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THE NEXUS BETWEEN DEMOCRACY AND DEVELOPMENT: A DISCOURSE OF NIGERIA'S DEMOCRACY AND DEVELOPMENT

SYLVIA ATOKO Ph.D[*], DR. UJAH SULE JOHN[†]&ABEKI, SUNDAY OKORO PhD[‡]&DR KIA BARILEDUM[§]

Abstract

This paper examined the relationship between development and democracy with focus on Nigeria. Democracy and Development is one of the most controversial and contested issues among scholars and practitioners of political economy, development studies and even economists. A great deal of literature on the subject exists with varying degrees of perception and conclusion. Despite the increasing number of studies on the subject, there is, no consensus or general agreement on whether or not the practice of democratic government enhances development. It is for this reason that inconsistent modeling argument and selection bias, with ambiguous scientific proof of result on causal-direction of democracy linked development in literature is a big problem for analysts and observers. However, the study reviewed the various positions and thereafter examined the Nigeria situation using qualitative and content analytical approach. From the analysis the study found out that, although there is not a determinate relationship between democracy and growth,the case of Nigeria shows that, democracy is necessary but not a sufficient condition for development. When a country only focuses on democracy above to span growth, it usually turns up to be a mirage especially when such government does not increase production by creating an enabling environment. Without deliberately underestimating the influence of other factors, the basic disconnection between democracy and development in Nigeria is rooted in leadership problem. . As a democratic state, leaders must function within the general parameters of democratic developmental state of guarantee development in our country.

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Introduction

Democracy and Development is one of the most controversial and contested issues among scholars and practitioners of political economy, development studies and even economists. A great deal of literature on the subject exists with varying degrees of perception and conclusion. Despite the increasing number of studies on the subject, there is, no consensus or general agreement on whether or not the practice of democratic government enhances development. It is for this reason that inconsistent modeling argument and selection bias, with ambiguous scientific proof of result on causal-direction of democracy linked development in literature is a big problem for analysts and observers (Brunetti, 1997). This observation does not however invalidate genuine result of meticulous studies that actually reveal variations concerning democracy-development nexus and vice versa.

To provide a clear perspective, the study will first define the two key of concepts Democracy and Development. This is followed by an analysis of a democracy- driven development and review opposing views of such linkages. The third section examines the subject in the context of element in a democratic dispensation.

The Concept of Democracy

Democracy, as a working system of government, originated in Ancient Greece albeit on limited scale, and without organized political parties. Because of its values, democracy has gradually and ultimately emerged as an acceptable mechanism for inclusive development. However, as a concept, democracy, like other social science concepts has over the years been enmeshed in controversial definitions. To Johnson (1989), democracy is an institutionalized procedure directed to a free political participation and competiveness. Wuttman (1989), considers it as constitutional constraint in the power of the state and popular control of it. Democracy has been viewed from different perspectives. However, the common perspective is the universal desire to manage their affair and to have a say in who manages their affairs. Another angle is the liberal perspective which considers democracy as:

> that set of social and political beliefs, attitudes and values which assumes the universal and equal application of the law and the existence of basic human rights superior to those of state or community… Derived from a variety of secular and religious tenets, liberalism affirms the basic worth of individuals, their thoughts, and their desires. In the liberal common, no one, whether king or

> majesty, has the right to tell people how to think or even act (except in instances of imminent threat to social well-being (Reno,1997).

Democracy is a way of life, indeed, a culture and it expresses itself in features of civil liberties, tolerance, dialogue, negotiation and human engineering. Furthermore, democracy enhances people's freedom of expression to support their claims to political attention including claims of economic needs. Also, democracy gives citizens an opportunity to learn from one another, and helps society to form its values and practices.

For democracy to serve a people well, it has to be played according to the rules of system. As a system of government, it has an inextricable relationship with politics which is the art and science of statecraft. The principle of statecraft involve among other things, the struggle for power and the administration and management of resources of a state for the common good. To realize the promises of democracy, political strategy should be founded on justice, equity, fair play and good conscience. All these should ordinarily drive development in a democratic setting.

Understanding the Concept of Development

Most Scholars agree that "development" is one contested concept in behavioral sciences. There is a great deal of confusion as to what development really means or stands for. The problem occurs because scholars attempt to conceptualize development based on its ideological learning and orientation. Besides, development is not one face off. The definitional problems notwithstanding, certain definitions are normally used. To liberal scholars, development is man-centre. In this way it involves man in his political, economic, socio-cultural and psychological relations among others, in his effort to master and subjugate nature and natural forces of his environment to ensure improved living. To Ofoize (2000), development simply means "the satisfaction of basic needs in an economically, politically and structurally transformed society. It involves progression from former level to a level of higher standard.. Therefore, development objective include positive change in life. In this context development process and democratic government, are constructive approach towards the expansion of resources and potentials of the state through public participation for effective, transparent and accountable leadership aspired by the people (Johnson, 1989).

Contending Studies on Democracy-Development Driven Nexus

This section carefully reviews three contending postulations on the subject of study as follows

11 Development without Democracy

12 Development linked to Democracy

Economic development affect democracy promotion

Development without Democracy

This can also be referred to as the authoritarian development driven thesis. Policy makers and academia of this School of Thought postulate that authoritarian regime promotes development. They argue that development can be easily achieved without democratic government (Sen, 1997).To them the state contributes to development by providing excellent infrastructure projects.

They further argue that development in authoritarian regime state is rooted in well functioning institutions that are actively endogenous to political decision making. In this sense, good economic development policy is considered good politics. And regime survival is tied to sound development policy and programme. This makes leaders to sacrifice personal self-seeking political goals on the altar of meritocracy to boost development. Poi and Ekekwe(2018) argue that such options tend to lend themselves to reduction inaccuracy and foster rate of development.

The rise of East Asian states as explained above can be attributed to active government interventions, and credible institutions that constructively deploy public policies to transform whole societies (Amsden, 1989).

Democracy-Driven Development Thesis

On the bases of limited information other scholars said the Lee thesis cannot be established general conclusion. They argue, further that the high economic growth and development of Singapore or China cannot really be taken as proof that dictatorship or authoritarian regime does better in promoting development. Edigheji (2005), said if this, was real, African countries should have been among the most developed countries in the world today. This is because most parts of Africa were under military dictatorship for several years. There is therefore no positive link between authoritarian states and development.However a good number of empirical research studies would suggest impacts of democracy on economic development since the end of the 1960 (Leblang, 1996). From time series and cross national perspective in the period 1960 – 1990, these scholars averred that democracy has a positive and significant impact on economic growth and development. In this context, democracy was used as proxy for development through political right. To them polit-

ical rights (democracies) are more inclined to economic growth and development than those that do not, and that democratic societies tend to protect political rights in a more efficacious way than other types of governments. Similarly, Feng (1997) and Rodrik (1997) agree that not democracy itself that contributed to poor development , but certain weak variables, especially weak institutions that exist in democratic regimes that affect development.

What is clear in the argument above, however, is that democracy contributed to positive economic development once people start to acquire higher levels of economic development and social maturity, and seek more accountability from their governments. The fact is that, democracy promte rule of law,protect property rights,enhance economic freedom and stable politics.All these factors contributed to a more efficient use of resources and an environment conducive for the inflow of foreign direct investment that engineer development (Heckechuan, 2010).

Effect of Development on Democracy Thesis

There are copious studies that justify the effect of development on democracy. some of these works date back to early 70s. For instance, Dahi (1971) investigated the impact of economic growth and development on democracy. He found that economic development promote democracy. Przeworski(1993), in his cross national data study found that, democracy is more significant than the linear relationship. The report of Przeworski's result is that, economic development increases, democracy also deepens the system. Scholars like Olson (1993), Tavares (2007), Brunk (1987), Kriechaus (2006) and Barro (1999) all have shown that economic growth is an important tool of democracy . The findings suggest that, as economic growth increases democracy is strengthened .

The Nigeria's perspective

Countries all over the world, strive towards the pursuit of a wide range of microeconomic objectives and goals in other to achieve improvement and sustainability and hence development. The benefit of development in this context means access to better health care services, higher income, greater individual freedom and more opportunities, access to better education, rich quality of life and better housing. These variables are globally used to measure development trends leading to the classification of nation as developed "or developing", "poor or not poor." These are used here to appraise Nigeria's democratic performance in this study.

Nigeria gained Independence in 1960 with a level of national development considered at par with countries such as Malaysia, Singapore, South Korea and China. The estimate of Nigeria's natural resources in global scale is very high. Nigeria's stock of political wealth include huge population of about 200 millions, the sixth largest crude oil producer with economic natural gas and hydrocarbon deposits. After several years of military rule,about 30years, Nigeria return to democratic government in May 29, 1999. The emergence of civilian-democratic government in the fourth Republic was heralded because of development promises associated with this system of governance, as reviewed in the preceding pages of this work; that democracy indeed, is the mandate for informed development. This is because, its singular obligation is to facilitate societal choice making and to act through conscious management of socio-political structures with a view to enhancing the citizen's well-being. Therefore, democracy steers the state and society towards the realization of collective goals, which implies that development means people and that the essence of development is the welfare of the people. According to Yofus (2000), development is not to be measured merely in terms of growth statistics but in human welfare measured in real terms. Zakarian (1957) earlier opined, that development about people while growth is about things. Indeed, Seers (1973) advise that, while dealing with development issue, we should:

> ask ourselves what are the necessary conditions for a universally acceptable chum – the realization or the human personality… The question to ask about a country's development are therefore: what has been happening to poverty?, what has been happening to unemployment?, what has been happening to inequality?. If all three of these have declined from high levels then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result development even if per capita income doubled(Seers,1969).

The emphasizes is that you cannot assume that a state, is developed only on the basis of increase per capita income, while poverty, unemployment and inequality are prevalent in such a state.

The Brundland Commission Report (1987) consider development in terms of poverty and inequality reduction.This implies that human resources develop-

ment in the form of poverty reduction, gender equality and wealth redistribution are crucial to formulating strategies to societal development.

Using the above criteria, Nigeria presents a huge paradox to many observers of the democratic government and development driven thesis. Nigeria is richly endowed with all the human and natural resources needed to transform the country to safe paradise, and with democracy, Nigeria should have no excuse, for lack of development, if the democracy-driven development thesis is any thing to go by.In face value, there would appear to be no sign of Democracy and Development in Nigeria. The effect of democracy on development is moderately negative. For instance, World Poverty Clock (WPC) created by German funded Vienna based NGO, world data lab in 2017 shows that at the end of May 2018, Nigeria, the 7th largest and most populous nations on earth emerged as the country with the highest number of people sliding into extreme poverty, overtaking the 2nd most populated nation – India. By this report, 87.90 of Nigeria's total population suffer from extreme poverty, while 112 million Nigerians live below the poverty line. Nigeria ranked 20th among 126 world poorest countries. WHO (2016) report indicated that approximately 830 women die from preventable diseases related to pregnancy and child-birth every day, high percentage of all maternal deaths occur in developing countries including Nigeria. Further proof by the United Nations Internal Children's Emergency Fund (UNICEF) in 2016, shows that "every single day, Nigeria loses about 2,300 children under 5 years and 145 women of child bearing age. This makes the country second largest contributor to the under-five and maternal mortality rate in the world. The United Nations estimates that one in every six children dies from childhood related diseases before age five. Under-five mortality in Nigeria is estimated at 191 per 1,000 live births. Almost one million children die in Nigeria, higher than other African countries, largely from preventable diseases (Onumera, 2010). The problem is poor coverage and lack of access to quality health care services.

Literature has also been inundated with depressing picture of unemployment and its associated increasing crime rate in Nigeria. Unemployment in Nigeria varies by age group, educational level and sex classification. This is evident from the data provided by National Bureau of Statistics (2010). The report showed that National Unemployment rates for Nigeria between 2000 2007 are on the increase. The number of unemployed persons constituted 31.1% in 2000; 13.6% in 2001; 12.6% in 2002; 14.8% in 2003; 13.4% in 2004; 11.9%

in 2005; 13.7% in 2006; 14.6% in 2007; 14.9% in 2008; 19.7% in 2009; 21.1% in 2010; 23.9% in 2011.

Specifically, the data provided that unemployed persons between 15 and 24 years were 41.6%, 17% were those between ages 24 and 44 years. Those with primary education, 14.8% were unemployed. Also, for those with secondary education that were unemployed ranked 21.3%, 21.0% and 22.3% were respectively for those who never attended school and those with below primary education. As regard sex, the records showed that males constituted 17.0% while females constituted 23.8%. The unemployment challenges are captured by the growing number of unemployed persons roaming the streets all over the country. It is seen in the informal sector of the economy, as underemployment, decline real wages, radical incentives. The rising crime waves are consequences of this phenomenon.

It is rather sad that with huge human and natural resources, above all, in the last 10 years, the country made about $484 billion US dollars (150 billion) revenue from crude oil going using the current exchange rate of 305/$1.Yet little development is made.If democracy was actually the cause of development,such huge resources would have been deployed to fix infrastructure to reduce the vulnerability of Nigeria to the scorge of extreme poverty. The index is further exacerbated by the glaring discount between available resources and observed growth and development. Gross Domestic Product (GDP) record indicated 5.5% in 2013, 6,2% ion 2014, 2. 8% in 2015, 1.6% in 2016 and 0% in 2017. We reckon that the 2018 GDP growth rate of 2.5% against World Bank bench of 3.4% and the citizen's average GDP per capita of $2,216 is abysmally low.

This, show that the relationship between democracy and development is not very clear as, anti-development indicators such as poverty, lacks of access to better health and education, unemployment and poor infrastructures and above all, corruption have not only become endemic but are also at the centre of crisis of development in Nigeria.

Consequently, the invidious life existence that makes people to live in anguish and keep languishing in poverty has a dramatic effect on the entire country legacy of vengeance. Seeking group grievances Boko Haram, Niger Delta Militancy, IPOB separatist group, killer-herdsmen, arm robbery, kidnapping, child trafficking, drug trafficking, mounting demographic pressures, internally displaced people creating humanitarian emergencies, and many other such problems.

Thus,it is convenient to agree with others that, democracy is necessary but not a sufficient condition for development.No wonder, when a country only focuses on democracy above to span growth, it usually turn up to be a mirage especially when such government does not increase production by creating an enabling environment.

The average growth performance since democratic governance has been negative as real GDP for the trend is simple; Nigeria's democratic governance is chiefly characterized by inappropriate macro-economic and political policies. The government continues to run large deficit that had to be financed by borrowing both domestically and extremely.

