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FDI and the Nigeria Manufacturing Sector: A case to ponder

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Abstract
This study focuses on Foreign Direct Investment (FDI) and the Nigerian manufacturing sector. The objectives are: to determine the impact of FDI on manufacturing sector output in Nigeria; to determine the impact of government capital expenditure on manufacturing sector output in Nigeria; and to determine the impact of manufacturing capacity utilisation rate on manufacturing sector output in Nigeria, for 34 years (1984-2018). Three hypotheses were proposed. This study adopts the ex-post facto research design and time series data from Central Bank of Nigeria Statistical Bulletin, World Bank statistics, Economic Journals and National Bureau of Statistics publications, using multiple regression and E-Views 11 statistical package. The estimated regression results are based on the Ordinary Least Squares (OLS) technique. This was due to its unique property of BLUE (best linear unbiased estimator). The findings indicate that the outcome of the Johansen co-integration test using the Trace statistics showed two (2) co-integrating equations with the existence of a long run relationship among the variables at 5% level of significance. The OLS result shows that FDI has a positive relationship with manufacturing output but was not significant. Finally, the pairwise granger causality test shows that in the long run, neither FDI nor government capital expenditure nor manufacturing capacity utilisation rate determines manufacturing sector output. The study recommends, among others, that: government policy should favour the Nigeria manufacturing sector with respect to foreign investments, promotion of non-oil export products; and the power sector should be given a priority attention.

Keywords: *Economic growth, FDI, Manufacturing sector*

Introduction

Every capitalist anticipates growth which is measured in terms of ROA, ROE, ROI and inventory available at a given time. Growth is further measured in terms of flows, e.g. sales volumes or revenues, personnel turnover rate, change in machinery capacity, or R&D investments. Manufacturing firms contribute to every economic growth in terms of employment, product, per capita income, etc. Manufacturing sector known as industrial or production sector includes all forms of human activities that transform raw materials into finished goods or products. CBN (2014) has defined manufacturing sector to include engineering sector, food and beverage sector, transport and communication sector, electronic sector, chemical sector, textile sector, metal working sector, plastic sector, energy and construction sector. The manufacturing sector plays a spark role in modern economies with diverse benefits that propels economic transformation as it increases productivity in relation to import substitution and export expansion, creating foreign exchange earnings capacity, raising employment, promoting a fast growth of investment. Up till recently, Nigeria as a nation has not given much attention to the manufacturing sector like the oil sector. The lack of attention according to Adedipe (2004) has made the sector to go down in size and contribution to the economy. There is great need to improve the manufacturing sector as it is seen as a major source of hope for sustainable growth and development following down turn in the global oil sector.

Describing the sector as an engine of growth, Rasaq, Adijat and Abubakar (2017) assert that the sector offers prospect of economic growth and the availability of manufactured products, the speed of development can be enhanced. Although capital and financial resources inter alia has been of great importance to the sector, hence the need to attract capital to the sector. Since the lack of capital impedes economic growth, every nation with such aim of expanding its economy should strive to attract foreign capital and financial resources. Many economic growth and development theories have hinted on the importance of capital in achieving economic growth in the form of saving and investment. Since developing countries have been characterised by low domestic saving rate according to Ekineabor, Agwumba and Liman (2016), there is need to source for capital abroad in the form of foreign direct investment (FDI). Foreign direct investment is a net inflow of investment to acquire a lasting management interest (10% or more voting stock) in an enterprise operating in an economy other than that of the investors (World Bank, 2004). It is an investment made by a country in the form of either establishing business operation or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company (Idoko & Taiga, 2018). For many developing countries, foreign direct investment (FDI) has become the largest source of external finance, surpassing official development assistance (ODA), remittances, or portfolio investment flows. In 2016, more than 40% of the nearly $1.75 trillion of global FDI flows was directed to developing countries, providing much-needed private capital (figure O.1).Yet the financing required to achieve the Sustainable Development Goals (SDGs) remains prohibitively large and largely unmet by current FDI inflows— especially in fragile and conflict-affected situations (FCS) (map O.1). To maximize the development impact of FDI and meet the SDGs, private investment need to extend to new businesses not minding the associated risks. The benefits of FDI are beyond attracting needed capital.

