time and the country[3] .The principle of convenience has been variously, and for a long time, been held cardinal for an efficient and effective taxation system. It has been observed, for example, that every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it[4]. The Association of International Certified Professional Accountants (2017) observed that facilitating a required tax payment at a time or in a manner that is most likely convenient for the taxpayer is important and compliance costs for taxpayers and administrative costs for the tax authorities should be minimized as far as possible[5].

Furthermore it has been observed that the system should strike a balance between the interests of the tax payer and the tax authorities, for example, the method and timing of tax payment should be convenient for the tax payer, If based on income should be paid at the time the income is earned, If based on sales at the time the transaction takes place and If based on wealth (gift, inheritance, property) at the time of transfer[6].

As an example of efforts at achieving convenience, the Rwandan Revenue Authority (RRA) formed in 1998 to spearhead all reforms in taxation in the country with a mandate to administer, collect and account for all tax and some non-tax revenues and to provide services aimed at promoting business growth, introduced the use of Electronic Billing Machines (EBMs) in 2012. The reform, through making tax payment convenient, enhanced businesses payment of VAT and increased tax-payer compliance while at the same time reducing the tax collection and administration costs in Rwanda[7]

Good governance necessitates good tax policies. Smith (1776)[8] provided a benchmark for the principles of taxation that has demonstrated substantial applicability through time (Alley and Bentley, 2005). Tax prepayment techniques have been introduced all over the World, only procedures and calculations are different. In Rwanda, the tax system does neither allow taxpayers to estimate their income tax nor to calculate the quarterly prepayment tax basing on the current quarter, so to pay provisional taxes in order to deal with the issue of the tuff tax liability at the end of each fiscal period. The only option for taxpayers to pay provisional taxes is the quarterly prepayment based on the previous tax liability, which is provided for by article 31 of the law nº 16/2005 of 18/08/2005 on Direct Taxes on Income as modified and complemented to date (See, Art. 43 of the mentioned law nº 16/2005, O. G nº 19 of 11/05/2009), and default to it,

penalties are applied to the defaulter (See, Art. 61 par. 1 and 62 par. 4 of the Law 25/2005 of 04/12/2005 on tax procedures, O. G nº 19 of 11/05/2009).

Prepayment similar to payment in advance, it is an illustration whereby the payment made generate right on accounting consideration and counted as company asset but which is properly chargeable against the revenues or profits of future trading periods. It is an obligation to pay income tax before earning an income to be taxed in the sense that, there is no taxable base for this liability, as the taxpayer must pay 25% of his previous tax liability. In Rwanda, since 2005 taxpayers are obliged to make a quarterly prepayment income tax based on the previously paid total income tax. This is simply means that at every quarter of the fiscal year, the taxpayer must pay 25% of his previous tax liability, and this not later than June 30th, September 30th and December 31stof the current year of taxable activities. It is on this regard that it is interesting to carry out a study on the convenience principle of taxation as one of pillars of a well-designed tax system with the analysis of the quarterly prepayment obligation in Rwanda.

The problem arises when taxes are estimated from financial statements of the previous fiscal year. Estimated and paid tax basing on the previous paid income tax, when the year ends taxes are found to be less or more than the tax that should have been paid, and it either results in a tax refund position or additional taxes are to be paid toward the tax liability. This obligation, not only it breaches the convenience principle of taxation, it also breaches the accounting principle of independence of fiscal periods and it has an impact on taxpayers' cash flows as well. This is not the only problem, since more than 38 billion of tax refund are still not given to taxpayers who overpaid their taxes from 2012 (RRA Report, 2016)[9], and this impacted negatively taxpayers' cash flow since the year 2012.

This is simply mean that in order to follow the convenience principle of taxation and the independence of fiscal year as well, income tax of a certain fiscal year should be paid after comparing revenue and expenses incurred over the financial year, instead of being based on the income tax paid in the previous fiscal year.

The quarterly prepayment has a negative impact on taxpayers' cash flow, since a number of taxpayers has been penalized for failing to declare and pay quarters, not because they are not aware of the obligation, but only because their cash flow does not allow them to reinvest in their businesses and to make quarterly prepayments at the same time (RRA, 2106), unless financial statements are prepared and presented basing on current quarterly financial performance. Furthermore, the quarterly prepayment must surely have an impact on the tax administration's cash flow as well. The more difficult a tax is to pay, the more likely that payment will not happen (AICPA, 2017)[10].