For instance, the report of democracy index (2016) shows Seychelles as the most developed country in Africa, ranking 63 in the world with Norway leading the rankings naturally maintains, the most democratic state in Africa, according to 2016 Democracy Index report, should have been considered the most developed on the continent, if the Democracy – development thesis hold sway. conversely, Seychelles, not listed among the ten (10) most democracies in Africa eventually emerged as the most developed country on the continent. Libya position in the ranking further reference our argument. Libya listed as one of the worst democracies emerged as one of the most development countries in Africa. This does not in any way ignore the fact that democracy drives development in Mouritius, Cape Verde, Botswana, South Africa (Democracy Index 2016). However, the fact remain that with its reservoir of human and natural resources, Nigeria's development, either from the perspective of Lee thesis – with thirteen years of military rule, experience or the angle of Democracy – linked development, on one hand and effect of development on democracy on the other, should have justify all claims. But sad to say, but withb all these opportunities, Nigeria has remained largely a veritable paradise in jeopardy; why this experience?

Without deliberately underestimating the influence of other factors, the basic disconnection between democracy and development in Nigeria is rooted in leadership problem. Achebe (1983) cited in Abeki and Kia(2018) was …… right when he contended that:

> The trouble with Nigeria is simply and squarely a failure of leadership. There is nothing basically wrong with the Nigeria character. There is nothing wrong with the Nigerian Land or climate or water or anything else. The Nigerian problem is unwillingness or inability of its leaders to rise to

the responsibility, to the challenge of personal example which is the hallmark of true leadership.

Nigeria is facing the problems of poor leadership in managing and harnessing the potentials of men and resources of the nation toward development. For many years, Nigeria has been under the control of leadership at all levels. These attempts at propping up the economy ultimately fell short of expectations. These reflected in the faulty nature of state institutions that are saddle with formulation and implementation of public policies. The Lee thesis, confirmed certain features, especially, strong state institutions that are thought to characterize development Nigeria at present does not have political leaders who are geared towards the ethical philosophy of enhancing development in the country. Leaders are blind to the fact that Nigeria is presently at the baseline of the development hierarchy. No wonder Nigeria have remained poor and improvised and less development.

Conclusion

Nigeria's democracy and development travels are traceable to leadership incompetence. The leadership challenge manifested in terms related to large scale corruption, lack of accountability, absence of transparency, absence of nationalistic spirit. All these have collided to frustrate democracy and development. This is obvious, because, leadership will is not the centre of the various contending postulations about regime type either authoritarian, democratic or development. Leadership is a central factor in the quest for development. When national leaders rise above the state, development in the forefront of its activities, developments occur irrespective of type of government. Though regime type produces specific type of leadership, but when they rise up to encourage credible institutions that encourage growth midwife development of the nation such leadership enjoy legitimacy. As a democratic state, leaders must function within the general parameters of democratic developmental state of guarantee development in our country.

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STATUS OF LIQUIDITY MANAGEMENT IN MICRO, SMALL, MEDIUM, ENTERPRISES (MSMEs) OF A DEVELOPING COUNTRY: A CASE ANALYSIS OF UGANDA

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Abstract

The study set out to establish the status of liquidity management in MSMEs in a developing country with Uganda as a case study. A cross sectional descriptive design in which both qualitative and quantitative approaches were used was adopted to study a sample of 371 respondents who were systematically sampled from four districts of Wakiso, Mukono, Kampala and Jinja. Most respondents (62.3%) disagreed (62.3%), 13.7% strongly disagreed, 10.1% agreed, 8.5% strongly agreed while 5.5% were undecided that liquidity management practices in MSMEs are effective. It was concluded that the status of liquidity management in MSMEs was not satisfactory. Recommendations were that MSMEs need to effectively manage cash flows, which can be achieved by employing qualified finance personnel with knowledge of cash flows forecasting so that they are able to anticipate the movements of cash flows so as to lay strategies for managing deficits or surpluses. MSMEs' finance personnel should have thorough knowledge of the three basic motives for firms holding cash and cash equivalents, that is, the transaction motive, the precautionary motive and the speculative motive.

Key words: Liquidity, MSMEs, Liquidity Management, Profitability, Growth, Enterprises

1 Introduction

Just like they are in all economies, emerging, developed or developing, MSMEs (Micro, Small, Medium, Enterprises) are the engine of growth for economic growth and development in Uganda. They are key drivers in fostering innovation, wealth and job creation in in the country, employing over 2.5 million people. They account for approximately 90% of the entire Private Sector, generating over 80% of manufactured output that contributes 20% of the gross domestic product (GDP). It is in recognition of the above that the Government of Uganda, development partners and the private sector have come up with a number of initiatives to promote and develop the MSMEs sector. Unfortunately, their efforts have been largely scattered, uncoordinated, conflicting and isolated, (Ministry of Trade, Industry and

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Cooperatives, 2015). Despite the sector's enormous size and contribution to the economy, there are numerous impediments to sufficient MSME growth and competitiveness. Constraints of limited or no access to credit, limited or no protection of investors, challenges of enforcing contracts, mainly compounded by informality of the sector, with many enterprises lasting as short as five years or less. Others include an expensive and time-consuming process to register property and trading across borders (World Bank Doing Business Survey, 2015)**.**

2 Literature Review

The concept of liquidity management relates to the ability of a firm's management to utilise short and medium and long term funds at its disposal to enhance profitability, growth and sustainability of the business. It is a requirement of efficient liquidity management that short, medium, and long term obligations are dully settled as and when they fall due. Furthermore, finance managers must ensure that profitability is not constrained by keeping too much in cash and near cash assets. Accordingly, a finance manager must strike a balance between liquid assets and profitability that eventually influences profitability, growth and sustainability of the business enterprise.Irrespective of these differing sets of drivers, regulatory initiatives and a changing economic environment, the key goals of any liquidity management strategy are likely to be making the best use of a company's cash and cash equivalent at all stages of a working capital cycle while reducing any reliance on external borrowing. Despite ongoing uncertainty surrounding the global economic outlook, the globalisation of working capital management will likely continue unabated (Lisa Rossi, 2010).

There is need to distinguish between liquidity management and cash management. The former is about the optimal quantity of liquid assets a firm should have. The latter is much more closely related to optimising mechanisms for collecting and disbursing cash. Accordingly, liquidity management involves more than cash management, because it additionally includes the management of short term assets and liabilities. Effective mitigation of liquidity risk entails cashflow management, that is, the timing of cashflows in such way that cash inflow equals to or is greater than cash outflows. This in turn requires management to plan and forecast liquidity needs on the basis of worst-case scenarios, setting minimum and maximum cash and cash equivalent levels, continuously updating cash budgets, setting policies for surpluses investments and managing shortfalls, if and when they occur. The basic objective in cash management is to keep the investment in cash as low as possible while still keeping the firm operating efficiently and effectively, (Stephen A Ross, 2002).

The strategic importance of cash as an element of working capital is twofold. First it is the basic input needed to keep a business running on a continuous basis. Secondly, downstream in the business chain it is the ultimate output expected to be realised for services provided or products sold by an enterprise. Accordingly, cash management assumes more importance than other current assets. Two key characteristics of cash are that it is the most significant and the least productive asset that an enterprise holds. Therefore, the key aim of cash management should be to maintain adequate cash position so as to keep the operations of an enterprise profitable. Strong and efficient liquidity management is more crucial than ever before, because without doing this, an enterprise can incur considerable losses, and its operations will be actually hindered. The consequence of all this is that leading funds providers have now moved from a solely operational role with regards to corporate liquidity management to a highly strategic advisory role. Finance managers or treasurers of business enterprises should therefore, as much as possible, keep abreast of all the latest not only in the world of finance, but even the political, economic, regulatory and technological developments, as such knowledge will help them sift and choose from among the new tools available to invest cash, minimising costs and maximising yields. They must adapt their strategy and tool box, and draw on this support, to best equip the enterprises they manage in a way that enables them survive and be competitive in the otherwise complex and volatile environment (Deutsche Bank, 2015).

As business enterprises get increasingly entangled in a globalised environment, their liquidity and risk management challenges have become more complex. As a result, the role of finance managers is becoming increasingly strategic, because they now have far wider range of responsibilities than in the past. Finance managers are therefore looking for techniques and solutions to help them enhance efficiency and solve operational problems (Jennifer Doherty, 2017).

Justification of the Study

The purpose of the study was to examine the status of liquidity management of MSMEs in Uganda, as a representative of developing countries. Limited opportunities to access finance and poor management of liquidity by MSMEs are often mentioned as key constraints to their survival and growth. The study therefore set out to establish how management of liquidity is handled in

MSMEs in selected districts of Uganda. Study results may lend a hand to policy makers, as well as MSME managers and owners while formulating policy guide lines to enhance liquidity of MSMEs. It is also intended to complement existing literature on management of liquidity of MSMEs for future researchers and academicians.

5 Methodology

In this section the researcher analyses the research design, area of study, study population, selection of the sample, data sources, research tools and methods, methods that were used for testing validity and reliability of research findings, research procedure and data analysis techniques that were adopted on the study.

5.1 Research design

The study adopted a descriptive design in which both qualitative and quantitative approaches were used. The design provided an appropriate basis for the measurement of variables at a given point in time. The quantitative part of the study included the use of frequencies, percentages, means correlations and regressions to arrive at conclusions. The qualitative nature of the research was intended at clarifying the quantitative approach through descriptions, discussions, conclusions and recommendations.

5.2 Area of study and study population

The study sampled the districts of Wakiso, Mukono, Kampala, and Jinja. These are the districts with the majority of SMEs in the country and their impact is not only sheer number of SMEs but also on the amount of turnover which they generate. Thus, picking samples of SMEs from these districts was hypothesized to help make deductive conclusions on other SMEs in other locations. These districts were purposively selected. The study sampled the districts of Wakiso, Mukono, Kampala and Jinja. These are the districts with the majority of MSMEs in the country and their impact is not only sheer number of MSMEs but also on the amount of turnover which they generate and the number of employees. It is estimated that 65% of the about 1,000,000 of the MSMEs in Uganda are located in these districts. Hence the study population was composed of 650,000 MSMEs.

5.3 Sample size and selection method

A sample of 400 respondents was arrived at using the formula for large populations (Krejcie and Morgan 2006). This is stated as follows:

$n=pq / (SE)^2$

Where

n is the sample size

p is the proportion of the population possessing the major attribute

q = 1-p

SE is the standard error of the proportion.

For large populations whose proportion of the population possessing the attribute is unknown, the confidence interval should be set at 5% and the confidence level at 95% and compute the SE as follows:

SE=5%/1.96, where 1.96 = $z_{\alpha/2}$ also known as the critical value, the positive z value that is at the vertical boundary for the area of $\alpha/2$ in the right tail of the standard normal distribution

This implies the SE =0.025. Note that when one cannot estimate the population, one sets p at 0.5.

This further implies that $n= (.5)(.5)/(0.025)^2 =400$.

Sample selection from each district was systematically done as follows:

Table 1 The sample selection per district

District	No of SMEs	Number of respondents from each SME	Total Number of respondents
Jinja	50	2	100

Kampala	50	2	100
Mukono	50	2	100
Wakiso	50	2	100
Total	**200**		**400**

Sources of data

Both primary and secondary sources of data were employed in the study. Primary source consisted of the respondents sampled from SMEs while secondary data consisted of textbooks, journals, magazines, newsletters and other publications. The former provided first hand information relating to study variables while the later provided information that could not be captured from primary sources.

5.4 Research Tools and Methods

Both close and open-ended questionnaires were used to solicit responses from respondents. The close-ended questions enhanced precision and conciseness while open-ended questions helped to clarify the responses provided in close-ended questionnaires.

The questionnaires were self-administered and this enhanced response through clarification of the questions especially to respondents that could not read and write. The use of self-administered questionnaires also justifies the neglect of interview guide since interviews were held with respondents as the questionnaires are being administered. To enhance data analysis, a uniform rating scale (the 5-point Likert scale) was adopted in preparation of questionnaires. In this, the following codes were defined as follows: 5 denoted strongly agree, 4 denoted agree, 3 denoted undecided, 2 denoted disagree while 1 denoted strongly disagree.

5.5 Validity and Reliability

Validity is the status of whether the research truly measures what it is intended to measure or how truthful the research results are. There are various types of validity. One type of validity is face validity, which refers to researchers' subjective assessments of the presentation and relevance of the measuring instrument as to whether the items in the instrument appear to be relevant,

reasonable, unambiguous and clear (Oluwatayo, J., 2012). Others include criterion and content validity. Criterion validity is the extent a measure is related to an outcome, and it has sub-categories such as predictive, concurrent and post active validity. Content validity refers to the degree to which an instrument reflects the content universe to which an instrument will be generalised. It has two sub-categories., the discriminant and the convergent (Hamed Taherdoost (2016)To ensure validity in research, examination of trustworthiness is crucial. Reliability refers to the extent a measurement of a phenomenon provides stable and consistent results. It is also concerned with repeatability or the consistency across the parts of a measuring instrument (ROBINSON, J. (2009]. On its own, although important to a study, reliability is not sufficient unless combined with validity. In other words, for a test to be reliable, it also needs to be valid (WILSON, J., 2010). While establishing good quality studies through reliability and validity in research, it has been observed that trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability (Joppe, M. (2004).

To ensure validity, the researcher constructed instruments that were used to solicit data from the sample of respondents, with guidance of two experienced researchers to ascertain the truthfulness and clarity of the questions and to find out whether they seek the information that would answer the questions in the study. Content validity index (CVI) was used to establish validity of the instruments using the formula:

Content validity index (CVI) =

Sum of agreement on every relevant judgment x 100

Total number of items (questions)

After the results, recommendations were incorporated and validity re-determined until an appropriate index was achieved. Results above 75% were considered reasonable. The resultant CVI was 95.7% implying that the contents in the research instruments were valid in relation to study variables (McGarland, R. & Rauch, S., 2003). To ensure reliability or internal consistency a quite commonly used tool is the Cronbach alpha coefficient (α) (Cronbach, L. J. (2001)It is viewed as the most appropriate measure of reliability when making use of Likert scales. Although there are no absolute

rules for internal consistencies, it is generally agreed that a minimum internal consistency coefficient of .70 is realistic. (HUCK, S. W. 2007).

The Cronbach alpha coefficient (α) for testing internal consistency was computed as follows:

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum SD^2 i}{\sum SD^2 t}\right)$$

Where α = Alpha coefficient

K = Number of items in the instrument

∑ = Summation sign

SD^2i = Standard deviation squared within each item

SD^2t = Total Standard deviation

The resultant coefficient should be above 0.75 if the contents of the instruments are to be considered reliable as asserted by Cronbach. Test statistics revealed alpha coefficient of 0.824 implying internal consistence in the scaling of items hence reliability of the study instruments.

5.6 Procedure

The researcher requested permission from the organizations' management and made contacts with the respondents. Instruments were then developed, pilot tested and data collected. Data was analysed and the final report written.