Foreign direct investment improves technology, managerial and organisational skills, and access to foreign markets. It also has great potential to transform economies through innovation, enhancing productivity, and creating better-paying and more stable jobs in host countries, in sectors attracting FDI as well as in the supportive industries (Arnold, Javorcik & Mattoo, 2011; Bijsterbosch & Kolasa 2009; Echandi, Krajcovicova & Qiang, 2015; Rizvi & Nishat, 2009; WEF, 2017). Unlike portfolio investment, foreign direct investment grants the investor decision making power and influence in the management of the company he invested in. It is important for countries to strive to attract FDI as its benefits. FDI is an important and potent bundle of capital, managerial and technological knowledge with potential spill- over benefit for the host country's firms (Danmola, Olateju & Aminu, 2017). Adebisi (2017) observed that FDI will afford Nigeria the opportunity to inject additional resources which are in short supply and will also facilitate job opportunities as well as increased government revenue through taxes paid by beneficial organisation. FDI impacts on balance of payment, increases advanced technology, increased communication skill, management and administration skills. Obwona (2001) also noted that FDI provides an array of goods and services for resident in the recipient country and that private FDI can serve as stimulus to additional investment.

Literature Review

Conceptual Review

Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment. Countries have liberalised their FDI regimes and pursued other policies to attract investment. They have addressed the issue of how best to pursue domestic policies to maximise the benefits of foreign presence in the domestic economy. Scholars and researchers over time have been battling to arrive at a consensus definition of the term *Foreign Direct Investment* (FDI) but have yielded no fruit. The commonly accepted definition is that of OECD. According to OECD (1996), *foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one country ('direct investor') in an entity resident in an economy other than that of the investor ('direct investment enterprise'). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise*. To implement this statement, the OECD recommends that *a direct investment enterprise be defined as an enterprise in which a foreign investor owns 10 percent or more of the ordinary shares or voting power of an enterprise*. The important aspects of this definition are that FDI involves a *lasting interest*, a *long-term relationship*, and a *significant degree of influence*, although the latter part of the definition has increasingly become less important in recent years (Lipsey, 1999). These aspects will become important once the essay turns to theoretical models of FDI determination.

With their interest in the study FDI, Bannò, Piscitello, Amorim and Varum (2014) defined FDI as the initial fixed costs incurred by a firm expanding its activities outside the territorial boundaries of its home country through the establishment (greenfield FDI) or the acquisition (M&A FDI) of a foreign affiliate, whatever the sources of funds for this expansion. To engage in FDI, according to Bricongne, Fontagné, Gaulier, Taglioni and Vicard (2012), involves large upfront fixed costs related to market research; the modification of products to meet foreign tastes or regulatory requirements; or the establishment of distribution and servicing channels. Some of these costs may have to be incurred once and may not apply for follow on investments. However, crucially, each new FDI project also involves establishing or purchasing a production facility in the destination country. Firms with limited internal funds should rely heavily on external finance to engage in FDI since they can finance internally a small fraction only of the fixed costs of FDI. It can thus be expected that outward FDI in financially vulnerable sectors is more sensitive to access to external finance (which depends on financial development) than outward FDI in other sectors.

Empirical Studies

Studies on FDI have been on the increase for over 30 decades now and mostly centre on other sectors of developing economies. We decided to look at this sector mostly now that Nigeria's hope in the oil sector almost collapsed. For example China and Japan was almost gone but for their interest in the manufacturing sector. Today they are the leading economies in the world. In a study by Idoko and Taiga (2018), it was observed that Nigeria as the largest economy in Africa has attracted significant FDI inflow in recent years but not much in the manufacturing sector. The FDI inflows in Nigeria increased from $193.2 million in 1986 to $1874.04 billion in 2002. For the periods of 2003 to 2013, it further rose from $2005.4 billion to $5609 billion. The inflow of FDI as a percentage of GDP increased from 0.93% in 1986 to 5.05% in 2009 but later decline to 1.64% in 2010 and 1.07% in 2013. From 2012-2015, FDI decreased by 27% to $3.4 billion and accounted for 6% of FDI inflow in Africa (UNCTAD, 2015), hence our first hypothesis:

HO$_1$*: FDI has no significant impact on manufacturing sector output in Nigeria.*

FDI is a catalyst for development. Given the appropriate host-country policies and a basic level of development, a preponderance of studies shows that FDI triggers technology spill-overs, assists human capital formation, contributes to international trade integration, helps create a more competitive business environment and enhances enterprise development. All of these contribute to higher economic growth, which is the most potent tool for alleviating poverty in developing countries. Moreover, beyond the strictly economic benefits, FDI may help improve environmental and social conditions in the host country by, for example, transferring *cleaner* technologies and leading to more socially responsible corporate policies. As opined by Adegbie and Adeniji (2015), the rising costs of imports and private generation of electricity and other vital infrastructure to sustain production processes has contributed in high cost of production, increased product prices, and low-consumer patronage. Efforts by government to boost productivity through the Structural Adjustment Programme (SAP) of 1986; which was geared towards reducing import dependence and promoting manufacturing products for export yielded little or no result. It also brought about import bans on raw materials were imposed under the World Bank, encouraging import substitution. Intermediary input manufacturers were able to produce competitively again, and there were fewer plant closures.