To be a good tax system, the system should strike a balance between the interests of the taxpayer and the tax authorities. Expressed in other words, the timing of the obligation to pay taxes should be convenient for the taxpayer by following the timing that the taxpayer is receiving the revenue or by using dedicated withholding systems. Although, 6 centuries passed from the time principles of taxation were born, but these principles including declared in the past are used also nowadays creating tax reforms, changing taxation systems and searching for the best relationship between taxpayers and officials (Kristina, 2005)[11].
Rwanda tax system is designed to help taxpayers to improve their compliance, as well as their wealth. This is evidenced by the fact that in the last doing business (DB) report for 2017, Rwanda was ranked 56th globally due to constant improvements in business climates including paying tax reforms (DB, 2017)[12]. However, paying taxes in their due time has been identified as a critical element for the success of the tax system which plan to establish its competitive advantage, since convenient timing of tax payment for the taxpayer is a principle of a good tax system. This will enable taxpayers to invest and reinvest in their existing and other businesses, as the good tax system should be investment oriented and encourage growth, competitiveness and employment (Norton, 2000)[13].

Previous RRA reports demonstrated that in Rwanda many taxpayers are considered as non-filers and non-payers because they did not fulfill their obligation of filing income quarterly prepayment returns and paying, despite this there has been no empirical study that has been undertaken in Rwanda to establish the relationship between the quarterly prepayment obligation and the convenience principle of taxation in Rwanda. The existing body of knowledge is not sufficient enough to explain the said relationship between the quarterly prepayment obligation and the convenience principle of taxation.

2.0 Conceptual and Theoretical Framework

This section reviews the theories and models related to the study variables. It starts with the conceptual framework from which the relationship between the study variables is identified. It then review the theories related to the study variables as advanced by the previous scholars.