5.7 Data analysis

Both quantitative and qualitative data was analyzed. Quantitative data was processed using the statistical package for social scientists (SPSS) to come out with the necessary frequencies, percentages, graphs and other descriptives. Popularity of the package lies in its being able the user to obtain statistics ranging from simple descriptive numbers to complex analyses of multivariate

matrices, plot the data in histograms, scatterplots, and other ways. Furthermore, it enables one to combine files, split files, sort files, modify existing variables and create new ones (Arkkelin, Daniel, (2014) Analysis of Variance (ANOVA), Chi- square and regression analysis were used to test the difference between means and the relationship between the dependent and multiple independent variables while Pearson correlation coefficient was used to test the significance of the relationship between two variables (Steven F. Sawyerhe (2017). Qualitative data was thematically analysed to make inferences from what was stated by respondents. These inferences were later integrated with quantitative findings to arrive at relevant conclusions.

5.8 Study limitations and solutions

The study sample was large and located in different districts that posed a challenge in collecting data and finish the study in time. Libraries are not well stocked with latest text books that would provide a hand in gathering related literature. However, the researcher improved literature review with information from electronic journal articles on the internet although most of the best articles required subscription that raised the thesis budget from what had been anticipated. Finally, there was a lot of hesitation from the respondents as to the purpose of the information required. It was explained to them that the data and information provided were purely for academic purposes and they were promised confidentiality regarding the information elicited from them. That way a reasonable level of response was achieved.

6 Findings

The status of liquidity management was measured by establishing whether liquidity management practices in MSMEs are effective. Results regarding the effectiveness of these liquidity management practices were obtained from respondents as revealed below.

Table 2 The effectiveness of liquidity management practice in SMEs in Uganda

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	50	13.5	13.7	13.7
	Disagree	228	61.5	62.3	76.0
	Undecided	20	5.4	5.5	81.4
	Agree	37	10.0	10.1	91.5
	Strongly Agree	31	8.4	8.5	100.0
	Total	366	98.7	100.0	
Missing	System	5	1.3		
Total		371	100.0		

Source: Field Data

Results in table 2 indicate that most respondents (62.3%) disagreed, 13.7% strongly disagreed. Thus, 76% of respondents disagreed that the liquidity management practice for MSMEs are effective. 10.1% agreed, 8.5% strongly agreed while 5.5% were undecided that liquidity management practices are effective. The high percentage of respondents who disagreed shows that quite a number of business enterprises might not be using liquidity management practices at the work places. The status of liquidity management revealed through the effectiveness of the liquidity management practice was hypothesized as being affected by the factors that included the amount of cash and easily convertible assets, the ability to borrow and the mode of financing, ability to honour cash flows and honoring statutory liquidity requirements by MSMEs. Below are descriptive statistics for each of the measures obtained to establish their impact.

Respondents were requested to state whether the amount of cash and easily convertible assets kept by their MSMEs are appropriate. Responses were coded as 5 for strongly agree, 4 for agree, 3 for undecided, 2 for disagree and 1 for strongly disagree. The following responses were obtained:

Table 3 The appropriateness of the amount of amount of cash and easily convertible assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	123	33.2	33.2	33.2
	Disagree	125	33.7	33.7	66.9
	Undecided	25	6.7	6.7	73.6
	Agree	68	18.3	18.3	91.9
	Strongly Agree	30	8.1	8.1	100.0
	Total	371	100.0	100.0	

Source: Field data

Results in table 3 show that 33.2% strongly disagreed, 33.7% disagreed, 18.3% agreed, 8.1% strongly agreed and 6.7% were not decided that the amount of cash and easily convertible assets kept by their MSMEs are appropriate. Generally, respondents disagreed (66.9%) that the amount of cash and easily convertible assets kept by their MSMEs are appropriate. This partly explains why such enterprises did not realise the effectiveness of liquidity management practices because they do not use them appropriately.

The appropriateness of the amount of cash and easily convertible assets was further rated using other sub variables that included the level of inventory in business, the level of other easily convertible assets and the amount of cash levels. Responses were coded as 5 for strongly agree, 4 for agree, 3 for undecided, 2 for disagree and 1 for strongly disagree. Results were as follows:

Table 4 Descriptive Statistics on factors that influence the appropriateness of amount of cash and easily convertible assets kept by SMEs

	N	Minimum	Maximum	Mean	Std. Deviation
Appropriate inventory in business	369	1	5	2.03	1.530
Appropriate other convertible assets	368	1	5	2.37	1.221
Appropriate cash levels	370	1	5	1.09	1.125
Valid N (listwise)	365				

Source: Field data

Results in table 4 show that on average, respondents disagreed (mean 2.03) that appropriate inventory is kept in business while they also disagreed (mean 2.37) that appropriate other easily convertible assets are kept in business while they strongly disagreed that appropriate cash levels are kept in business (mean 1.09).

To investigate the effect of the predictor variables on the dependent variable, a regression analysis was conducted. Results were as shown in below:

Table 5 Model Summary of the effect of independent on the amount of cash and easily convertible assets

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.371(a)	.138	.131	1.231

a Predictors: (Constant), Appropriate cash levels, Appropriate other convertible, Appropriate Inventory in business

In table 5 above, the first R is the multiple correlation coefficient that is between all the predictor variables and the dependent variable. This value is 0.371 which indicates that there is a variance shared by the independent variables and the dependent variable. The second value, R- Square, is simply the squared value of R. This is used to explain the goodness of fit or the amount of variance explained by the given predictor variables. This value is 0.138 which indicates that 13.8% of the variance in the amount of cash and easily convertible assets is explained by cash levels, the level of other convertible assets and the level of inventory.

Table 6 ANOVA table showing the overall variance accounted for in the model

ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	87.534	3	29.178	19.247	.000(a)
	Residual	547.271	361	1.516		
	Total	634.805	364			

a Predictors: (Constant), Cash levels, other convertible, Inv. in business

b Dependent Variable: THE AMOUNT OF CASH AND EASILY CONVERTIBLE ASSETS

Results in table 6 above are ANOVA results that describe the overall variance accounted for in the model. The F-statistic represents a test of null hypothesis that the expected values of regression coefficients are equal to each other and that they are equal to zero or whether the R square proportion of variance in the dependent variable accounted for by predictors is zero. However, the larger F- Value (19.247) and small significance level ($P<0.05$) show that the three predictors are not equal to each other and could be used to predict the dependent variable, the amount of cash and easily convertible assets.

Table 7 Standard Regression table showing the effect of each individual Predictor Variable

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	1.965	.184	
	Inv. in business	.075	.046	.087
	Other convertible	.278	.055	.258
	Cash levels	-.258	.060	-.221

a Dependent Variable: THE AMOUNT OF CASH AND EASILY CONVERTIBLE ASSETS

Examining the standardized beta coefficients for the three predictor variables in table 7 above revealed that other easily convertible assets were better predictors of the amount of cash and other convertible assets, followed by cash levels and lastly inventory levels in business. Ability to borrow and the mode of financing

Table 8 Results on the ability to borrow and the mode of financing of the current cash requirements by MSMEs

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Strongly Disagree	127	34.2	34.2	34.5
	Disagree	190	51.2	51.2	85.4
	Undecided	9	2.4	2.4	87.8
	Agree	21	5.7	5.7	93.5
	Strongly Agree	21	5.7	5.7	100.0
	Total	368	99.2	100.0	
Missing	**System**	**3**	**.8**		
Total		**371**	**100.0**		

Source: Field data

Results in table 8 above indicate that 51.2% disagreed, 34.2% strongly disagreed, 5.7% agreed and 5.7% strongly agreed while 2.4% were undecided that MSMEs have the ability to borrow the specified sources of funding. Results generally show that respondents disagreed (85.4%) that MSMEs have the ability to borrow funds to meet their current cash (liquidity requirements). This could be as a result of lack of collateral on the part of business enterprises which they can present to commercial banks. Another reason could be due to lack of good business proposals for funding and possibly due to risks which are associated with poor financial management.

Table 9 Descriptive Statistics on the ability to borrow and the mode of financing

	N	Minimum	Maximum	Mean	Std. Deviation
Capacity to borrow funds from external sources	371	1	5	2.41	1.376
Funds current cash needs from current sources	371	1	5	2.00	1.359
Funds current cash needs from long-term sources	371	1	5	3.89	1.666
Valid N (listwise)	371				

Source: Field data

Results in table 9 above show that on average, respondents disagreed (2.41) they have capacity to borrow funds from external sources while they also disagreed (2.00) that they fund current cash needs from current sources. Respondents agreed (3.89) that their firms fund current cash needs from long

term sources. The results show that business enterprises are utilizing long-term funding which is generated internally, for example, savings/retained earnings because they are finding problems in securing external funding from commercial banks due the reasons which have been mentioned above.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.571(a)	.326	.320	.870

Table 10 Model Summary of the effect of independent on the amount of cash and easily convertible assets

a Predictors: (Constant), Funds from long-term sources, Capacity to borrow funds from external sources, Funds from current sources.

For results in table 10 above the first R is the multiple correlation coefficient that is between all the predictor variables and the dependent variable. This value is 0.571 which indicates that there is a variance shared by the independent variables and the dependent variable. The second value, R-Square, is the squared value of R. This is used to explain the goodness of fit or the amount of variance explained by the given predictor variables. This value is 0.326 which indicates that 32.6% of the variance in the ability to borrow and the mode of financing is explained by the firm's capacity to borrow funds from external sources, funding of the firm's current cash need from current sources and funding of the current cash needs from long term sources. The result from this analysis is in line of what has been explained earlier.

Table 11 ANOVA table showing the overall variance accounted for in the model

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.108	3	44.369	58.637	.000(a)
	Residual	275.432	364	.757		
	Total	408.541	367			

a Predictors: (Constant), Funds from long-term sources, Capacity to borrow funds from external sources, Funds from current sources

b Dependent Variable: ABILITY TO BORROW AND MODE OF FINANCING

ANOVA results in table 11 describe the overall variance accounted for in the model. The F-statistic represents a test of null hypothesis that the expected values of regression coefficients are equal to each other and that they are equal to zero or whether the R square proportion of variance in the dependent variable accounted for by predictors is zero. However, the larger F- Value (58.637) and small significance level ($P<0.05$) show that the three predictors are not equal to each other and could be used to predict the dependent variable; the ability to borrow and the mode of financing.

Table 12 Standard Regression table showing the effect of each individual Predictor variable on the dependent variable

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	1.033	.189	
	Capacity to borrow funds from external sources	.365	.037	.476
	Funds from current sources	.096	.038	.125
	Funds from long-term sources	-.048	.030	-.076

a Dependent Variable: ABILITY TO BORROW AND MODE OF FINANCING

Examining the standardized beta coefficients for the three predictor variables in table 12 above revealed that capacity to borrow funds from external sources is the better predictor of the ability to borrow and the mode of financing (0.476), followed by funding current cash needs from current sources (0.125) and funding current cash needs from long term sources(-.076). The findings agree with UNCTAD findings regrading borrowing and lending (UNCTAD, 2010).

Table 13 ANOVA table showing the overall variance accounted for in the model

ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	270.034	7	38.576	35.018	.000(a)
	Residual	394.373	358	1.102		
	Total	664.407	365			

a Predictors: (Constant), The firm plans for its cash movements in advance , Holds Cash for Speculative motives, Holds Cash balances for transaction motive, The firm invests cash surpluses only in short - term assets , The firm has measures to speed up cash collections , The firm holds cash balances for precautionary motives, The firm has measures to tactically delay cash disbursements b Dependent Variable: ABILITY TO HONOUR CASHFLOWS

Results in table 13 are ANOVA results that describe the overall variance accounted for in the model. The F-statistic represents a test of null hypothesis that the expected values of regression coefficients are equal to each other and that they are equal to zero or whether the R square proportion of variance in the dependent variable accounted for by predictors is zero. However, the larger F- Value (35.018) and small significance level (P<0.05that is 000<0.05) show that the predictors are not equal to each other and could be used to predict the dependent variable, the ability to honour cash flows.

Table 14 Standard Regression table showing the effect of each individual Predictor variable on the dependent variable

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	5.033	.457	
	Holds Cash balances for trans motive	.664	.068	.569
	Holds Cash for Speculative motives	-.309	.069	-.262
	The firm holds cash balances for precautionary motives	-.787	.062	-.732
	The firm has measures to speed up cash collections	-.281	.064	-.261

	The firm has measures to tactically delay cash disbursements	.379	.084	.344
	The firm invests cash surpluses only in short - term assets	-.276	.077	-.168
	The firm plans for its cash movements in advance	.008	.061	.007

a Dependent Variable: ABILITY TO HONOUR CASHFLOWS

Examining the standardized beta coefficients for the seven predictor variables in table 14 above revealed that holding cash for speculative motive is the best predictor of ability to honour cash flows (-0.732), followed by holding cash for transaction(0.569), then measures to tactically delay cash disbursements (0.344), then holding cash for speculative motive (-.262), followed by measures to speed up cash collections (-.261), then investment of investment of cash surpluses only in short - term assets (-.168) and lastly planning for cash movements in advance(.007). The findings confirm results from other researches.

Table 15 Results on MSMEs honoring statutory liquidity requirements

	N	Minimum	Maximum	Mean	Std. Deviation
The firm is obliged to honour statutory liquidity requirements	371	1	5	2.30	.964
The firm honours statutory liquidity requirements	371	1	5	2.41	1.304
Valid N (listwise)	371				

Source: Field data

Results in table 15 show that most respondents disagreed that their MSMEs are obliged to honour statutory liquidity requirements while most respondents also disagreed that their MSMEs honour statutory liquidity requirements. It may be concluded that the two variables are related in that firms that are not obliged might not be actually honouring these statutory liquidity requirements. This was tested using Pearson's correlation coefficient.

Table 16 Correlations between obligation to honour statutory liquidity requirements and honouring the statutory liquidity requirement

		The firm is obliged to honour statutory liquidity requirements	The firm honours statutory liquidity requirements
The firm is obliged to honour statutory liquidity requirements	Pearson Correlation	1	.890**
	Sig. (2-tailed)	.	.000
	N	371	371
The firm honours statutory liquidity requirements	Pearson Correlation	.890**	1
	Sig. (2-tailed)	.000	.
	N	371	371

** Correlation is significant at the 0.01 level (2-tailed).

Results in table 16 above show that there is a significantly high positive relationship (0.890) between obligation to honour statutory liquidity requirements and actually honoring these statutory liquidity requirements. The coefficient of determination (r^2) shows that 79.2% of variance in the dependent variable; the honouring statutory liquidity requirements is accounted for by the independent variable the obligation to honour statutory liquidity requirements. This implies that firms that are not obliged to honour statutory liquidity requirements are most likely not to honour them bearing in mind that honouring statutory liquidity requirements need not be mandatory (Mohamed Ahmed Zaid, 2015).