The main factors motivating FDI into Africa in recent decades appear to have been the availability of natural resources in the host countries (*e.g.* investment in the oil industries of Nigeria and Angola) and, to a lesser extent, the size of the domestic economy. The reasons for the lacklustre FDI in most other African countries, according to Hernández-Catá (2000), are most likely the same factors that have contributed to a generally low rate of private investment to GDP across the continent. Studies have attributed this to the fact that, while gross returns on investment can be very high in Africa, the effect is more than counterbalanced by high taxes and a significant risk of capital losses (Davies, Desbordes & Ray, 2014; Manda, 2014). As for the risk factors, analysts now agree that three of them may be particularly pertinent: macroeconomic instability; loss of assets due to non-enforceability of contracts; and physical destruction caused by armed conflicts. The second of these may be particularly discouraging to investors domiciled abroad, since they are generally excluded from the informal networks of agreements and enforcement that develop in the absence of a transparent judicial system. Dollar and Easterly (1998) asserted that other factors holding back FDI in Africa notably the perceived sustainability of national economic policies, poor quality of public services and closed trade regimes. Even where the obstacles to FDI do not seem insurmountable, investors may have powerful incentives to adopt a wait and-see attitude. FDI (and especially greenfield investment) contains an important irreversible element, so where investors' risk perception is heightened the inducement would have to be massive to make them undertake FDI as opposed to deferring their decision. This problem is compounded where a deficit of democracy, or of other kinds of political legitimacy, makes the system of government prone to sudden changes (Serván, 1996). Furthermore, in two separate studies, it was revealed that lack of effective regional trade integration efforts has been singled out as a factor. Due to this, national markets remained small and grew at a modest pace (and, in some cases, they even contracted) (Odenthal, 2000; Morrisset, 2000). Based on the above, we state our second hypothesis thus:

***HO$_2$**: Government capital expenditure has no significant impact on the manufacturing sector output in Nigeria.*

There had been a tremendous increase in the participation on FDI inflows by developing in recent time with positive reflections on push and pull factors (Reinhart & Reinhart, 2008; Forbes & Warnock, 2012; Fratzscher, 2012). On the push side, declining transportation costs, significant differences in factor prices, and slowing growth rates in developed countries drove an increasing number of firms to establish operations abroad (e.g. Michelin Nigeria Limited, Berger Paints

Nigeria Ltd, Peugeot Automobile, Riv Biscuits, etc.). On the pull side, many governments, seeing FDI as key to bringing the capital, technology, and know-how needed to move their economies from traditional activities to higher-end manufacturing and services, not only liberalized flows but actively competed for FDI with a variety of preferential incentives and policies (Harding & Javorcik, 2007). The Privatisation and Commercialisation Act (1988) encouraged the improvement of the manufacturing. This resulted to a slight increase in the share of manufacturing in economic output of 0.62% as observed from 1986-1988 (NBS, 2013). Total manufacturing output in the formal sector in Nigeria was N6,845,678.59 million in 2010. It increased over the following two years, by N1,326,277.80 million or 19.37% in 2011 to reach N8,171,906.39 million and by N1,652,610.80 million or 20.22% in 2012 to reach a total of N9,824,517.19 million. In all three years, the formal manufacturing sector was dominated by output from the Food, Beverages and Tobacco Activity, with N4,930,494.55 million or 72.02% of output contributed in 2010. Despite the activity's growth of N488,855.06 million or 9.91% in 2011 and N712,759.35 million or 13.15% in 2012, this total output share declined to 66.32% and 62.42% in 2011 and 2012 respectively. The second largest contributor to manufacturing output was the Textile, Apparel and Footwear Activity, which at N792,693.12 million in 2010, represented 11.58% of total output. With growth of N398,019.65 million or 50.21% in 2011, the total output of N1,190,712.77 million represented 14.57% of total output. This share increased further in 2012, with output of N1,652,840.71 million representing 16.82% of the total, due to output growth of N462,127.94 million or 38.81% (NBS, 2014; CBN, 2013; 2014).