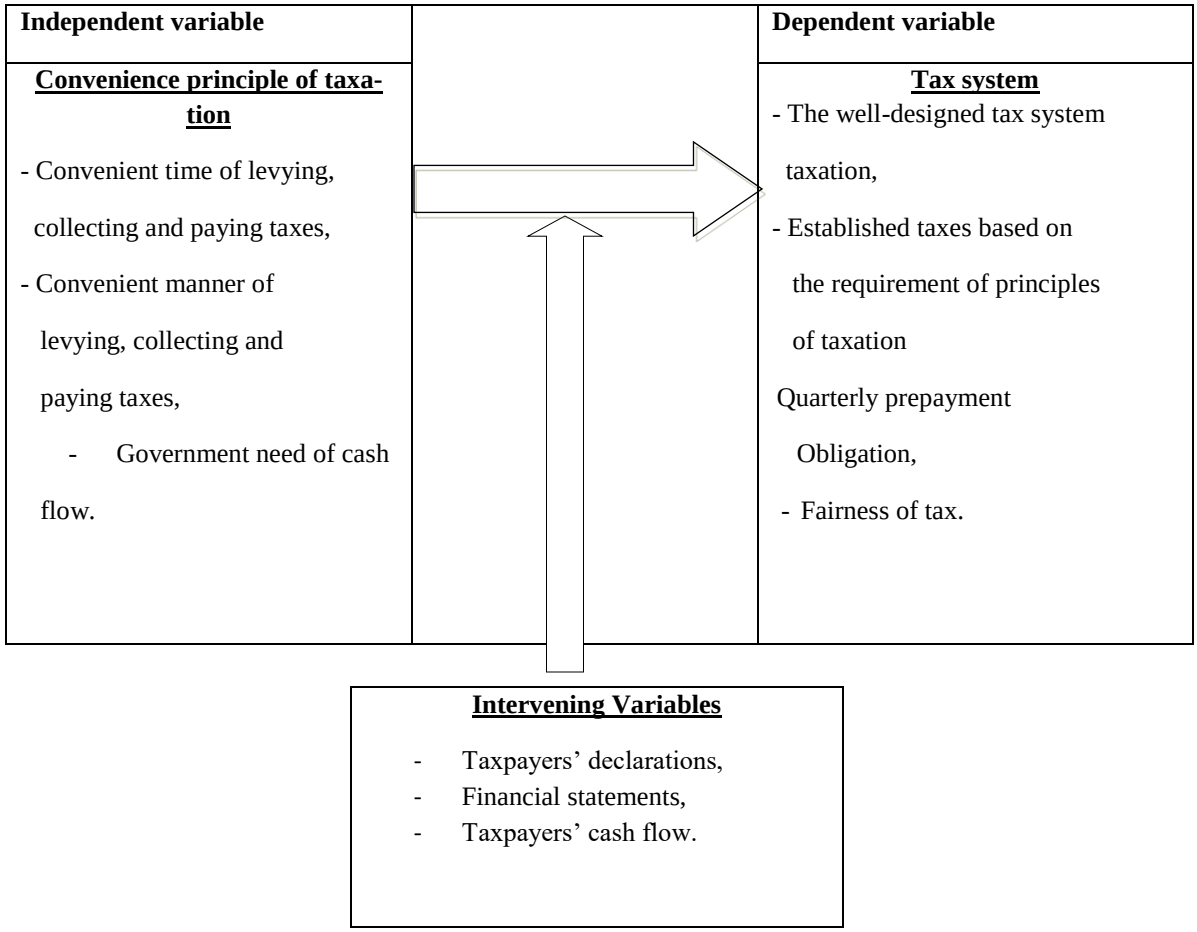


Figure 1: Conceptual Framework
Source: Researcher: 2018

Tax system

Adam Smith in *The Wealth of Nations* published in 1776 outlined four principles of an ideal tax system. These principles are equity, certainty, convenience and economy, and they are still relevant to today's tax environment. These principles are important to the creation of tax policy, because it is only when they are upheld that effective taxes are implemented in a manner which satisfies the purposes of a tax system. The following is a list of some of the principles that have been used over the years. The list is selective not comprehensive (Alley and Bentley, 2005)[14]

Tax system in Rwanda

Rwandan history indicates that the first tax legislation was inherited from colonial regimes. Such tax legislations include the Ordinance of August 1912 which established graduated tax and tax on real property. There was another Ordinance of 15th November 1925 adopting and putting into application the Order issued in Belgium Congo, on 1st June 1925 establishing a profit tax. The order was amended several times up to the Order of 25th March 1960, meant for Rwanda's development and cash in-flow. After independence, the first tax legislation passed was that of 2nd June 1964 governing profit tax, which was repealed and replaced by Law no 8/97 of 26/06/1997 on the Code of Direct Taxes on Different Profits and Professional incomes.

This law was amended from time to time in order to keep pace with time and the changing economic environment. Such other legislative instruments include the 1973 law governing property tax, the tax on license to carry out trade and professional activities, the law n° 29/91 of 28th June 1991 on sales tax /turnover tax (which was repealed and replaced by the law n° 06/2001 of 20/01/2001 on the Code of Value Added Tax (VAT) (now repealed and replaced by the law n° 37/2012 of 09/11/2012 on the code of Value Added Tax).

Other substantive Law governing Customs was enacted on 17th July 1968 accompanying Ministerial Order of 27th July 1968, putting into application the Customs Law. In addition, the administration and accountability of taxes and duties in Rwanda was initially under the Ministry of Finance and Economic Planning. In 1997, Rwanda Revenue Authority was established as an independent body by the law n^{o} 15/97 of 8/11/1997 to administer the various taxes and tax related laws and to assess, collect, administer, and account for Fiscal and Customs revenue collected to the Government through the Ministry of finance in accordance with established procedure. RRA came into the country at a time when public institutions in the nation were either experiencing shortage of qualified staff or bearing the effect of it. Such burden partly linked to the 1994 genocide that caused knowledge and knowledge repatriation.