Table 17 Model Summary of the effect of independent on liquidity management in MSMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451(a)	.204	.195	1.064

a Predictors: (Constant), OBLIGATION TO HOUNOUR STATUTORY LIQUIDITY REQUIREMENTS, ABILITY TO BORROW AND MODE OF FINANCING, THE AMOUNT OF CASH AND EASILY CONVERTIBLE ASSETS, ABILITY TO HONOUR CASHFLOWS

In table 17 above first R is the multiple correlation coefficient that between all the predictor variables and the dependent variable. This value is 0.451 which indicates that there is a variance shared by the independent variables and the dependent variable. The second value, R- Square, is simply the squared value of R. This is used to explain the goodness of fit or the amount of variance explained by the given predictor variables. This value is 0.204 which indicates that 20.4% of the variance in liquidity management is explained by the predictor variables.

Table 18 ANOVA table showing the overall variance accounted for in the model

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123.107	4	30.777	34.546	.000(a)
	Residual	320.718	360	.891		
	Total	443.825	364			

a Predictors: (Constant), OBLIGATION TO HOUNOUR STATUTORY LIQUIDITY REQUIREMENTS, ABILITY TO BORROW AND MODE OF FINANCING, THE AMOUNT OF CASH AND EASILY CONVERTIBLE ASSETS, ABILITY TO HONOUR CASHFLOWS

b Dependent Variable: MANAGEMENT OF LIQUIDITY

Results in table 18 above ANOVA results that describe the overall variance accounted for in the model. The F-statistic represents a test of null hypothesis that the expected values of regression coefficients are equal to each other and that they are equal to zero or whether the R square proportion of variance in the dependent variable accounted for by predictors is zero. However, the larger F- Value (34.546) and small significance level (P<0.05that is 000<0.05) show that the three predictors are not equal to each other and could be used to predict the dependent variable, liquidity management (ANOVA and Multiple Comparisons in SPSS STAT https://ssor.vcu.edu/media/statistics/resources/SPss)

Table 19 Standard Regression table showing the effect of each individual Predictor variable on the dependent variable

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	1.481	.194	
	THE AMOUNT OF CASH AND EASILY CONVERTIBLE ASSETS	.411	.043	.491
	ABILITY TO BORROW AND MODE OF FINANCING	.283	.064	.271
	ABILITY TO HONOUR CASHFLOWS	-.337	.055	-.409
	OBLIGATION TO HOUNOUR STATUTORY LIQUIDITY RQTS	.086	.058	.076

a Dependent Variable: MANAGEMENT OF LIQUIDITY

From table 19 above , examining the standardized beta coefficients for the four predictor variables revealed that the amount of cash and easily convertible assets is the best predictor of management of liquidity (0.491), followed by the ability to honour cash flows (-.409), then the ability and mode of financing (0.271) and lastly obligation to honour statutory liquidity requirements (0.076).

7 Conclusions and recommendations

Findings from the study revealed that the status of liquidity management in MSMEs in Uganda was not satisfactory. There was a problem of matching sources and areas funded with short term needs being funded with long-term sources and long-term needs being funded with short term sources. There were problems of appreciating the three needs for liquidity, that is, the transactionary, precautionary and speculative resulting in forecasting challenges. Most MSMEs management lacked knowledge of how to manage cash flows. They should employ qualified finance personnel with knowledge

of cash flows forecasting so that they are able to anticipate the movements of cash flows so as to lay strategies for managing deficits or surpluses. The MSMEs should have thorough knowledge of the three basic motives for firms holding cash and cash equivalents, that is, the transaction motive, the precautionary motive and the speculative motive.

Other than the purely financial management factors, there could be other areas which need to be researched on in relation to liquidity management. They may include political, economic, social-cultural, ecological and legal factors which impact on liquidity of SMEs.

Further study is recommended on how MSMEs manage and or invest surpluses of cash and cash equivalents as these are likely to have impact on their survival, growth and profitability.

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BOKO HARAM INSURGENCE AND THE CHALLENGES OF NATIONAL INTEGRATION IN NIGERIA : ISSUES AND CHALLENGES

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Abstract

Nigeria is a plural and segmented society in all its ramifications. The federation is composed of people with different ethnic, religious, racial and cultural backgrounds. This heterogeneous composition of the state has been responsible for the internal conflicts. The thrust of this study is an analysis of the nexus between national integration and the Boko Haram insurgency. Therefore, the study seeks to explain and analyse the nature and character of Nigerian state. It argues that, in the quest for national integration, the nation must contend with the problem of integrating her numerous and diverse ethnic groups that constitute the federation. Methodologically, the study adopts Social Identity Theory as its theoretical framework while relying on secondary sources as methods of data collection. In realistic context, the study establishes that, the internal conflict experienced by Nigeria since independence was as a result of socio-political, economic and ethnic cleavages caused by failed leadership. It concludes that, the state of insecurity in Nigeria, no doubt, threatened the very fabric of national integration and created the ecology of fear, disquiet and anxiety. To solve these problematic issues, it recommends that, national integration will be a mirage, unless and until, the political culture is well nurtured, intensive and extensive public enlightenment campaign is embarked on, adequate national orientation education is achieved when youth empowerment scheme is put in place and poverty problem is solved.

Keywords: *Boko Haram*, Ethnicity, Insurgency, National integration, Nigeria,

Introduction

Since her political independence in 1960, Nigeria has continued to grapple with the problem of national unity; such that she can be described as nation with a tripod stand, made up of three blocs; the North, the West and the East, that are in a perpetual state of wobble. While national unity has continued to elude efforts that have been made to achieve it, such unity is considered necessary for development programmes to yield expected fruits (Ibodje, 2007:

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119). One stimulating thing about the Nigerian state is its unity in diversity aside the naturally endowed resources that are scattered all over the country. The people of Nigeria are extra-ordinary in both physical and cultural characteristics. But, still, it is this diversity that is often the source of political, ethnic and religious violence (Arazeem, 2005: 144). The war in the North-East arising from the *Boko Haram* insurgency is not abating. Thousands of innocent people have been killed. Several other thousands have fled the region after their homes and properties were destroyed. The economy of the region has been destroyed. The abduction of over 200 innocent school girls since April 14, from their dormitory at Government Secondary School, Chibok in Borno State by *Boko Haram* raised the pitch in the fratricidal war. The conflict in North Eastern Nigeria has ripple affect across the entire North in particular and the country in general (Onyekakeyah, 2014:17).

In fact, the co-ordinated attacks by the sect across the country have posed a serious security threat to lives and properties of Nigerian and endanger the unity and corporate existence of the Nigerian state. Terrorism was until the escalation of *Boko Haram's* heinous activities very alien to Nigeria. One of the most dreadful fallouts of *Boko Haram* bombings and killings was the fear that the hatred it has so far generated which ultimately endanger the continued existence of Nigeria as one nation. For instance, millions of non-indigenes in the traditional flash points of *Boko Haram* activities, especially the Igbos were desperate to return to their home states before they are killed. The Ibo resident in Kano is living with fear and apprehension. Though there are few of them who like to stay and defend themselves, the majority, particularly women and children numbering over three million are jostling to leave the north because the unfolding events indicate that the north is no longer safe for easterners. Pathetically, Ohanaeze Ndigbo, Kano, hereby calls on the governors of the eastern states and the south-south to provide means of transportation with adequate security to evacuate their brethren who would want to leave because human life is precious and should be protected as such. This is an indication that *Boko Haram* insurgency has not only threatened the polity hut also the very existence of the Nigerian nation.

Similarly, the northerners resident in the eastern states were also threatened in the wake of the wanton killings and destruction of property in many parts of the north and fled the areas with their families. Indeed, many National Youth Service Corp (NYSC) members of southern origin have been rejecting their

post to north while those already serving there besieged the commission's headquarters in Abuja daily seeking re-deployment from states in the north. Pathetically, *Boko Haram* offensives have targeted churches to exacerbate sectarian differences between the Christian south and Muslim north; The insurgency has increased insecurity across the country leading the former President Goodluck Jonathan to declare a state of emergency in December, 2011 covering 15 local government areas across the north. Also, in May, 2013, another state of emergency was declared in three states of Borno, Yobe and Adamawa in the north eastern Nigeria. This followed the increased tempo of *Boko Haram* hostilities in the affected states. Unimaginably, the situation has not changed for better. The emergence of General Muhammadu Buhari in the 2015 general election aggravated their operations. The sects had committed several untoward destruction of human lifes and properties.

It is based on this ugly development, that the paper seeks to examines Boko Haram insurgency in Nigeria and the implication for National integration. The paper is divided into five sections. Section one is the introduction. Section two examines the reality of federalism and the Nigerian state. In section three, the paper delves on conceptual discourses while section five highlights *Boko Haram* and the challenge of national integration. Section six focuses on the efforts towards engendering unity and national integration and section seven concludes the paper.

Federalism and the Nigerian State

Of all problems confronting Nigeria at independence, that of forging national unity and integration was particularly acute. The historical background to the attainment of independence was such that one cannot really talk of Nigeria as one united nation. This was so in spite of the fact that there was much talk from the leading political figures about unity being a prerequisite for national development and integration. Despite, the contradictions that was prevalent at the birth of Nigeria independent, the founding father still felt that there was the need for togetherness. Clearly, some of these contradictions were quite fundamental, e.g. the disparity in the economies of the regions, the seeds of the neo-colonial economy already planted by colonialism. There was also the contradiction of a secular polity in a predominantly religious society, as well as the contradiction of religious pluralism and sectarianism (Umar, 1989:77).

Therefore, federalism as has been adopted in Nigeria found its way into the political arena during the colonial era. The concept is closely related to the

various social base on coordinative, rather than sub-coordinative relationship. It emphasizes partnership among parties of equal claims to legitimacy who seek a common social order. Speaking about Nigeria federalism, two schools of thought emerged on its evaluation. The first school comprising of the nationalist believed that British imposed federalism on Nigeria in order to maintain the neo-colonial control of the country after the lowering of the mantle. Chief Obafemi Awolowo (1968) a convinced federalist described the British imposed federal structure as an abominable destructive and divisive British heritage. He also believed that the colonial power made sure that there was enough structural imperfection left behind to bedevil inter-ethnic relations after independence. However, this view of imposition held by this school is not exactly objective as Nigerians involved gave consent for her to become a federal state. The second school of thought is of the opinion that historical and geographical factors determine the political evolution of Nigerian federalism. Nigeria, being a large and culturally variegated country could not have been governed for a long time from one centre (Akinyemi, 1979). This view is not quite correct, as it is time that factors of history and geography more than anything else determines the constitutional evolution of Nigeria.

Nigeria's present geographic boundaries were established in 1914 with the amalgamation of the two contiguous British Protectorates of Northern and Southern Nigeria. Designed largely to ensure the financial viability of the British colonial project through the economic unification of the relatively poor but larger-Northern Protectorate with its more prosperous southern neighbor, amalgamation did not engender genuine integration among the disparate communities encompassed within Nigeria's artificial boundaries. Rather, rising ethnic and regional antagonisms within the new Nigerian state necessitated the progressive decentralization of the polity, leading ultimately in 1954 to the establishment of a three –region federal system, which survived into independence in 1960. The three-unit federal structure was designed to grant regional autonomy and hegemony to the country's three major ethnic groups, namely, the Muslim Hausa-Fulani of the Northern Region, the Christian Igbo in the South east (Eastern Region) and the religiously bi-communal Yoruba in the Southwest (Western Region) (Suberu, 2004:3 – 4).

The three-region federal structure, which became a four-region structure with the creation of the Mid-West region in 1963, failed to secure Nigeria's unity in diversity, however. Rather, fundamental structural flaws in the design of the

federal system contributed heavily to the collapse of Nigeria's first post-independence democratic republic (1960 – 66) and to bloody ethno-military infighting, including the outbreak of civil war in 1967. These flaws included: the overwhelming size, population, voting strength and political dominance of the Northern Region, which by official census data contained over half of the country's population and more than two-thirds of its territory; the division of the federation into only three or four large regions, which robbed the political system of the fluidity and flexibility that could have resulted from a larger number of smaller constituent units; the denial of constituent units to the ethnic minorities, who constituted about a third of the population of each of the ethnic majority-dominated regions and who violently resisted their inequitable incorporation into regional system, as evidenced in the 1962-64Tiv riots in the Northern Region; and the erection of the federation's boundaries around the country's major tripartite ethnic fault-lines, leading to hegemonic ethnocentrism and secessionism on the part of the "big three" (Suberu, 2004: 4 – 5).

The General Yakubu Gowon administration dreamed of national integration through the establishment of unifying schemes: unity schools, two in each state of the federation (one for boys and the other for girls) with a view to bringing together young people of various ethnic groups so as to develop a bond of oneness and unity; and the National Youth Service Corps (NYSC). Successive governments have tried to maintain this effort even though the unity school scheme has generated problems in that there are discriminatory crime in favour of the so-called educationally disadvantaged states in the north. This has caused some ill-feeling but, despite this negative aspect, the schools still exist as part of the process of integration. The NYSC scheme started in 1973 with a view to making graduates of tertiary institutions have one-year service in states other than their own, so as to foster national unity and integration. This scheme has, to a large measure, justified its establishment and has helped in bridging manpower gaps in many states. In any act of war, the youth always suffer and the establishment of the NYSC scheme was partly for them to expedite reconciliation, which was to bring those who suffered the ravages of war back into the fold. Rehabilitation on its part involved the mobilization of human and material resources in a massive social programme geared toward deliberate enhancement of the quality of life of the affected citizens. As Adebayo Adedeji, the pioneer chairperson of the NYSC, has himself remarked:

> We had put a lot of emphasis on educating and re-educating Nigerians about the imperative of nation-building, national unity, our common heritage and the tremendous opportunities which our diversity offers, their civic responsibilities, the emergence of a Nigerian ideology based on a consensus on values such as human dignity and freedom; justice, fair play and respect for the law; honesty, integrity, transparency and accountability; and, toughness, determination, steadfastness in duty and resilient inner strength. These are the values and characteristics that make a nation great when they are commonly shared and practiced by the generality of its people and subsequently become internalized. But most fundamental to the growth of these values is the existence of an enabling environment and the right leadership at all levels of society whose examples motivates and inspires their followers. 'Do as I do, not as I say is the only basis for sound and honest leadership (Odunuga, 1999:250).

The military also evolved policies like "quota system" and 'federal character' for the purpose of admission into institutions and appointments into important positions of government, ostensibly to give every ethnic group a sense of belonging. But the policies were frequently manipulated or sometimes jettisoned in order to service narrow parochial political interests. The story is also the same for the handling of religious matters. While constantly echoing the secular nature of the Nigerian state, many of the military rulers were actually giving covert and overt support to a particular religion. This is best illustrated by Nigeria's membership of the Organization of Islamic Conference (OIC) (Ajayi, 1990:8). The fallout was frequent religious crises, which threatened to pull the country apart on several occasions. The ruthless application of the coercive powers at the disposal of military regimes has ensured some measure of stability. But this has not put an end to religious crises as they have even become more frequent and violent in recent times (Mimiko & Adeyemi, 2005:57).