With several decades of activities to assess, we can ask: what has been the effect of FDI on development in the host economies? In the broadest sense, FDI can affect economic development by increasing the availability of factors of production, specifically, capital. However, FDI can be more than capital. The possibility that foreign-owned firms can have a positive impact on the local economy and on productivity levels of domestic firms is perhaps of even greater importance. Improvements in local productivity due to the presence of foreign companies may arise from a number of channels. On the macro side, FDI could spawn new economic sectors, push an economy's technological frontier, and diversify exports. On the micro side, through knowledge spill-overs and linkages between foreign and domestic firms FDI could foster technology transfer, improve managerial and employee skills, and boost investment incentives and productivity in upstream and downstream sectors. Intensifying competition that results from foreign entry could incentivize local firms to upgrade their productivity, drive out unproductive domestic firms, and reallocate factors of production to more productive firms and uses. Theoretical benefits notwithstanding, empirical studies of the effects of FDI have produced mixed evidence. Lipsey (2004) observes that the overall evidence from macro-level empirical research favours positive effects of foreign presence on wages and the volume and diversity of domestic exports, but finds no consistent relationship between the size of inward FDI stocks or flows and GDP or growth. On the micro side, a first generation of cross-sectional studies generally found a positive correlation between foreign presence and within-industry productivity, for example Caves (1974) in Australia and Blomström (1986) and Blomström & Wolff (1994) in Mexico. However, controlling for the fact that foreigners selectively enter the most profitable firms and industries, Aitken and Harrison (1999) show productivity to improve in plants that receive FDI investment and decline in domestically owned plants in the same industry, rendering the net effect of FDI on sector productivity quite small. Based on the above review, our third null hypothesis is:

HO_3*: Manufacturing capacity utilisation rate has no significant impact on the manufacturing sector output in Nigeria.*

Methodology

Research design can be considered as the structure of research as it provides insight about how to conduct research using a particular methodology. The *ex-post facto* research design is employed because it enables the researchers make use of secondary data to analyse the relationship between the variables. For this study our major variables are manufacturing output and foreign direct investment. The study adopted time series data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, World Bank statistics, Economic Journals and National Bureau of Statistics (NBS) publications for the relevant years. For the purpose of this study, our model specification is as detailed below:

Mathematical Expression

MOUT = f(FDI, GCEXP, MCUR, μ)……………1

Expressing the above functional relationship into an econometric model, it becomes:

MOUT= $\lambda_0 + \lambda_1$FDI + λ_2GCEXP + λ_3MCUR + μ…………….2

Where:
MOUT = Manufacturing sector output
FDI = Foreign direct investment
GCEXP = Government capital expenditure
MCUR = Manufacturing capacity utilization rate
μ = Error term
λ_0= Constant term/ Intercept
λ_{1-3}= Coefficients of independent variables

In order to avoid having spurious and misleading results, the above econometric model is transformed into a log-linear econometric model, it becomes:

LogMOUT= λ_0+Logλ_1FDI + Logλ_2GCEXP + Logλ_3MCUR+ μ ………..3

The study examines the impact of foreign direct investment of the manufacturing sector in Nigeria for the periods of 1984 to 2018. In order to have a proper analysis of the data sourced, the use of multiple regression and E-Views 11 statistical package were employed. The estimated regression results are based on the Ordinary Least Squares (OLS) technique. This was due to uniqueness of BLUE (best linear unbiased estimator). Test of stationarity (*Unit Root Test*) aims at determining whether the variables have dependable means and variances. We adopted the Augmented Dickey-Fuller unit-root test to ascertain whether the variables are stationary or non-stationary in levels. Since the Co-integration test is aimed at ascertaining whether there is long-run relationship between the variables, the Johansen co-integration test was employed to test for the presence of first order auto-correlation and co-integration of variables in the model. The Johansen co-integration test uses two statistics tests namely; the trace test and the Max-Eigen test. Furthermore, Pairwise Granger Causality Test was conducted, which establishes the relationship between the variables and to compare the prob. value of the F-stats to 5% critical value, where the null hypothesis is rejected if the prob. value is less than 5%.

Data Analysis and Results

Data Presentation

The data are presented as follows:

Unit Root Test

Augmented Dickey-Fuller Unit Root Test is carried out on each of the variables to know if the variables are stationary at level or not and also identify the order of integration of the variables.

Table 1: Augmented Dickey-Fuller Test Result

Variable	**ADF Statistics**		**Critical Value 5%**	**Order of Integration**
	Level	**First Difference**		
LMOUT	-1.201637	-4.060589	-2.954021	I(1)
LFDI	-2.774433	-8.869547	-2.954021	I(1)
LGCEXP	-1.997534	-6.351111	-2.954021	I(1)
LMCUR	-1.196537	-4.510693	-2.954021	I(1)
Source: *Computation using EViews 11*				

The above result shows that the variables in the model at level were non-stationary at 5% critical value. We therefore differenced the variables to see if they will all be stationary at first difference. The result of unit root test at first differencing shows that all the variables in the model were all stationary. This justified the application of the OLS estimate in the model.