As a tax administration, RRA entered into an environment and niche that concerned with revenue collection. There was a lot of fraud and smuggling in the country and RRA therefore was seen as an enemy threatening peoples' hot business at time (RRA Communication Strategy, 2009)[15]. Through article 3 (c) of the law n^{o} 15/97 of 08/11/1997, Rwanda Revenue Authority was given powers to institute prosecution of Tax offenders (Law No. 15/97 of 08/11/1997 establishing RRA, O.G. n^{o} 22 of November 1997). The RRA was mandated to enforce compliance with the laws that it administers to ensure that taxpayers fully com-

ply with their obligations under the tax laws by heavily guarding against all forms of non-compliance and offences.

The history of taxes in Rwanda indicates that the first tax legislation was inherited from colonial regimes. This tax legislation included the Ordinance of August 1912, which established graduated tax and tax on real property. There was another Ordinance on 15th November 1925 adopting and putting into application the Order issued in Belgian Congo on 1st June 1925, establishing a profits tax. This law was amended from time to time in order to comply with the changing economic environment. Such other legislative instruments include the 1973 law governing property tax, the tax on license to carry out trade and professional activities, the Law n° 29/91 of 28th June 1991 on sales tax /turnover tax (now repealed and replaced by the Law n° 06//2001 of 20/01/2001 on the Code of Value Added Tax (Charles, 2008).[16]

In 2005, the parliament adopted law n° 25/2005 of 04/12/2005 on tax procedures, amending decree-law of December 28, 1973 relating to personal tax, law no 06/2001 of January 20, 2001 on the code of value added tax (VAT) and law n° 9/97 of June 26, 1997 on the code of fiscal procedures. Similarly, law n° 16/2005 of 18/08/2005 2005 on direct taxes on income was adopted replacing law n° 8/97 of 26/6/1997 on code of direct taxes on different profits and professional income, and law n° 14/98 of December 18, 1998 establishing the Rwanda investment promotion agency, especially in its articles 30, 31 and 34 (RRA website, 2018)[17]. The parliament also adopted law n° 21 of 18/04/2006 establishing the customs law, replacing the law of July 17th 1968 concerning the customs law as amended and completed to date. However, on July 1, 2009, Rwanda adopted the EAC customs Management Act 2004, an act of the community to make provisions for the management and administration of customs and for related matters. The tax system of Rwanda is made of two main departments, namely the domestic taxes department (DTD) and customs department. The DTD is on the other hand made of the large taxpayers' office (LTO), the small and medium taxpayers' office (SMTO), the decentralized taxes office and the revenue investigation and enforcement department (RIED).

convenience principle of taxation

This canon states that every tax ought to be levied at the time or on the manner in which it is most likely to be convenient for the contributor to pay it. A tax imposes burden on the taxpayer. Hence a tax should be imposed at a time and in such a manner that the taxpayer feels minimum of inconvenience. For example, agricultural tax should be collected soon after harvest, since the farmers are in a better position to pay it. Income tax should be deducted monthly from salaried taxpayers; this means that salary cannot be taxed before the

taxpayer has got it. The time of payment and manner of payment should be convenient. This can justify administrative efficiency in revenue collection, as it is can be described in the terms of the payment, timing and manner of all tax payments. Practicably implies that there must be a feasible time to pay taxes (when a tax payment is made). The payment must take place at the right moment, when it is most convenient for the taxpayer. Taxpayers should know with certainty when, how much and how they are liable to pay in taxes (Du Preez, 2016).[18]

Taxes should be convenient to administer and to pay. That is to be easy to administer, offers few opportunities for noncompliance, easy to pay, easy to determine, and requires minimal time to comply. All these elements cannot be observed when income tax is paid on quarterly prepayment basis, since its administration and determination are not easy. The noncompliance is high because of the lack of cash flow, and the fact that the prepayment does not consider the current performance. Taxpayers should not have to devote undue time or incur convenience: undue costs in complying with the tax system (Edgar and Sandler, 1996)[19]. Because of the way tax laws are enforced and because of the separation of the burdens of tax from the benefits of government, tax burdens seem much heavy than they really are (Joshua, 2008).

Tax quarterly prepayment obligation

Taxpayers are liable to pay income tax on their respective earned income. To do this, they have to submit a tax declaration to the tax administration using forms established by the revenue agency (See article 43, law 16/2005 on DTI). However, an estimated tax declaration must be submitted although there is no income to be taxed in the current fiscal year. This is called quarterly prepayment tax (See article 31, law 16/2005 on DTI).