Also, there is the National Sports Festival held among the different states of the federation. But arguably, these are mere cosmetic arrangements which are definitely too adventitious to ensure lasting unity. The fundamental issue of mistrust and intolerance among the various ethnic nationalities still very much defines the nature of political engagements in Nigeria. More importantly, the 'centrist federalism in practice in Nigeria has done more harm than good' there is structural imbalance as well as inequality. The centre has been made very strong at the expense of the constituent states, which should have been coordinates (rather than subordinates) of the centre (Mimiko & Adeyemi, 2005:57 – 58).

Despite this, the country has continued to witness unhealthy inter-ethnic relations as well as inter-sectional and inter-religious disharmony. In other words, decades after independence, Nigeria has not yet been able to harness its diversities and effectively deploy them for optimal national development. A consequence of these developments has been the inability to consolidate the process of nationhood. Understandably, a basic problem confronting ethnically diverse countries is how to have the citizens imbued with a sense of nationality, ensure the attenuation of solidarity along primordial lines and foster increased loyalty to the nation, give to each citizens and group a sense of belonging and feeling of oneness among them: in essence, how to ensure national integration (Obiyan, 2010:293 – 294).However, Osaghae (2006:5) notes, and rightly too, that the mere fact that a country is diverse does not necessarily make it divided, troublesome or difficult to manage. He elucidates that a lot depends on the configuration of power, number and extent of equality or inequality among constituent groups, and why and how differences are mobilized and politicised to articulate grievances, seek redress and make contesting nationalist claims and demands including recognition and protection of identity (culture, language, religion) self-determination and political autonomy, on the state and other groups within it.

In actual fact, the underlying problem inhibiting Nigeria's national integration is the absence of 'self-sufficient political/ideological commitment to the primary concept or value of federalism itself' (Frank, 1968: 171). This is what Ayoade (Osaghae, 1984:143) calls "commitment to the ideology of federalism', or what Friedrich (1963:175) calls "federal spirit". Thus, Nigeria's political practice seems to be antithetical to the spirit of federalism. As posited by Emeka Anyaoku. (This Day, 2001:40), a former Secretary-

General of the Commonwealth:

> At the heart of the several conflicts plaguing the Nigerian state today is the consequence of the failure of the practice of true federalism. The power –shift debate that characterized the politics of transition from military to civil rule and which has persisted several months after, rose largely out of the frustration of large segments of the population with the structure of the political system that has shut significant sections out of the corridors of power for most of the post-independence period.

Conceptual Discourses

National Integration

Defining national integration, Weiner (1965: 58) opines national integration to mean specifically to the problem of creating a sense of territorial nationality which overshadows or eliminate or subordinate parochial loyalties. Whereas, according to Ikime (1985), national integration is a process of cohesion, between two or more social units, whereby these units come together to constitute a political whole which include among other things the joining of various parts of society into a functioning whole, the growth of obedience and loyalty to its pars and emergence of shared national values. It follows, that Nigeria would have received national unity where obedience and loyalties to the Nigerian state, transcend loyalties to its parts.

From another view, to Ake (1967:3), "integration is defined by the extent that the minimal units (individual political actor) develop in the course of political interaction a pool of behavior patterns legitimized by these norms. While from Nnonyelu's (1997:145) perspective, national integration is determined by the degree to which members and groups in plural society adapt to the demands of national existence while co-existing harmoniously …. Citizens are expected to respect the over-riding supremacy of the national government. National integration, therefore, is the bringing together of all divergent culture and groups so that they can work together. It is the process of making all the fragmented segments in a state to become accepted as a member of a social

whole. In other words, this simply mean galvanizing unity in diversity for the development of the entire country.

Notwithstanding, Duverger (1976:177) defines integration along the line of conflict. According to him: "national integration appears to be the final result of political antagonism". He goes further to argue that some scholars believe that conflict and integration are not opposites but that "conflict naturally leads to integration and antagonisms tend, by their very development, to self-elimination and the subsequent bringing about of social harmony". Having explained what necessitates integration, Duverger (1976:220) explain further what integration is. In his words, it is "the establishment of a closer interdependence between the parts of a living organism or between the members of a society". In a nutshell, integration to him can be defined as "the process of unifying a society which tends to make it harmonious, based upon an order by members regard as equitably harmonious.

Insurgency

The term insurgency refers to "the organized use of subversion and violence to seize, nullify, or challenge political control of a region" (DADN, 2013: ix). Though the term is sometimes referred to as irregular war-fare, unconventional warfare, revolutionary warfare, guerrilla warfare, and terrorism. Because they operate outside the state and do lack adequate political and physical environments for attaining their objectives, insurgents (sometimes referred to as guerillas, terrorists, revolutionaries, violent extremists, and irregulars) usually adopt irregular warfare strategies aimed at weakening the political system or forcing the government to negotiate with them. In some cases, they seek to overthrow the regime. In this respect, they use a combination of subversion, sabotage, political, economic, psychological actions and armed violence to attain their political objectives (Albert, 2017:7).On the other hand, according to Javaid (2010), insurgency:

> Is an organized, armed political struggle whose goal may be the seizure of power through revolutionary takeover and replacement of the existing government.

But, the perspective put to the complex but simple definition of insurgency by Aderinto (2014) is more apt to this discourse. In his view, insurgency is:

> The inabilities of government to meet Nigerian's basic needs such as security, good roads, water, health, reliable power supply, employment and education which gave rise to frustration and alienation that make sympathy for terrorism seem acceptable.

Boko Haram

The term "*Boko Haram*" comes from the Hausa word '*Boko'* meaning "Western or non-Islamic education" and the Arabic word '*haram'* meaning "sin". This literally means "Western or non-Islamic education is a sin" (Austin, 2010).

Theoretical Perspective

The study adopts Social Identity Theory as basis of analyses. Social identity is the knowledge that (one) belongs to certain social group together with some emotional and value significance of … the group membership (Tajfal, 1972). Social identity theory begins with the assumption that individuals exist in a society composed of many social categories that stand in relative power and status relationship to each other (Emily & Nadine, 2007). The theory seems to have emerged from the writings of collectivist theorists such as David Emile Durkheim and William MC Dongall that it is the portion of an individual's self-concept derived from perceived membership in social groups. Although social categories vary in terms of their scope and duration (e.g. from long-standing geopolitical nations to temporary work groups), all social categories have the potential to shape a person's self-concept (Turner, 1987).

Apparently, when individuals define themselves in terms of their belonging to a social category, a social identity is formed. Researchers developing and using social identity theory largely have focused on social identity processes in terms of their consequences for intergroup relations, such as stereotyping and prejudice (Hogg, 1995). The theory itself constitutes a more general framework on group mediated social psychological phenomena. It is at this level of the theory that social identity theory has relevance for exploring process through which religious participation might promote individual psychology (Emily &Nadine, 2007). In a clear term, this theory states that, in every social relationship in which one person is dependent upon another,

power is involved. Its major prepositions, according to its foremost theorist, Richard Emerson (1962:32), are as follows: That "the dependence of Actor A upon B" is:

(a) directly proportional to A's motivational investment in the goals mediated by B; and
(b) inversely proportional to the availability of A to achieve his goals outside of the A – B relationship.

The social identity theory is appropriate for the analysis of power relations. It proposes that social relationships involve an exchange of social commodities, which may or may not be desired by individuals. Such commodities include information, power, influence, hatred, love, acceptance, rejection, etc. Individuals involved in social relationships are rational beings who calculate and juxtapose their rewards or dividends with their investment of resources in a relationship. If, on the other hand, it is negative, he either discontinues or alters the relationship to a more favourable one (Olaoye, 2012:17). Viewed in this perspective, French and Bell (1992:281) argues: "giving someone power over us is the commodity we exchange when we are dependent on that particular person for something we want".

Boko Haram and the Challenge of National Integration

Undoubtedly, Nigeria is a plural and segmented society in all its ramifications. It is a country of 350,668sq miles and about 400 ethnic groups and nationalities subscribing to a multiplicity of religious faiths in a secular context. The country is indeed a complex country par excellence (Agbaje, 1999: 91). According to Suberu (1998: 277), Nigeria is one of the most ethnically diverse countries in all regions and climes of the world, and some of the ethnic groups are bigger than many states of contemporary Africa. In other words, Nigeria is essentially a plural society, its component groups are separated apart from each other by significant difference of language, ethnicity, and cultures of Nigeria created differences in attitude, outlook and character. Faced with these problems, Nigeria adopted federalism as a means of achieving its much needed goal of national integration. The federalism is adopted is expected to reduce the immensely aggressive inter-ethnic competition and tension, allay the usually alleged fear of domination, bringing government nearer to the people and give the different groups more opportunities, thereby integrating the country.

Apparently, national integration is relation to national development is usually constitutes a platform for national development. This is because, Development can only be achieved in an atmosphere of cooperation and unity where citizens feel a sense of belonging and wants to contributes his/her own quota to the development of national goal. According to Aboyade (1976), in his book: Issues in the Development of Tropical Africa, he observed that development is essentially a continuous process of generating and more efficiently allocating resources for achieving greater social satisfying ends. While political development relates to the overall capacity of a people to govern them efficiently, this ability to govern relates to the capacity to extract resources, make and regulate behaviours. It also means the ability to resolve societal problems and manage conflicts. If the society is able to do all these things mentioned, it will certainly lead to economic development for that nation.

Contrarily, as posited by Ezeh (1998: 16) in a situation where the state has failed to coordinate the governance process, provide for the citizenry, and sustain the democratization process, conflict becomes inevitable. He (1998:17) argues further that:

> In a situation of generalized violence and ravages, with no state structures to protect individuals and groups, it must be expected that some social structures would emerge to provide some degree of protection. This degree of protection may become conflictual.

For a nation to successfully harness her abundant resources, there must be a secure and conducive atmosphere. It is in recognition of this that the preservation of the sovereignty of the country and the integrity of her assets is vital. It is therefore necessary to note that the primary objective of national security is to strengthen and secure the nation, advance her interests and objectives, curtail instability in whatever form, control crime, eliminate corruption, enhance genuine development, progress, growth and improved welfare and well-being of every citizens (Nleme, 2011: 221)

Boko Haram, a pejorative name that the *Jama'atAhlis – sunna Lid-Da'awat'wal – Jihad* (group committed to propagating the prophet's teachings and Jihad) bears in Nigeria, is a combination of Hausa and Arabic languages that, literally, translates into "Western education is forbidden". The group

started as an Islamic sect with a puritanical, conservative literalist approach to Islamic theology sometimes in 2002 in Maiduguri, the north – eastern part of Nigeria (Katsina, 2011: 28). Thus, the emergence of *Boko Haram* insurgency in Nigeria is a direct consequence of government failure to provide the basic human needs of the citizenry. The indicators of this failure include the prevalence of abject and dehumanizing poverty, bad governance, high rate of unemployment, hunger and disease, rising tides of social unrest which have created the breeding group for the dreaded sect sect who are believed to be committed to the propagation of prophet Mohammad's teachings and jihad. The origin and founder of *Boko Haram* is shrouded in uncertainty to some individual. Some scholars trace the origin of the sect to 1995 with Lawan Abubakar as its founder. It was when Abubakar left for further studies in Saudi Arabia that the sect then known as Sahaba that Muhammed Yusuf who is also regarded as the leader, took over the affairs of the sect. others trace the sect founder to ShehuSanni, a civil right activity in Northern Nigeria. Apart from the above, numerous expositions on the origin and founder of *Boko Haram* abound. It was under the leadership of the slained Muhammed Yusuf that *Boko Haram* became radicalized and enjoyed foreign collaboration especially with the Al-Qaeda in Islamic Maghreb.

Mohammed Yusuf (January 29th 1970 – July 30th, 2009) the founder of *Boko Haram* was born in Yobe State. As a student of Shaikh Gumi, he was a dedicated Salafi and was also deeply influenced by Ibn Taymiyyah. Yusuf's movement developed after 2002 and was successful enough to invest in educational infrastructure and other facilities in a nieghbourhood of Maiduguri. In 2009, the army surrounded and attacked the movement's facilities, crushing it (using tanks) and killing Yusuf later in a police cell. This major blow pushed the movement to transform itself into a network of underground cells with a hidden leadership – a situation that today makes any military solution illusory (Marchal, 2012:3). The group is credited to be the most dreadful of all the armed militia groups in Nigeria with links with al-Qaida. Since 2009, the group has claimed responsibility for several deadly attacked in the country. The group attacks targets state, federal and international organizations such as the United Nations. Also targeted are civilians, churches, mosques and travelers. Banks and motor parts also vulnerable (Iorhen, Tersoo & Member 2014:72). The situation would not have been what it is today if not for the extra-judicial killings carried out by

government. Whilst *Boko-Haram* started as a non-violent breakaway group, persecution and aggressive crack-down from the security services brought about their violent response.

Undoubtedly, *Boko Haram* was at first a small and controllable problem, but the issue escalated in 2009 after heavy crackdowns were ordered by President Yar'Adua. The crackdown was brutal and disproportionate; around 700 innocent people were killed, some of them publicity executed in suspicions that they were *Boko Haram* (Sani, 2012). The killing of their leader, Mohammed Yusuf actually made the group increases its rate of violent activities (Ajah, 2011). Following the killing of their leader, the movement went underground but emerged a year later with renewed attacks. Even at this point, the situation was controllable, yet the government response was again heavy-handed. Local people felt more intimidated by the soldiers deployed to fight *Boko Haram*, than they did of *Boko Haram*. This sentiment was compounded by the violent and indiscriminate responses of the security forces, which frequently caused the destruction of property and the loss of innocent lives.

Nevertheless, the Muslim – Christian conflict as framed by *Boko Haram* is primarily political. It relies on many different aspects. One is the staunch competition between evangelical churches and Islam in central Nigeria (Jos being the epicentre). Another is the impact that decentralization has had in the region, often increasing differences between communities: resentment is rooted in the perception that other communities get more than they deserve. This hostility has been reinforced by the 2011 elections outcome, which was criticized by many experts. The success of the former President Goodluck Jonathan (after two terms of Olusegun Obasanjo – a Christian – and the death of Umaru Yar'Adua – a Muslim) and the domination of his People's Democratic Party (PDP) generated bitterness in the Northern population for whom those victories threatened increased marginalization. This feeling is reinforced by the arrangements of the peace-settlement with the rebel group Movements for Emancipation of Niger Delta (MEND) that allocated, in the Northern view, disproportionate resources to an under-populated, but Christian area of the south (Marchal, 2012:4).