Johansen Co-Integration Test

We also adopted the Johansen co-integration test used to test for long run relationship among the variables in the model. The results of the co-integration tests are shown in Tables 2. The trace statistic revealed two co-integrating equations at 5% level of significance. Therefore, based on the co-integration test results, the null hypothesis, which states that there is no significant co-integration, is rejected at 5% level of significance and the alternative accepted.

Table 2 Johansen Co-Integration Test Summary

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.760881	84.23682	47.85613	0.0000
At most 1 *	0.545737	38.45147	29.79707	0.0040
At most 2	0.303548	13.20097	15.49471	0.1076
At most 3	0.049507	1.624779	3.841465	0.2024

OLS Estimate

The result of the ordinary least square estimate is shown below:

Table 3: Summary of Regression Result

Dependent variable: **LMOUT**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LFDI	0.070245	0.107276	0.654805	0.5174
LGCEXP	0.781250	0.137870	5.666564	0.0000
LMCUR	1.522079	0.445168	3.419115	0.0018
C	-3.479625	1.735314	-2.005185	0.0537

$R^2 = 0.954326$ Adjusted $R^2 = 0.949906$ DW = 1.542878 F-stats = 215.9079

Prob (F-stats) = 0.000000

Source: Computation using EViews 11

Substituting these values in our model, we have:

LMOUT = - 3.479625 + 0.070245LFDI + 0.781250LGCEXP + 1.522079LMCUR + μ

Interpretation of OLS Result

T-Statistics

Among the variables in the model, only foreign direct investment (LFDI) was insignificant with its t-value at 0.654805 less than the ±1.96 critical value. While government capital expenditure (LGCEXP) and manufacturing capacity utilization rate (LMCUR) were significant, with their respective t-values 5.666564 and 3.419115 greater than the ±1.96 critical value.

F-Statistics

The value of F-stat is 215.9079 with a prob (F-stat) of 0.000000 which is less than 0.05 indicating that the overall regression is statistically significant at 5% level. This indicates that the model is of good fit and that the independent variables are jointly significant in explaining the dependent variable.

The Coefficient of Determination (R^2 and Adjusted R^2)

The R^2 value (0.954326) shows that about 95% variation in per capita income is explained by inflation rate, unemployment rate, government expenditure and remittance. The Adjusted R^2 of 0.949906 further justifies the inclusion of independent variables in the regression model.

Durbin Watson Statistics

The Durbin Watson value of 1.542878 indicates that there is no presence of serial correlation in the model.

Results of Hypotheses

Based on the analysis, the decision rule is as follows:

Accept the null hypothesis if the t-statistics is less than ±1.96 critical value.

Reject the null hypothesis if the t-statistics is greater than ±1.96 critical value.

Hypothesis 1

From Table 3, the t-statistics of LFDI is 0.654805, which is less than the ±1.96 critical value. We, therefore, accept the null hypothesis and affirm that foreign direct investment (FDI) has no significant impact on manufacturing sector output in Nigeria. The coefficient of LFDI from the table shows a value of 0.070245 indicating a positive relationship with manufacturing sector output. A unit increase in FDI will cause a 7% increase in manufacturing sector output. This conforms to the theoretical postulation, which stressed that foreign direct investment will boost the productivity of the manufacturing sector through the provision of resources (capital, technology, human capital, etc) needed for the sector to grow.

Hypothesis 2

The t-statistics of LGCEXP is 5.666564, which is greater than the ±1.96 critical value. We, therefore, reject the null hypothesis and affirm that government capital expenditure has a significant impact on the manufacturing sector output in Nigeria. The coefficient of government capital expenditure (0.781250) indicates a positive relationship and a unit increase in government capital expenditure will increase manufacturing sector output by 78%. This also conforms to *a priori* expectation, highlighting the need for government intervention in the economy, using expenditure as a stimulating factor.

Hypothesis 3

The t-statistics of LMCUR is 3.419115, which is greater than the ±1.96 critical value. We, therefore, reject the null hypothesis and affirm that manufacturing capacity utilisation rate has a significant impact on the manufacturing sector output in Nigeria. The coefficient of manufacturing capacity utilisation rate (1.522079) indicates a positive relationship and a unit increase in manufacturing capacity utilisation rate will increase manufacturing sector output by 152%. The result conforms to *a priori* expectation. Since manufacturing capacity utilisation rate indicates the efficiency and productivity of the manufacturing sector, an increase in this will definitely increase manufacturing sector output.