Quarterly prepayment in Rwanda is regulated by article 31 of the above stated law n^{o} 16/2005, where it stated that "During the current tax period, the taxpayer pays to the account of the Tax Administration before and not later than June 30th, September 30th and December 31st of the year of taxable activities, each twenty five (25%) per cent of the tax liability as calculated in the tax declaration of the previous tax period". Every taxpayer without any exception (based whether to the category of the taxpayer or to the income earned during the fiscal year) is obliged to make the quarterly prepayment tax, by submitting the tax declaration to the tax administration in order to avoid different penalties to be applied.

During the current tax period, the taxpayer pays to the account of the tax administration before and not later than June 30th, September 30th and December 31st of the year of taxable

activities, each twenty five (25%) per cent of the tax liability as calculated in the tax declaration of the previous tax period" (See article 31, law 16/2005 on DTI).

Analyzing the provisions of article 31 of the above stated law n° 16/2005, every taxpayer is liable to make quarterly prepayment, and its calculation is made basing on previous tax liability. Eg. If the tax liability of the previous fiscal year (2016) was 10,000,000, the quarterly prepayment for each quarter of the fiscal year 2017 will be 2,500,000 (10,000,000*25%), as it is illustrated in the table below:

PERIOD	TAX TYPE	TAX AMOUNT
2016	CIT	10,000,000
2017	IQP	2,500,000

However, if the taxpayer's tax liability for the previous fiscal period equal zero, or if the taxpayer had a loss from the previous fiscal year, there will be no quarterly prepayment, since there will be no previous tax liability as calculated in the tax declaration of the previous tax period, because it is the only base for quarterly prepayment calculation (Article 31, law 16/2005 on DTI).

Quarters are paid in installment as per the table below:

Payment	Payment due date	Rates
First payment	June 30	25%
Second payment	September 30	25%
Third payment	December 31	25%
Final payment	March 31	Balance

Source: Article 31 of the stated law n° 16/2005 on DTI.

Effect of the quarterly prepayment

Quarterly prepayment has affected either positively or negatively the taxpayers' behaviour, their cash flow and their economy as well. However, it is not only the taxpayer who is affected, but also the tax administration.

- **Cash flow**

Every payment made affects the wealth of the payer, since earning is better that spending. It is terrible when the payment is repetitively made in the same period to pay the future liability. According to the prepayment obligation, taxpayers are paying 25% of the tax liability as calculated in the tax declaration of the previous tax period. Assume in 2016 fiscal year, a taxpayer paid a CIT worth 1,000,000,000, the total quarterly prepayment in the year 2017 will be 750,000,000 (see the illustration in the table below).

PERIOD	CIT PAID	IQP TO PAY FOR 2017	TOTAL IQP TO PAY FOR 207
2016	1 000 000 000	250 000 000	750 000 000 (250 000 000*3)

This should be a good wealth for the taxpayer to reinvest in the business so to enlarge its activities. Statistics show that a number of taxpayers are not complying with the IQP obligation (RRA, 2015-2016) not because they do not want or they are not aware of it, but just because they cannot pay and continue to run their business. It is then when penalties are applied.

- **Penalties**

It is an obligation for taxpayers to make IQP, and failure of it; penalties are applied to them in top of paying the amount of tax not declared and paid. According to articles 60, 61 and 62 of the law n° 25/2005 of 12/04/2005 on tax procedures;

- A taxpayer or any person is subject to an administrative penalty of 100,000, 300,000 or 500,000 according to his/her category, if he/she fails to file a tax declaration (IQP) on time (See article 60);

- If the IQP return is not filed on time, automatically its payment will be late too. In this case the taxpayer will be subject to a fine of ten percent (10%) of the tax payable (See article 61); and

- When the taxpayer declared due taxes (IQP) in the required time limits provided by the law but did not pay those taxes in that time limits, shall pay the principal tax and an administrative penalty of 50% of due taxes (See article 62).

- A taxpayer, who has not declared taxes in the required time limits provided by law, shall pay the due taxes and an administrative penalty of 60% of due taxes (See article 62).