The infiltration of the group into government showed the seriousness of the challenge posed by the *Boko Haram* sect to national security and the survival of Nigeria as a corporate entity. It is a truism that without security hardly is

anything possible. The insecurity situation in the country consequent upon the *Boko Haram* violence has led many to wonder if Nigeria has not returned to that historical epoch known as "state of nature" where according to Thomas Hobbes in Appadorai (1974), "life was solitary, hasty, brutish and short". The severe security threats to life and properly posed by *Boko Haram* across the country send wrong signals to the international community that Nigeria was not safe for investment. This is because insecurity is a risk factor, which investors dreads and makes them to move elsewhere. In a candid opinion of the Sultan of Sokoto, Alhaji Abubakar Sa'ad ll (2012) the members of *Boko Haram* are evil men, and he argued that maladministration was the harbinger that brought them about. Speaking largely the minds of Muslims, dialogue and amnesty are the only ways out of the threat posed to all Nigerians by *Boko Haram* (Daily Independent, 2013).

With *Boko Haram*, terrorism wreaking some of the worst forms of death and destruction man has ever known on the North, militant agitation straining virtually every cord of national unity in the south, and harsh economic conditions getting even the most laidback of citizens more and more agitated, Nigeria is truly a troubled country. But optimism and belief that the troubled with Nigeria is mostly man-made and can, thus, be redeemed by a change of attitude are what have marked the character of the citizens in the face of all the adversity (Obia, 2016:69). Pathetically, politicians have been feasting on it to the detriment of national unity and cohesion. The 2012 attack on luxurious buses that were Eastern Nigeria bound during the Christmas Festival in Kano was read differently by Nigerians. For some, the terrorist attack was premeditated and it was targeted against the Igbos. Some others have read religious motives into it. The July, 2013 attack on some Yoruba traders in Maiduguri also generated disquietedness in the South-West, posing a threat to Nigerian unity. One immediate implication that can be drawn so far is that the thread of unity in Nigeria is being given a terrible blow by the unrestrained activities of the sect. The high number of deaths recorded among the southerners who live in the affected areas is encouraging discussion on reprisal attacks in some other parts of Nigeria. The country's unity and existence is daily assaulted by *Boko Haram* (Saliu, 2016: 225).

The cloud of uncertainly threatening the corporate existence of Nigeria, as a result of *Boko Haram* insurgence can be summed up with the opening verse of Charles Dickens Famous novel A Tale of Two Cities:

> …it was the best of times, it was the worst of

> times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us.

Already, the political temperature has risen due to the patterns of reaction to the menace. For the leadership of the Christian Association of Nigeria (CAN), the sect is a terrorist group that requires no sympathy. Negotiation with it is therefore not fancied by the Association. Its preferred option is to defeat the group militarily. The options of amnesty and dialogue being considered by the government were clearly detested by the apex Christian Association of Nigeria (Oritsejafor, 2012). However, as in other faiths, there are, of course, extremist elements in Islam who will in the name of Islam commit vile acts of terror against others (and often against Muslims who oppose them). Prophet Muhammad had in fact predicted the recurring appearance throughout the ages of these elements in the Muslim community. These elements are called the *Khawaarij* (those who exit the religion), and contemporary scholars have identified groups like *A1 – Qaidah* and *Boko Haram* sects as the Khawaarij of this period. A description of these elements is given in a report from the third *Khalifah* of Islam, Ali bn Talib:

> "Ali said, 'O people! Indeed, the messenger of God say: There shall be a folk that comes from my *Ummah* and they will recite the Qur'an – your recitation will not be comparable to theirs, or your prayers or fasting to theirs. They will recite the Qur'an and believe it, supports them but (in reality) it is against them. Their prayers will not go past their throats. They will exit from the religion just as an arrow exits from a hunted game.

Towards Engendering Unity and National Integration

Nigeria attained the status of an independence country fifty eight years ago. Today, the country is still confronted with many problems associated with political development. Understandably, countries face several crises in the drive towards nationhood. And, as has been rightly observed by the

International Social Science Research Council, all countries tend to experience four basic challenges of political development. These challenges are: the challenge of authority or state building; the challenge of unity or nation building; the challenge of participation; and the challenge of distribution. While, indeed, countries may be faced with these challenges in the process of political development, the tragedy of the Nigerian case is that, half a century after attaining independence, not only have we been unable to reach a broad consensus on how these challenges should be dealt with, they appear to be intractable (Obiyan, 2010:293).

Nonetheless, it has become obvious that Nigeria cannot make any meaningful progress in the absence of unity. Some founding fathers of Nigeria adopted federalism as a pragmatic instrument for the achievement of the goal of national unity. The rationale was to see if there could be unity in diversity which means that there could be ways of bringing diverse ethnic groups into a modern nation. As argued by Jinadu (1979:2007):

> … it is usually built as a form of government and constitutional structure deliberately designed by political architects to cope with the different task of maintaining unity, while preserving diversity.

However, amidst all the efforts, the goals of national integration are not yet possible owing to the numerous problems inherent in Nigeria federalism.

Unity, peace and progress are the central theme on the Nigeria's coat of arms. The words were carefully selected as Nigeria's heritage to project national watch-word towards sustainable development and a virile nation devoid of rancor and violence. In spite of this, documented instances have shown that heterogeneity of Nigeria in term of myriad of religio-cultural backgrounds had seldom operated on the platform of negative interaction. The ethno-religious crises witnessed by the country have increasingly threatened the corporate existence of Nigeria as a country. Seeds of religious discords have been hypocritically nurtured at geometric rate through political propaganda and tribal affinity. These have caused intermittent conflicts and state of insecurity in the country.

Nigerians are on a daily basis striving to come up with ideas for the renewal of faith in themselves and their country. The World Peace Day, marked on Wednesday 21st September 2016, signals a strategic moment for deeper

reflection by Nigerians on the things that have damaged relations, sowed fear, heightened suspicion, and disturbed the peace among the citizens. Fortunately, it coincides with the period for Nigeria's 56th independence anniversary, which another important time for critical thinking on the country's journey so far. The World Peace Day could not have come at a more opportune period. Celebrated worldwide on September 21 every year to remember the virtues of peace and good neighbourliness among the world's diverse peoples, the days was established in 1981 by the United National General Assembly. In 2001, the General Assembly voted to designate the day as a time of non-violence and cessation of hostilities. This year's World Peace Day holds a special significance for Nigeria. It offers an important opportunity for Nigerians to step up actions to dismantle anti-peace barriers that have been erected over the years by politics and dogmatism (Obia, 2016:69).

All in all, dialogue as applicable to religion is an ecumenical strategy to bring people of different faiths together on the platform of peaceful co-existence and interaction. The goal of establishing greater peace, stability and unity in the country would be well served if the devoted followers of the religions are: one, view their collective insights as multiple pathways to understanding ultimate reality, and; two, commit to identifying through open dialogue their combined, although individually limited, truths. The political leaders, too, need to be more attentive to the needs, aspirations, and complaints of the people, for the country to enjoy the permanent peace that everyone craves. Dialogue should always be the primary tool of engagement with people and groups having divergent views on how society should be run. It is only dialogue that can bring peace based on consent – which is the authentic peace that the country needs. Peace achieved through force is more often than not weak and uncertain (Obia, 2016:69).

Summary, Conclusion and Recommendations

Boko Haram, the militant group operating in Northern Nigeria has been described by many people in the region as a collection of different interests ranging from religious zealists to political operators, and common criminals. Muslims have been affected by *Boko Haram* attacks as much as (if not more) than other communities in Northern Nigeria. In addition, law-enforcement has also shown that some of the terrorist violence in the north have been carried out by non-Muslims. Thus, the *Boko Haram* threat has severe implications, not only for the Nigerian civilians population but also for the country's

economy, political stability as well as its development. The emergence of *Boko Haram* insurgency in Nigeria is a direct consequence of nature and character of the Nigerian State.

Beyond military action to curtain, degrade and defeat *Boko Haram*, there is also the need to address underlying conditions that these groups seek to exploit. The conditions include poverty, unemployment, deprivation, illiteracy, social disenfranchisement and unresolved political and ethnic disputes. The Nigerian state should desist from addressing the symptom instead of the causes. The immediate solution is good governance with a robust institutional framework that ensures a prudent and effective management of resources to better the lot of its citizenry. To achieve this, there should be reprioritization of government expenditure in favour of poverty alleviation measures including the creation of job opportunities and other welfare packages.

The Nigerian state should build strong viable institutions that can proactively respond to the challenges of security. Security just like other elements in the business environment enhances and optimizes business activities but insecurity hinders these activities and so it constitutes a threat to business organizations. There is a strong skepticism that if the level of insecurity in the country is not scaled down, the vision to be among the best 20 countries of the world may be aborted. Hence, the government needs to put in place adequate measures that can guarantee sustainable peace and stability. To achieve this, the government, as a matter of urgency, must put an end to the culture of entrenched impunity and human right abuses; pursuing vigorous reforms of the judicial of civilian populations by improve the capacities of law enforcement agencies.

The government at all levels must encourage and facilitate dialogue among culture and religious groups on national issues with a view to understand and find a lasting solution to some of the contextual issues in the country.

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EVOLUTION OF E-FUNDS TRANSFER AND ITS IMPACT ON CUSTOMER SATISFACTION IN UGANDA: A CASE STUDY OF STANBIC BANK UGANDA LIMITED

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Abstract

The purpose of the study was to trace the evolution of e-funds transfer and its impact on customer satisfaction in Uganda with Stanbic Bank Uganda Limited as the case study. A cross-sectional approach, involving collecting of data at once from employees and customers was adopted. A combination of quantitative and qualitative data analysis techniques was employed. Quantitative data analysis techniques involved the use of descriptive statistics such as frequencies and percentages to summarize responses on issues of E-transfer of funds and customer satisfaction while the Pearson's correlation coefficient was used to establish the relationship between dimensions of E-transfers and customer satisfaction as study objectives.Findings from descriptive statistics indicated that on average the respondents agreed to the statement that e-fund transfer have an effect customer satisfaction. Respondents argued that with less work hours required through e-transfers to serve customers the bank can reallocate resources to planning, policy implementation and other value enhancing bank activities. Customer touch points are user friendly. A coefficient of determination (Adjusted R Square) is 0.093 in the study implies that E-funds transfer accounts for 9.3% of the variance in customer satisfaction. There are therefore other factors outside E-fund transfer that contribute to the greater percentage of customer satisfaction.

Key words*:* Electronic*,* Transfer, Customer Satisfaction, E-banking, Monitoring, Data, Banks, Account, Technology, Payments h

1. Introduction

As a means of enhancing competitive edge, banks have had to spend more on digital information and communication technology than other companies in the financial industry. It is for this reasons that, financial technology, Fintech, the innovative financial services using new technology tools, such as big data,

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cloud computing, and mobile technology has assumed a lead position in the sector (Zhongqing Hu etal, 2019). One of the most notable developments in the financial services sector is electronic funds transfer (EFT) technology. There are numerous definitions of what electronic funds transfer (EFT) is. For example, it refers to transfer of funds initiated through an electronic terminal, telephone, computer (including on-line banking) or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit a consumer's account (*The Electronic Fund Transfer Act (EFTA) (15 USC 1693 et seq.) E §205. 3(b)*). For the avoidance of doubt it has been emphasised that EFTs include, but are not limited to point-of-sale (POS) transfers, automated teller machine (ATM) transfers, direct deposits or withdrawals of funds, transfers initiated by telephone and transfers resulting from debit card transactions, whether or not initiated through an electronic terminal. **EFT** has also been defined as the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, through computer-based systems and without the direct intervention of bank staff (Ugandabankers.org>electronic-funds-transfer-eft).

2. Progress of Electronic Funds Transfer use in Uganda

In 1998 the Bank of Uganda, in its efforts to reduce transactions on cash basis in the country, established the National Payment System Secretariat (NPSS), with the major goal of reducing barriers to the use of electronic and non cash based payments. Subsequently, payment systems and platforms such as electronic cheque clearance, electronic funds transfer and real time gross settlement were introduced. A key result of these initiatives were agreements between commercial banks and some of the key utility providers (for example of water and electricity) enabling the payment of user charges at banks and platforms for payment of taxes to the Uganda Revenue Authority (URA). The fast-tracking of e-transfer of funds benefited from two technological developments. First was the introduction of GSM mobile phone networks in 1993, which revolutionised the way that people communicated and conducted business. Second was the widespread internet connectivity including mobile broadband and 3G networks. The combined results included reduced costs of access, variety of new platforms and systems for revenue collection, billing, payments and relatively reliable data connections (Development Innovations Group, 2012).

In August 2003, as a means of facilitating the provision of a variety of adequate payment instruments to the growing corporations and the corresponding increase in their transactions, Bank of Uganda implemented the Electronic Funds Transfer (EFT) method for both credit transfers and direct debits. The Bank of Uganda lauds Electronic Funds Transfer (*EFT*) as a system providing fast, convenient, reliable and secure domestic payment and collection of funds and in its Strategic Plan2017-2022, it has as an objective, the reduction of the use of paper money and cheques. By end of 2018, between 75 per cent and 85 per cent of retail transactions in Ugandawere being effected using cash (https://www.bou.or.ug>bou>media>statements>National- Payment-Systems National Payment System (NPS) Policy Framework). Direct debits are being used, especially with customers authorising a bank to pay, from their account, as settlement of an obligation due to an utility services provider, as noted with utilities above. Some customers have embraced similar arrangements with providers of telephone and insurance services, among others.

In 2007, the Bank of Uganda introduced EFT system of fees payment in educational institutions, drawing samples from selected secondary schools. The Direct Debit Agreements (DDAs) with the commercial banks have been appreciated by some parents for the benefits of flexibility and convenience. Commercial Banks are expected to credit a beneficiary's account within 24 hours upon receipt of a credit transfer instruction, and to debit the payer's account within 48 hours on receipt of a direct debit instruction confirmed against a mandate (Henley, J. (2016). With long ques experienced at the beginning of terms and semesters, school fees payment has been one of the biggest challenges for parents and students. Therefore, online payments can be adopted to solve the problem.
(https://www.bou.or.ug>bou>bou_downloads>payment_systems>National-

Payment-Systems mobile network operator (MNO). However, since its inception in 2007 by Bank of Uganda in collaboration with the commercial banks, the EFT system of paying fees in educational institutions has experienced low levels of acceptance and it has indeed faced some resistances from some parents. At the extreme some students have been removed from schools that used this system. A study carried out with regard to this matter indicated that a large proportion of parents expressed their preference towards use of old systems like bank slips, cash and some who have tried to modify use drafts (https://www.bou.or.ug>bou>Current_Payment_System).