Pairwise Granger Causality Test

The Pairwise granger causality test was carried out to check for causality among the variable. The lag length structure criterion using the Schwarz Information Criterion (SIC) recommended one (1) lag as presented below is the granger causality result with reference to the dependent variable only. The decision rule was to accept null hypothesis if the prob. value is greater than 5% significance level and reject null hypothesis if the prob. value is less than 5% significance level.

Null Hypothesis:	Obs	F-Statistic	Prob.
LFDI does not Granger Cause LMOUT	34	3.46662	0.0721
LMOUT does not Granger Cause LFDI		2.79639	0.1045
LGCEXP does not Granger Cause LMOUT	34	0.00188	0.9657
LMOUT does not Granger Cause LGCEXP		2.23126	0.1454
LMCUR does not Granger Cause LMOUT	34	0.30997	0.5817
LMOUT does not Granger Cause LMCUR		3.03953	0.0912
LGCEXP does not Granger Cause LFDI	34	4.26928	0.0472
LFDI does not Granger Cause LGCEXP		2.96845	0.0949
LMCUR does not Granger Cause LFDI	34	1.03680	0.3164
LFDI does not Granger Cause LMCUR		2.16651	0.1511
LMCUR does not Granger Cause LGCEXP	34	0.15994	0.6920
LGCEXP does not Granger Cause LMCUR		4.09319	0.0518

The pairwise granger causality test shows that there is no causality between FDI and manufacturing output. Also causality does not run between government capital expenditure and manufacturing output, as well as between manufacturing capacity utilisation rate and manufacturing output. It therefore implies that in the long run, neither foreign direct investment nor government capital expenditure nor manufacturing capacity utilisation rate determines manufacturing sector output.

Discussion of Findings

The analysis shows that the variables had unit root at a level but they all became stationary after first differencing at 5% significance level. The outcome of the Johansen co-integration test using the Trace statistics showed that there were two (2) co-integrating equations indicating the existence of a long run relationship among the variables at 5% level of significance. This justified the use of the Ordinary Least Square (OLS) in estimating the model. The result of the OLS estimate showed that FDI has a positive relationship with manufacturing output but was not significant. This is as a result of FDI inflows being skewed towards the oil sector leaving a little proportion for the manufacturing sector. This is in tandem with the finding of Idoko and Taiga (2018). The result further showed that government capital expenditure and manufacturing capacity utilisation rate have positive and significant relationships with manufacturing output hence it conforms to the *a priori* expectation. Finally, the pairwise granger causality test shows that in the long run, neither foreign direct investment nor government capital expenditure nor manufacturing capacity utilisation rate determines manufacturing sector output.

Conclusion and Recommendations

The study examined the impact of Foreign Direct Investment (FDI) on the Nigeria manufacturing sector from 1984-2018 (34 years). To achieve this, the Augmented Dickey-Fuller test was performed to test for unit root among the variable which showed that all the variables were non-stationary at level but they became stationary after first differencing at 5% significance level. The Johansen co-integration test was also carried out to determined long run relationship among the variable. Using the Trace statistics, it was shown that there were two (2) co-integrating equations indicating the existence of a long run relationship among the variables at 5% level of significance. The regression results of the model show that the R^2 is 95% which is the variation by which the dependent variable is explained by the explanatory variables, while remaining 5% is explained outside the model. The F-stats shows that the independent variables are jointly significant in explaining per capita income. The Durbin-Watson statistics also show there the model is free from serial correlation. The OLS estimate was performed to find out the respective impact of the variables on manufacturing output. The result showed that foreign direct investment exerted a positive and insignificant impact on manufacturing sector output. Also government capital expenditure and manufacturing capacity utilisation rate had positive and significant relationships with manufacturing output. The pairwise granger causality test revealed no major determinant of manufacturing output in the long run among the variables used.

From the findings of the study, foreign direct investment has not really impacted on the manufacturing sector; this is as a result of FDI inflows being skewed towards the oil sector leaving a little proportion for the manufacturing sector. This has contributed to the poor performance of the Nigeria manufacturing sector, since it lacks adequate finance/capital to operate efficiently. The result of the study showed that government capital expenditure and manufacturing capacity utilisation rate is the major determinants of manufacturing sector output in Nigeria. This result is in line with the Keynesian school of thought, which believes that government fiscal policy stimulates the economy. The pairwise granger causality shows that none of the variables had significant impact on manufacturing output in the long run. This implies therefore that in the long run other factors like exchange rate, inflation rate, interest rate and other economic variables will influence manufacturing sector output therefore making insignificant the impact of foreign direct investment and government capital expenditure. In line with the findings of this study, the following recommendations are made: (i) Nigerian government should have a policy that would favour the manufacturing sector with respect to foreign investments; (ii) Government should encourage the promotion of non-oil export products, as this will bring about reduction in the nation's level of dependence on the dominance of crude oil or what can be described as mono-cultural foreign trade product; (iii) The power sector should be given a priority attention as its improvement will attract FDI, create employment and reduce youth restiveness; (iv) There is need for the government to launch new financial reforms capable of enhancing the accessibility of funds to the sector; and (v) Government, also, through the financial regulatory authorities should monitor the allocation of credit facilities to the manufacturing sector and ensure that such facilities are used for productive purposes.