Statistics show that a big number of taxpayer did not manage to file and pay the IQP on the due period, and penalties were charged to them (RRA, 2015-2016). Table 2 shows statistics of expected IQP declarations, declarations not made and declarations made whether on time, or late declaration, as well as their percentages.

The ability to pay theory

Governments impose taxes to pay for their operations and state services. But how do governments decide how to use a system of taxation to charge taxpayers for those services? One of the most common theories of how people should pay taxes is the ability-to-pay theory of taxation.The meaning of ability-to-pay can be controversial at the margins. For example, commentators often refine the ability-to-pay fairness concept by subdividing it into

a horizontal equity component; where taxpayers with equal incomes should pay equal amounts of tax and a vertical equity component; where taxpayers with unequal incomes should pay amounts of tax which are sufficiently unequal to fairly reflect the differences in their incomes. The ability to pay is one of the main theories of taxation, and according to the theory, taxes should be based upon the amount of money people earn. For example, those who earn more money are expected to pay a higher rate of taxes; which means a higher portion of their income than people who earn less money. It is a taxation principle that maintain taxes to be levied according to a taxpayer's ability to pay.[20]

Economics and different researchers are on the point of view that the income is only the measurement of ability to pay and if a person is having an income compared to another, and then the person is supposed to pay more. That is the way in developed countries income is defined as the only way of determining the ability to pay (Clifton *et al*., 2001)[21].

3.0 RESEARCH METHODOLOGY

This section indicates various methods and techniques used by the researcher during the course of gathering relevant information from the field. It also describes methods and techniques used i.e. Research design, target population, sample design, data collection procedures and data analysis method

Research design

Descriptive/diagnostic study design was adopted in this study. Descriptive study was used to describe the characteristics of the respondents whereas diagnostic study design was used to identify the determinant of the convenience principle of taxation and the quarterly prepayment obligation in Rwanda as well as to trace their relationship.

Data collection

The quantitative and qualitative research approaches were adopted in this study. Quantitative research approach involves collection and production of quantitative data so that they can be quantitatively analyzed with the help of statistical calculations from which conclusions can be made[22]. Qualitative method was used to generate non-numerical data (through interviews) in order to get in-depth information about the variables. These approaches helped the researcher to identify determinant of the convenience principle of taxation and the quarterly prepayment obligation in Rwanda.

Quantitative data was collected using questionnaire. The questionnaire was comprised of closed ended questions. These types of questions were adopted since they are easy and clearly displayed allowing the respondents to answer questions in an easiest manner.

Population of the study

The population of the study consisted of 41,234 company taxpayers registered on income tax in the city of Kigali reported by the RRA system (BI) to be the total number of registered company taxpayers. This population consisted of registered company taxpayers involved in day-to-day tax declaration and payment, and these include; 344 large taxpayers, 743 medium and 40,243 small taxpayers, operating in the Kigali city.

Sampling design

The choice of that sample size from the sample population of the CIT registered company taxpayers in the city of Kigali of 67 was computed using the table of Alain BOUCHARD. Using this table from the sample population size, the sample size was determined as follows: Given that our population size (N) lies between 10,000 and 50,000 company taxpayers, it corresponds to the sample of 67 companies with marginal errors of 10% with a precision of 90%. The respondents within the selected sample were randomly selected.

Data processing and analysis

Data collected were presented in different tables for statistical analysis. Descriptive analysis is the process in which data collected are converted into statistical information which is used in an empirical study[23]. Collected data were displayed and represented in the frequency and percentage tables according to the scale of measurement used which are nominal and ordinal scales. After the checking, data have been coded and analyzed using Statistical Package for Social Sciences (SPSS) in order to verify hypothesis. The Ordinary Least Squares (OLS) was used to determine the statistical inference between the convenience principle of taxation and the quarterly prepayment obligation within a tax system.

4.0 RESULTS AND DISCUSSIONS

This section presents findings collected from the survey. The findings below were obtained from both the primary and secondary data sources. They were presented and analyzed using frequency tables and percentages in order to provide meaningful information.