In 2017, Cabinet approved The National Payment Systems Policy for Uganda. The major objective was promotion of the safety and efficiency of payment systems in the country as one of the pillars for fostering financial sector stability and economic growth. The policy gives special recognition of the use of electronic payment systems in Uganda for having dramatically enabled more people to gain access to financial services and thus the need to ensure that payment systems operate in a secure and efficient manner (Aula, M., 2010). The number of countries gearing towards cashless economies is growing, and the most cited example is Sweden, where cash payments constituted only 2% of total payment value in 2015 and are expected to fall to 0.5% in 2020 (Ssempijja Wilberforce, 2016).

The realisation that e-funds transfer can greatly transform financial transaction was also recognised by other stakeholders. For example, on recognising that cash payments can be dangerous, costly, and lacking in transparency, because they are hard to track, NGOs accepted guidance of the United States Agency for International Development (USAID), to form what they called the Better Than Cash Alliance (BTC Alliance). Members of the alliance agreed to adopt electronic payments as a solution to the challenges related to transacting with cash. One such solution was mobile money. The challenges had been particularly noted with regard to issuing per diems for training participants and paying field staff (USAID, 2012). The choice of mobile money technology was motivated by the very impressive success experienced between 2009, when the mobile network operator, MTN, launched mobile money services and 2012 when a case study was launched by USAID. Findings indicated that over that period subscribers registered for mobile money services rose from zero to approximately 7 million in the country. This represented nearly half (47%) of the total number of registered SIM cards. This was attributed to customer satisfaction with the safety, relatively low cost as well as efficiency of the system in sending and receiving money around the country. It is therefore not surprising that NGOs of various type have embraced electronic money transfers, notably mobile money. They have chronologically moved from in-kind aid, to cash transfers, then to digital cash transfers, with increasing intensity (GSM Association (2017). There is abundant evidence pointing to the fact that e-payment services, such as mobile money, offer multiple benefits, including making financial transactions more affordable, efficient and transparent. It also enhances the capacity of

individuals to power their own financial future, for example with easy-to-use savings and borrowing methods (Rajiv Shah, 2016). By the last quarter of 2015, there were over 21.1 million registered mobile money users in the country. This represented an impressive 54% penetration. This technology of money transfer effectively spurred financial inclusion from 28% in 2009 to 54% in 2013 (Macmillan, R., Paelo, A., & Paremoer, T., 2016).

Table 1: Statistics for mobile operators with mobile money services in March 2015

Mobile network/ mobile money service	Mobile subscribers (millions)	Mobile money subscribers (millions)	Market share %
MTN Uganda/MTN Mobile Money	10.4	7.3	58.4
Airtel Uganda (Warid)/Airtel Money	7.5	3.4	27.2
Uganda Telecom/M-Sente	9.8	1.3	10.4
Africell Uganda (Orange) Uganda/ Africell Uganda Money	0.6	0.5	4.0
Total	**20.5**	**12.5**	**100.0**

Source: Okwii (2015a) m http://www.dignited.com/12624/ airtel-uganda-is-leading-the-mobile-money-uganda-innovation-train/

3. Payment Systems

A payment system is a set of processes and technologies that transfer monetary value from one entity or person to another. Creativity in payment systems can create or enhance opportunities of banks to interface with current and potential customers at reduced costs, help in managing risk of system or counterparty failure as well as check on cybercrime and conventional fraud (http://www.dignited.com/12624/ airtel-uganda-is-leading-the-mobile-money-uganda-innovation-train). Examples of systems that have transformed conduct of transactions are RTGS (Real Time Gross Settlement) and SWIFT (Society for Worldwide Interbank Financial Telecommunication) and the mobile wallet. The RTGS system refers to the continuous (real-time) settlement of fund transfers individually on an order by order basis (without netting). It involves the processing of instructions as soon as they are received rather than at a later

time, thus the description 'Real Time.' It has been identified as being particularly relevant for large value transactions. SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a bank-to-bank messaging system, and as its name implies, it is very relevant for counterparties dealing internationally. It provides a standardized language that institutions use to communicate payment instructions and other information to each other (Treasury Alliance, 2018). The mobile wallet (m-wallet), is an online payment system where customers can make payments online rather than having to carry cash. The wallet offers the features of convenience, speed and security, which has made it the new rage in the banking industry since the introduction of technology into banking services. It can be used either online or through a smart phone application. Even a person without access to bank or banking services, can easily access their accounts under this system (Allison, C. (2017, June 2).

4 Theoretical Review

In both government and the private sector huge investments are made with the intention of introducing new technologies to assist a paradigm shift in the life style of the users. Unfortunately, many have met differing degrees of success. Major examples of disappointing projects, despite huge investments of funds, include the failed diffusion of the Electronic Health Record (EHR) and the Enterprise Resource Planning system (ERP) (Gupta, J. S., 2016)

4.1 Technology Adoption Models and Theories

Over time researchers have advanced various theories on innovation and motivations for adoption, including among others, the Theory of Reasonable Action (TRA)the Theory of Planned Behavior (TPB) , the Technology Acceptance Model (TAM),Theory of Diffusion of Innovations (DIT)), Decomposed Theory of Planned Behaviour, the Technology Acceptance Model 2 (TAM2) and Technology Acceptance Model 3 (TAM3) (Rajesh Sharma and Rajhans Mishra, 2014) Some are discussed below.

4.2 Theory of Reasonable Action (TRA)

Ajzen Icek and Martin Fishbein's Theoryof Reasonable Action (TRA) has its roots in the Persuasion Models of Psychology of the late of 1950s. It was intended to provide a theory that could predict, explain, and influence human behavior. It was developed in the field of social psychology by Ajzen and Fishbein in 1967, and like many of the models of that time it emphasised the study of the individuals' behavior through the impact of attitude as either a

direct or an indirect effect on behavior, and as a result of either one-dimensional or multidimensional factor. The two viewed this theory as being moderated by two main constructs, namely, attitude toward behavior and subjective norm.

4.3 Theory of Planned Behavior

Ajzen extended TRA by a construct of perceived behavioural control. It is theorized to be an additional determinant of intention and behavior. Accordingly, Theory of Planned Behavior TPB is a composite of the main constructs of the TRA, as well as the new one, the perceived behavioural control.

4.4 Technology Acceptance Model (TAM)

Intended to correct the defects of the theory of reasoned action, this theory integrated aspects of expectation theory and self-efficacy theory, and is used mainly to study behavioural intentions of those who use technology. Its distinguishing aspect is the concepts of perceived usefulness and perceived ease of use, especially as they relate to the adoption of new technology by consumers. Perceived usefulness is the he degree to which a consumer using this new technology would improve the work efficiency of that consumer (PC Lai (2017). Several researches have indicated that consumers have tended to perceive the adoption of information technology as a means of enhancing ease and convenience in Fintechs. A bank that has better competences than another in mining and use of data to construct a user knowledge map will outcompete the lesser endowed (Davis, F.D. A Technology Acceptance Model for Empirically Testing New End-User Information Systems: Theory and Results. Ph.D. Thesis, Massachusetts Institute of Technology, Cambridge, MA, USA, 1986). Two major conclusions of the TAM are that there is a positive attitude toward new technology premised on intentions to adopt this technology and that there is a significantly positive correlation between users' attitudes toward a certain technology and their adoption intentions, which has been widely confirmed in the research of the banking field (Chang, Y.; Wong, S.F.; Lee, H.; Jeong, S.P (2016).

4.5 Technology Acceptance Model 2 (TAM2)

It has been noted above in TAM that its distinctive aspects are the concepts of perceived usefulness and perceived ease of use. In a bid to improve the earlier TAM, Venkatesh and Davis added the subjective norm construct. Thus, the Extended Technology Acceptance Model or TAM2 (Sargolzaei S., 2017). A relationship exists between subjective norm and both perceived usefulness and

intention of use. perceived usefulness is moderated by the user experience, and the intention of use is moderated by the user experience and voluntariness of use. Continued satisfactory experience with a good or service will reinforce its acceptance, that is, the existence of experience moderator will show the increase in the level of users' experience in technology over the time, and this will cause a tangible change in technology acceptance to them (Alaa M Momani et al, 2017).

4.6 Technology Acceptance Model 3

TAM3 is a turnaround of the homological network of what determines decision to adoption and use of information technology. Unlike the TAM2 which suggested only one addition to TAM, subjective norm, TAM3 added three constructs after subjective norm , namely computer playfulness (the degree of cognitive spontaneity in microcomputer interactions.), perceived enjoyment(the extent to which the activity of using a specific system is perceived to be enjoyable in its own right, aside from any performance consequences resulting from system use) and objective usability. The comprehensive nature of the model has endeared it to academics and practitioners arguing that it provides a good basis for decision makers and managers in various fields, especially urban managers (**RouhallahTavallae, Fatemah Samadi, Sajjad Shokouhayya, 2017**).

4.7 Theory of Diffusion of Innovations (DIT)

Diffusion of innovations theory was propounded by Everett Rogers and it seeks to explain how, why, and at what rate new ideas and technology spread. He argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system, and that it occurs over five stages, namely, awareness, interest, evaluation, trial, and adoption. They are integral to this theory, with the possibility of the individual rejecting an innovation at any time during or after the adoption process (Venkatesh, V., Bala, H., 2008).

4.8 Decomposed Theory of Planned Behaviour (DTPB)

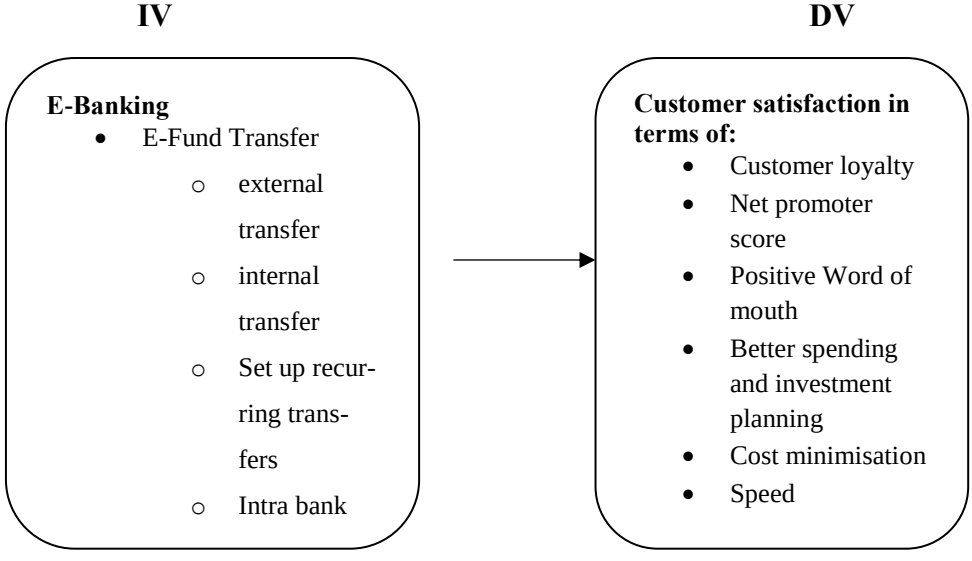
It is an improved TPB, which in turn means it is an enhancement of TRA. In addition to the constructs of these two models, DTPB adds relative advantage, compatibility, and complexity. Relative advantage refers to the degree to which an innovation is perceived as being better than its precursor. Accordingly, (DTPB) attempts to decompose attitude toward behavior, subjective norm, and perceived behavioural control into multi-dimensional belief constructs within technology adoption contexts (https: cboseust.ac.in/mba/images/Study-Mayerials/Diffusion-of-innovations-theory).

4.8 Combined TAM and TPB (C-TAM-TPB)

Developed in 1995, the model combines features of the TPB model whose origins are in social psychology field and TAM from information technology field. Both TPB and TAM theories are premised on the assumption that behavior is determined by the intention to perform the behavior. Intention itself is determined by the attitude towards behavior. Both perceived usefulness and perceived ease of use are positively influencing on attitudes. Thus, attitudes, subjective norms and perceived behavior control are positively influencing on usage behaviours (Shih,Yand Fang K, 2004).

5 Conceptual Frameworks

A conceptual framework is an interconnected set of ideas (theories) about how a particular phenomenon functions or is related to its parts and it serves as the basis for understanding the causal or correlational patterns of interconnections across events, ideas, observations, concepts, knowledge, interpretations and other components of experience (Rahmath Safeena, Hema Date, Nisar Hundewale, and Abdullah Kammani, 2013). The conceptual framework offers many benefits to a research. For instance, it assists the researcher in identifying and constructing his/her worldview on the phenomenon to be investigated (Marilla D. Svinicki, 2010).



Source: Adapted and Modified from Shields et al, (2013)

Where: IV means Independent Variable and **DV** means Dependent Variable

There are various types of transfers. They may, among others, be external, internal, recurring, intra or interbank. Whatever the type of transfers, there are at least two parties to the transaction. At all stages time is of great essence, just as are expense control, management of all types of risks including loss through theft or fraud and currency risk, convenience and user friendliness. Use of an electronic payment system can incredibly reduce fees of transactions to 1% of the total amount chargeable by an internet service provider or a mobile account replenishment through the unattended payment terminal (UPT). As stakeholders, banks leverage e-banking and e-transfers to save operational costs, increase customer base, achieve mass customization for e-business clientele, effectively and efficiently communicate with external publics and save time for exploring and developing non-core business (Grant & Osanloo, 2014).

6 Methodology

In this section the researcher presents the methods and procedures for conducting this study in the following sections: research design, area of study, study population, sampling procedures, data collection methods and instruments, quality control methods, data management and processing, data analysis, and ethical considerations.

6.1 Research Design

This investigation was based on a case study of Stanbic Bank Uganda Limited Uganda Limited Head office in Kampala Capital City. The reasons of using a case study were that, it was a good source of ideas about behavior, it was a good method to study rare phenomena and it was a good method to challenge theoretical assumptions. Within this design, a cross-sectional approach was adopted. This involved collecting data at once, from employees of Stanbic Bank Uganda Limited head office in Kampala Capital City and customers.

6.2 Study Population

The target population of this study comprised of employees in Uganda's

commercial banking sector. However, the accessible population comprised of employees of Stanbic Bank Uganda Limited head office and some customers that visited the branch in the same location. According to the Head of Human Resources, Head office on crested towers was the biggest branch of Stanbic Bank Uganda Limited with over 110 employees.

6.3 Determination of Sample size

	Target population	Sample size
Managers	5	5
Middle Level staff	10	10
E-banking operative staff	5	5
Customer relationship officers	8	8
Customers of Stanbic Bank Uganda Limited.	75	63
Total	103	91

This sample size was chosen as per guidance below.

Table 1: Showing the sample size of the respondents

Source: Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970. The study involved 5 managers, 10 Middle Level staff involved in E-banking operations, 5 Head office (Stanbic) E-banking operative staff, 8 Customer relationship officers attending walk-in-customers and 63 Customers of Stanbic Bank Uganda Limited.