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Agro-Incentive Utility in Wukari Community: Is Bank of Agriculture Financial Facility still impacting?

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Abstract
Agro-economy watchers contend that the level of productivity is a function of capacity, denominated in credits channelled to productive sectors, streaming from Deposit Money Banks (DMBs). Development Finance Institutions (DFIs), including Bank of Agriculture (BOA), also feature in the process, yet studies on their incentivising impact remain limited in developing nations. This study, therefore, ascertains the impact of BOA financial facility in relation to agro-incentive utility Wukari community of Taraba State. With Agricultural Credit Guarantee Scheme (ACGS) as the incentivising proxy, the specific objective is to determine the impact of ACGS facility on agro-incentive utility. Collection of data is by use of questionnaire, administered on 50 customers and 7 bank officials; while analysis of data involves descriptive and inferential statistics (particularly multiple regression technique facilitated by Statistical Package for Social Sciences). The results establish that ACGS facility has significant impact on agro-incentive utility (t-statistic = 0.542; p-value = 0.001<0.05). This affirms that BOA financial facility is still impacting agro-incentive utility in the focal community. Earlier affirmative contributions in this regard include Central Bank of Nigeria (2005), Olowa and Olowa (2011), Okwocha, Asogwa and Obinne (2012), and Udoka (2015). With the present outcome, agro-financial grants should be intensified by government through increased budgetary allocation; while the monetary authorities should do more to mitigate the risks associated with agro-lending, to further jig DMBs and DFIs towards sustainable agricultural sector advancement in Nigeria.

Keywords: *Agribusiness, Bank of Agriculture, Credit schemes, Wukari community.*

Introduction

Agricultural production has been on the decline in terms of its contribution to the Nigeria's Gross Domestic Product (GDP) as well as satisfying the nation's food requirement, although about 70% of the population engage in agriculture. There is growing awareness amongst Nigerian farmers of the impact of improved inputs and new technologies on agricultural yield. The need for these material and technical inputs intensifies that imperativeness of agricultural credit, especially as majority of the farmers are small-holder agribusiness activists, often constrained by unfavourable economic, social, cultural and institutional realities (Ajayi & Ojo, 2006; Abayomi, 2006). In this regard, more attention is being directed at underscoring the imperative agribusiness financing thereby intellectually bridging the impending gap in the literature. This study is expected to further project greater DFI intervention importance and relevance to industrialists, farmers, government and other researchers, as it characteristically typifies the relationship existing between BOA financial facility and agro-incentive utility in Wukari Community and extended climes in the Nigerian economy (Beck & Levine, 2004; Ekpenyong & Acha, 2011). In furtherance of the study, the overriding objective is to ascertain the impact of Bank of Agriculture financial facility on agro-incentive utility in Wukari Community of Taraba State in Nigeria. Focusing on crop farming, with Agricultural Credit Guarantee Scheme (ACGS) as incentivising proxy, the specific objective of the study is to ascertain the impact of ACGS facility on agro-incentive utility in Wukari Community. The research hypothesis elicited in furtherance of the research target is:

H_o: ACGS facility has no significant impact on agro-incentive utility in Wukari Community.