Table 1: Taxpayers perception on determinants of the quarterly prepayment obligation in Rwanda

What are the determinants of quarterly prepayment obligation in Rwanda	No respondents	percentage
Government need of cash flow	22	33%
Easy payment of taxes	40	60%
RRA target	5	7%
TOTAL	**67**	**100%**

Source: Primary data, 2018

The question above has been asked to respondents during the period of research and the majority of respondents revealed out that they agree that easy payment of taxes is mainly considered to be a determinant of quarterly prepayment obligation in Rwanda. Findings show again that a good number of respondents mentioned that they agree that the quarterly prepayment obligation is determined by Government need of cash flow.

Only the minority from respondents revealed that they agree that the quarterly prepayment obligation is determined by the RRA target set by the MINECOFIN. This indicates that a good number of taxpayers believe that it is easy to sprit payment in different quarters than paying much at the end of the year. However, the determination of the amount to pay should be based on the current financial statements. Even if it is not the view of the majority, respondents view of government need of cash flow may find evidence in the statement of Clarice (2013)[24], who stated that taxes are known to be the lifeblood of the Government. Without it, the Government is paralyzed, and it would be nothing but a rotten tomato; useless and put to waste.

Table 2: Taxpayers' choice whether to pay CIT monthly, quarterly or annually

If you have to choose whether to pay CIT monthly, quarterly or annually what would you choose?	No respondents	percentage
Monthly	3	4%
Quarterly	13	19%
Annually	51	76%
TOTAL	**67**	**100%**

Source: Primary data, 2018

When respondents have been questioned to analyze taxpayers' perception of the quarterly prepayment obligation, by asking what are their choices whether to pay by month, quarter or by year, findings reveal that majority of respondents have chosen to declare and pay CIT year by year, while a good number of them responded that they chose to pay quarterly and only the minority of the respondents have chosen to pay CIT on a monthly basis. This indicates that the respondent majority wish they could pay income tax on an annual basis, with the annualization method of the USA[25]. On another hand, those who responded to choose the payment by month or quarter, they went for the current period method; where the amount of tax to be paid is determined by the current income received in the period[26].

Table 3: Taxpayers' perception on how convenient is the quarterly prepayment obligation

How do you find the quarterly prepayment obligation? (Use rank)	Strongly agree	Agree	Strongly disagree	Disagree
It is convenient	1%	3%	85%	10%
It is fair	1%	16%	75%	8%
It is easy to pay	13%	26%	40%	22%
It is certain	20%	15%	44%	22%

Source: Primary data, 2018

The payment of a tax must take place at the right moment, when it is most convenient for the taxpayer. Taxpayers should know with certainty when, how much and how they are liable to pay in taxes. Findings in table 3 show that the majority of respondents strongly agreed that the quarterly prepayment obligation is convenient for taxpayers, while the minority strongly agreed the payment of CIT on a quarterly basis is convenient to him. The more difficult a tax is to pay, the more likely that payment will not happen (AICPA, 2017)[27].

Table 4: Taxpayers' perception on the good side of paying CIT quarterly

What is the good side of paying CIT on a quarterly basis?				
Statements	**Strongly agree**	**Agree**	**Strongly disagree**	**Disagree**
Not to pay much at the end	21%	22%	34%	22%

Easy calculation	69%	22%	6%	3%
Easy recording	58%	22%	4%	15%

Source: Primary data, January 2018

Quarterly payments are much smaller and easier to handle[28]. This is what respondents' majority indicated in their responses in table 4. They strongly argued that the prepayment calculation is easy, while a good number of respondents indicated that it is easy to record the prepayment rather than recording the amount to pay when the taxable base is calculated considering other components like expense. Moreover, even though taxpayers have found advantages in paying income tax by quarter, they also identified some negative side.

Table 5: Taxpayers' perception on the bad side of paying CIT quarterly

What is the bad side of paying CIT on a quarterly basis?	Strongly agree	Agree	Strongly disagree	Disagree
It leads to lack of cash flow	85%	15%	0%	0%
It block business growth	85%	10%	0%	5%
It hinder reinvestment	85%	10%	1%	4%
It brings penalties	90%	8%	0%	2%

Source: Primary data, 2018

The question was asked to see whether there is a negative side for taxpayers when fulfilling their obligation to pay quarters. Findings indicated that a number of respondents strongly agreed that the payment of quarters leads to lack of cash flow, block the business growth and hinders reinvestment, while the majority of them strongly argued that the said payment brings penalties (See art. 60, 61 & 62 of the law 25/2005). It is the minority of respondents that strongly indicated that disagreed that quarterly prepayment hinders reinvestment, since no one of them strongly disagreed the other components of this question. Statistics show that a number of taxpayers are not complying with the IQP obligation (RRA, 2015-2016) not because they do not want or they are not aware of it, but just because they cannot pay and continue to run their businesses. It is then when penalties are applied.