6.4Sampling techniques and Procedures

Both probability and non-probability sampling techniques were employed in the study. The probability technique of proportional stratified random sampling was used in selecting employees to participate in the study. Proportional stratified random sampling involves dividing the population into mutually exclusive and exhaustive strata, and then selecting a random sample of subjects which is proportional to size of a given stratum. The non-probability technique of purposive sampling was also used.

6.5 Data Collection Methods and instruments

Questionnaire and field guides were used. Questionnaire survey involved collecting quantitative data from selected employees and customers of Stanbic Bank Uganda Limited. The researcher obtained written permission from the bank's administration to interview respondents. The researcher then employed a combination of data collection methods including questionnaire survey, key informant interviews, and documentary review. Questionnaires were used because they were cost-efficient to gather quantitative data. Apart from being inexpensive and flexible, questionnaires were also a practical way to gather data. They were targeted to groups chosen and were managed very well. The major study variables were measured using structured close-ended items adopted from previous research studies and assessed using a five-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. Close-ended questions were used.

6.6 Procedure of Data collection

Employees were given questionnaires and requested to fill them within a specified time period, and were collected from the respondents upon completion. Key informant interviews involved collecting qualitative data through in-depth face-to-face engagements with selected heads of department of Stanbic Bank Uganda Limited departments in the bank to compliment data obtained through questionnaire surveys.

7.Data Analysis

A combination of quantitative and qualitative data analysis techniques was employed in this study. Quantitative data analysis techniques involved the use of descriptive statistics such as frequencies and percentages to summarize responses. Pearson's correlation coefficient was used to establish the relationship between dimensions of E-banking and customer satisfaction as specified in the study objectives.

7.0 Presentation, Analysis and Interpretation of Results

This section presents data collected using the questionnaire, and interviews and the corresponding interpretations according to the study objectives. The findings were arrived at by analysing and interpreting the available data using SPSS and Microsoft Excel software.

7.1 Response Rate

The total number of respondents who constituted the sample used in this dissertation are summarized below.

Table 2: Showing the Response Rate

Sample	Frequency	Percentage
Bank Employees and customer		
Response	87	96%
Non-response	4	4%
Total	**91**	**100**

Source: *Primary Data*

From table 1 above, the total of respondents was ninety-one (91) where eighty-seven (87) questionnaires were returned and all interviews were conducted. The response rate was therefore ninety-four (96%) which is highly reasonable response rate.

7.2 The Relationship between E-fund Transfer and Customer Satisfaction;

The researcher proceeded to statistically establish whether e-fund transfer positively influence customer satisfaction.

7.3. Correlation Analysis

The study tested the study question of whether e-transfers have an impact on customer satisfaction at a 95% level of significance (two-tailed) using Pearson's product-moment correlation coefficient.

Table 3: Correlation Matrix for e-fund Transfer and Customer Satisfaction;

Correlations

		E-fund transfer	Customer satisfaction
E-fund transfer	Pearson Correlation	1	.323**
	Sig. (2-tailed)		.003
	N	82	82

Customer satisfaction	Pearson Correlation	.323**	1
	Sig. (2-tailed)	.003	
	N	82	82

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3 above shows that there is a moderate positive relationship between e-fund transfer and customer satisfaction; (r=0.323 p=0.003 n=82). The relationship is statistically significant at 95% confidence level since p-value (Sig.) is less than 0.050 (=0.000). This implies that improvements in e-fund transfer shall be related to improvements in customer satisfaction. Similarly decline in e-fund transfer shall be related to decline in customer satisfaction.

7.4 Regression Analysis

Regression analysis was used to establish the extent to which *e-fund transfer* affects *customer satisfaction*. The coefficient of determination (R Square) was used and the results are presented in the table below.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.323[a]	.105	.093	.58439	.105	9.337	1	80	.003

a. Predictors: (Constant), E-fund transfer

Table 4 above shows that the coefficient of determination (Adjusted R Square) is 0.093. This implies that E-funds transfer accounts for 9.3% of the variance in *customer satisfaction*. There are therefore other factors outside E-fund transfer that contribute to the greater percentage of *customer satisfaction*.

7.5 Employee views on e-banking

The objective of the study was to examine the effect of e-fund transfer on customer satisfactionin Stanbic Bank Uganda Limited. The table below indicates employee views on e-banking using 7 items scored on five-point Likert scale of 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5= strongly agree.

Table 5 Employee views on e-banking

	N	SD A	DA	NS	A	SA	Mean	Std. Deviation
There is ease in external fund transfer	32		16%(5)	28%(9)	22%(7)	34%(11)	3.75	1.107
There is ease in internal fund transfer	32		3%(1)	6%(2)	34%(11)	56%(18)	4.44	.759
There is reduction fraud cases	32		3%(1)	6%(2)	38%(12)	53%(17)	4.41	.756
Ease of transfer of peer to peer funds	32		3%(1)	6%(2)	34%(11)	56%(18)	4.44	.759
Less paper work in banking halls	32		0%	3%(1)	34%(11)	63%(20)	4.59	.560
Less man hours are applied to customers	32		0%	13%(4)	38%(12)	50%(16)	4.38	**.707**
Resources are skewed to other bank activities	32		3%(1)	9%(3)	47%(15)	41%(13)	4.25	.762

***Source:* Field Primary Data**

Key: SD= strongly disagree, D=Disagree, NS = Not sure, A= Agree, SA=strongly agree

From table 5 above, the respondents were asked in order to find out whether, there is ease in external fund transfer; respondents were asked to state the extent to which they agreed with the above. There are two major results as reflected by way of standard deviations and means. First was the issue of whether there is ease in external fund transfer using e-means. The standard deviation was 1.107, accompanied by a mean of 3.75. Of the total respondents, 34% strongly agreed, while 22% agreed, 28% were neutral, while 16% disagreed and 0% strongly disagreed. This implies that the 56% of the respondents were in approval, 16% disagreed. The other major result was on the issue of whether there was lesser working paper, the standard deviation was 0.560 accompanied by the highest mean of 4.59. Of the total respondents, 63% strongly agreed, while 34% agreed, 3% were neutral, while 0% disagreed and 0% strongly disagreed. This implies that the majority, 97% of the respondents were in approval, with a mean of 4.59 and SD of 0.560. From the statistics above with 97% in agreement this is an aspect to the bank stakeholders need to uphold comparison to the 0% who were in disagreement. From the findings above this shows that to deliver on the e-banking on customer satisfaction this aspect should be keenly addressed.

In determining whether Ease of transfer of peer to peer funds, the study revealed that; of the total respondents, 56% strongly agreed, while 34% agreed, 6% were neutral, while 3% disagreed and 0% strongly disagreed. This implies that 90% of the respondents were in approval while 3% disagreed and 6% had a neutral opinion with a mean of 4.44 and SD of 0.759. From the findings above this shows that this is a key attribute which should be well managed by the bank stakeholders in Stanbic Bank Uganda Limited. In order to find out whether, less paper work in banking halls; respondents were asked to state the extent to which they agreed with the above. The above findings show that bank stakeholders have done some work to do regarding this aspect in totality. From the findings of the study the respondents were asked about less man hours are applied to customers. Of the total respondents, 50% strongly agreed, while 38% agreed, 13% were neutral, while 0% disagreed and 0% strongly disagreed. This implies that 88% of the respondents were in approval while 0% disagreed and 13 % had a neutral opinion with a mean of 4.38 and SD of 0.707 from the statistics above, this shows that this is a key attribute which should be addressed by the bank stakeholders. From the findings of the study the respondents were asked about resources being skewed to other bank activities. Of the total respondents, 41% strongly agreed, while 47% agreed, 9% were neutral, while 3% disagreed and 0% strongly disagreed. This implies that 88% of the respondents were in approval while 0% disagreed and 9 % had a neutral opinion with a mean of 4.25 and SD of 0.762 from the statistics above, this shows that this is a key attribute which should be addressed by the bank stakeholders.

Table 6: Customer views on e-banking

		SDA	DA	NS	A	SA	Mean	Std.Deviation
There is ease in external fund transfer	50	2%(1)	2%(1)	2%(1)	48%(24)	46%(23)	4.34	.798
There is ease in internal fund transfer	50	2%(1)	0%	4%(2)	46%(23)	48%(24)	4.38	.753
There is reduction fraud cases	50	16%(8)	28%(14)	44%(22)	8%(4)	4%(2)	2.56	.993
Ease of transfer of peer to peer funds	50	2%(1)	6% (3)	6%(3)	54%(27)	32%(16)	4.08	.900
Less paper work in banking halls	50		0%	2%(1)	52%(26)	46%(23)	4.44	.541
Less man hours are applied to customers	50		0%	2%(1)	52%(26)	46%(23)	4.44	.541
Resources are skewed to other bank activities	50		2% (1)	6%(3)	54%(27)	38%(19)	4.28	.671

Source: ***Field Primary Data***

Key: SD= strongly disagree, D=Disagree, NS = Not sure, A= Agree, SA=strongly agree

From table 6 above, the respondents were asked in order to find out whether, there is ease in external fund transfer; respondents were asked to state the extent to which they agreed with the above. Of the total respondents, 46% strongly agreed, while 48% agreed, 2% were neutral, while 2% disagreed and 2% strongly disagreed. This implies that the 56% of the respondents were in approval, 16% disagreed with a mean of 4.34 and SD of 0.798. From the statistics above with 94% in agreement this is an aspect to be addressed by the bank stakeholders." in comparison to the 4% who were in disagreement. From the findings above this shows that to deliver on e-banking this aspect should be addressed.

From the findings of the study the respondents were asked if there is ease in internal fund transfer. Of the total respondents, 48% strongly agreed, while 46% agreed, 4% were neutral, while 0% disagreed and 2% strongly disagreed.

This implies that 94% of the respondents were in approval while 2% disagreed and 4% had a neutral opinion with a mean of 4.38 and SD of 0.753 from the statistics above, this shows that this is a key attribute which should be well managed by the bank stakeholders in Stanbic Bank Uganda Limited. The respondents were asked whether there is reduction fraud cases. The results from the study revealed that, of the total respondents, 4% strongly agreed, while 8% agreed, 44% were neutral, while 28% disagreed and 16% strongly disagreed. This implies that the majority, 12% of the respondents were in agreement as shown by the statistics, with a mean of 2.56 and SD of 0.993. The different statistics implied that this is an aspect to be addressed by the bank stakeholders in the bank. In determining whether Ease of transfer of peer to peer funds, the study revealed that; of the total respondents, 32% strongly agreed, while 54% agreed, 6% were neutral, while 6% disagreed and 2% strongly disagreed. This implies that 86% of the respondents were in approval while 6% disagreed and 6% had a neutral opinion with a mean of 4.08 and SD of 0.900. From the findings above this shows that this is a key attribute which should be well managed by the bank stakeholders in Stanbic Bank Uganda Limited.

In order to find out whether, less paper work in banking halls; respondents were asked to state the extent to which they agreed with the above. Of the total respondents, 46% strongly agreed, while 52% agreed, 2% were neutral, while 0% disagreed and 0% strongly disagreed. This implies that the majority, 98% of the respondents were in approval, with a mean of 4.44 and SD of 0.541. From the statistics above with 97% in agreement this is an aspect to the bank stakeholders need to uphold comparison to the 0% who were in disagreement. From the findings above this shows that to deliver on the e-banking on customer satisfaction this aspect should be keenly addressed. From the findings of the study the respondents were asked about less man hours are applied to customers. Of the total respondents, 46% strongly agreed, while 52% agreed, 2% were neutral, while 0% disagreed and 0% strongly disagreed. This implies that the majority, 98% of the respondents were in approval, with a mean of 4.44 and SD of 0.541 from the statistics above, this shows that this is a key attribute which should be addressed by the bank stakeholders. From the findings of the study the respondents were asked about resources being skewed to other bank activities. Of the total respondents, 38% strongly agreed, while 54% agreed, 6% were neutral, while 2% disagreed and 0% strongly disagreed. This implies that 92% of the respondents were in

approval while 2% disagreed and 6 % had a neutral opinion with a mean of 4.28 and SD of 0.671 from the statistics above, this shows that this is a key attribute which should be addressed by the bank stakeholders.

8 Conclusions and Recommendations

Findings from descriptive statistics indicated that on average the respondents agreed to the statement that e-fund transfer have an effect customer satisfaction. With less work hours required through e-transfers to serve customers the bank can reallocate resources to planning, policy implementation and other value enhancing bank activities. Customer touch points are user friendly.The study recommends that a similar research incorporating in other aspects like, leadership and working conditions, working and organization culture and practices among others. Future researchers can focus on looking at the other factors other than those mentioned and studied. This clearly shows a critical look at the above areas derives a holistic picture of ways and avenues affecting understanding electronic-banking and customer satisfaction.

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ECOSYSTEM CONTROL AND CAPACITY UTILIZATION OF THE SELECTEDAGRO-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 compa-

ny 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 enter-

prises 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 Theoryalso 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 activityand 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
$CAU = a + \beta\ ESC + e$
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 controland 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 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 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 BUSINESSGROWTH 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 (envi-

ronmental 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 tofullyimbibe 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 fail-

ures 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 adeterminant 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?

1. 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, ex-

haust 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 Residual Total	22122.051 2533.149 24655.200	1 339 340	22122,051 1372.335	16.122	0.001a

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 thatagricultural 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 outcome 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 SURVIVALOF 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 capa-

bility 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 products, 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. An-

derson (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 implications 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 competi-

tive 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 begiven 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) de-

scribed 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 macro-economic 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.

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 another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct invest-

ment 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 capitalization. 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 val-

ue 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) de-

scribed 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 expectation 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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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	12.2830015.49471	0.1439	

At most 3*	0.125048	3.8739963.641466	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	14.264600.3386	
At most 3*	0.125048	*3.8739963*.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

The 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 Ni-

gerian 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 inves-

tors 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 immedi-

ately 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 bidirectional 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 in-

flows 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 cointegration 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 thatthereexists 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

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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

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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 ($\beta_1>0$), β_2 will also indicate a positive relationship between TCE and RGDP ($\beta_2>$.

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
Variables	**Intercept**	**C & T**	**Intercept**	**C & T**	**integration**
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
Variables	**Intercept**	**C & T**	**Intercept**	**C & T**	**integration**
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.

Table 3: Johansen Cointegration Rank Test (Trace)

Hypothesized Ho	Hi	Eigenvalue	Trace Statistic	0.05 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 Ho	Hi	Eigenvalue	Max-Eigen Statistic	0.05 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

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:

* 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	0.08760.3630	Reject H0	Unidirectional Causality
INRGDP does not Granger Cause INTCE	1.05238		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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