Table 7: related reasons of missing or delaying to pay quarters

What was the reason of missing or delaying to pay quarters?	No respondents	percentage
The lack of cash flow	43	64%
Lack of knowledge of the law	19	28%
Other reason	5	7%
TOTAL	**67**	**100%**

Source: Primary data, 2018

Majority of respondents to this question indicated that they failed to pay quarters on due date or they did not pay it at all, due to the lack of cash flow, while a good number of them stated that their failure was due to the lack of knowledge of the law. When a tax is difficult to pay, there are few chances that the said tax will be paid.

Table 1 related to the convenient manner to pay quarters

Is the method of paying quarter convenient to you?	No respondents	percentage
Yes	13	19%
No	54	81%
TOTAL	**67**	**100%**

Source: Primary data, 2018

The convenient canon of taxation states that every tax ought to be levied at the time or on the manner in which it is most likely to be convenient for the contributor to pay it (Jane,)[29]. This question was asked to find out if the manner to pay the IQP is convenient to taxpayers as stipulated by the canon of convenience, and findings shows that the majority of respondents indicated that the way of paying IQPs is not convenient to them, while minority of them responded to pay IQP in a way that is convenient to them.

Table 9: related to indicators of convenience principle of taxation towards a tax system

These are indicators of convenience principle of taxation towards a tax system.	Strongly agree	Agree	Strongly disagree	Disagree
Convenient timing to the taxpayer to pay taxes	87%	21%	10%	28%
Convenient manner to the taxpayer to pay taxes	88%	31%	4%	22%

Source: Primary data, 2018

According to Jane[30] every tax ought to be levied at the time or on the manner in which it is most likely to be convenient for the contributor to pay it. Findings of this question indicated that the majority of taxpayers questioned responded that they strongly agree that the convenient timing and way to pay taxes are indicators of convenience principle of taxation

in every tax system, and it is the minority of respondents that responded that they strongly disagree.

Table 10 related to taxpayers perception on their profitability towards IQPs payment

What is the level of Profitability of the taxpayer when paying CIT on a quarterly basis?	Strongly agree	Agree	Strongly disagree	disagree
Very high	5	9	32	21
High	2	7	39	19
Moderate	17	25	12	13
Lower	36	21	7	3

Source: Primary data, 2018

Findings of this question are seen as a hindrance for taxpayers, as every taxation should be fair, certain and convenient[31]. This is so that it cannot hamper taxpayers to grow their businesses; and this is in line with the mission of RRA (RRA mission statement). This question was asked to test taxpayers' perception on their profitability when paying IQPs and findings revealed that their perception is that they do not have as much profit as it is for the government, since it is the minority of respondents that stated that they strongly agreed that their profitability is on a very high and high level respectively, while the majority of respondents strongly indicated that the profitability is on a moderate and lower level respectively.

5.1 Conclusion

This is the recent situation of taxation system of Rwanda. Attaining an optimal tax system is a difficult and unenviable task, but nevertheless critical for revenue generation required for accelerating growth and to improve the quality of life of the citizens. Economist Adam Smith introduces convenience among core principles of taxation which are effective for any country to develop its economic growth. The rests are also playing an important role to cover common expenditure of a country and essential for economic development. If we abide by this canon of taxation perfectly we do not need the help of foreign aids. These are the weapon to take Rwanda ahead in globalization war. However, Government should take some step so that taxpayers and tax authorities are bound to abide by these canons. This study reveals the present situation of inconvenience when declaring, calculating and paying income tax on a quarterly basis among different income groups, in case of personal and corporation income taxes in Rwanda tax system. From the above conclusion, the Rwanda tax system and taxation will keep being considered as optimal when canons of taxation which includes the convenience principle of taxation will be fully considered.

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