Literature Review

Agricultural financing has been age long concern among critical stakeholders in Nigeria. Basically, the process has been characterised by contributions in cash and kind, streaming from family and individual savings and gifts. Other sources include range from private money lenders, daily contributions, cooperative thrift associations/cooperative societies, produce buyers, to State agricultural credit corporations/agencies, agricultural development programmes (ADPs), most of which were initiated in liaison with International Financial Institutions (IFIs) and agencies, especially the World Bank. Recognising the inadequacies of the trado-historical financing mechanisms, the Federal Government of Nigeria (FGN), since the 1970s, formulated policies, enunciated schemes and established institutions to boost agricultural financing, and ultimately foster economic growth and development. The FGN primarily sought to ensure that DMBs and DFIs in particular would serve as the lubricant and catalyst of sustainable national economic advancement, as they efficiently effectively perform strategic roles in promoting economic growth through incentivising (injection of dedicated funds into the agricultural sector) for competitive agribusiness capacity (Sanusi, 2010; Udoka, 2015). It is noteworthy that conscious financial inflows from the FGN to the agricultural sector intensified in the early 1970s with the sectorial allocation of funds wherein DMBs were mandated to channel a specified percentage of annual total lending (loans and advances) at concessionary interest rates directly to the sector to boost agribusiness capacity and overall agricultural productivity. That commitment gave rise to the emergence of the Rural Banking Scheme (RBS) in 1977, with the mandate to channel a specified percentage of the total deposits mobilized in the rural communities back to the communities, not only to drive economic growth/development of the area, but also spur banking awareness among the rural people. Frailties of the RBS metamorphosed to the springing up of Community Banks (CBs), which later translated into Micro-Finance Banks (MFBs). However, the MFBs could not expressly find their feet as there was deep rooted fear, associated with the birthing of CBs tailored after the Unit Banking System (UBS) of the American economy. Concretizing the anticipated impact of the MFBs on the rural economy, and particularly the agricultural sector of the Nigerian economy, still leaves much to be desire (Abayomi, 2006; Rahman & Cheng, 2011).

The ACGS, operating with the concept of *moral suasion*, is to continuously support the participation and interest of banks in agricultural financing. It, therefore, operationally guarantees the banks 75% of amounts in default of the total amount of agricultural loans approved and disbursed to farmers, be it individuals, cooperatives, joint trade groups, and/or corporate organizations. Initially at its inception, the incentivising loans were granted at concessionary interest rates but later reviewed to reflect market dynamics under the Interest Drawback Programme (IDP). In its decades of operation, the ACGS, as at June, 2012, guaranteed about N55bn of agricultural loans to 770,438 focal beneficiaries (Olaitan, 2006; Okwocha, Asogwa & Obinne, 2012). The Food and Agricultural Organization (FAO) noted in 2008 that allocation of capital to the Nigerian agricultural sector from 1970 to 1980 averaged at 4.74%. It increased to 7% between 1980 and 2000, and further got to 10% between 2001 and 2007. Like many other African nations, agricultural financing has been dwindling with budgetary allocations settling at at a dismal average of 4%. This is far below expectation of the FAO, which insists that government should earmark about 25% budgetary allocation towards developing the agricultural sector. Corroborating this relevance, several studies have been initiated to substantiate the impact of government expenditure on agricultural output. Analysts had examined the impact of the expenditure of Nigerian government on output; with the results revealing that agricultural output does not respond significantly to government expenditure on agriculture. Thus, government contribution to agriculture was not good enough to impact its development (Cooray, 2008; Longe, 2008). The impact of agricultural expenditure of government and other determinants of agricultural output on Nigerian agricultural output was analysed, using the Cobb-Douglas Growth Model to accommodate food import, annual average rainfall, commercial credit to agriculture, GDP growth rate, consumer price index, and population growth rate. The results indicated that the capital expenditure of government has positive relationship with agricultural output. With respect to the impact of budgetary provision of the government to the agricultural sector on its performance, the findings established existence of significant, strong and positive relationship between budgetary provision to agricultural sector and Nigerian agricultural production. Recommendations of the study underscored greater allocation from the budget to the agricultural sector and well monitored to boost employment, food security, and ultimately, growth and development of the Nigerian economy (Enya & Alimba, 2008; Nwanyanwu, 2010). The relationship between the growth of the Nigerian agricultural sector, macroeconomic policy and institutions has equally been diagnosed, with the results eliciting significant signal in sustenance of the hypothesis that institutions are highly critical in economic growth particularly the Nigerian agricultural sector growth. The study recommended efficient interest rate liberalization in the agricultural sector and greater institutional support to strengthen basic perspectives such as extension services to farmers and subsidized inputs.

Concerning the nexus of lending rate, deregulation of interest rate and agricultural productivity; involving Ordinary Least Square (OLS) econometric estimation, co-integration and error correction model (ECM), a long run relationship was detected among the variables from the co-integration test while the ECM revealed positive and significant relationship between interest rate deregulation and agricultural productivity. The study supported that interest rate should be market-determined to serve as catalyst for improved agricultural productivity. Government was expected to enable the financial sector to work with policies that will guarantee available credit to the sector for the purpose of boosting productivity of the agricultural sector (Anderson, 1990; Acaravci, Ozturk & Acaravci, 2007; Enya & Alimba, 2008).

The effect of interest rate and some macroeconomic variables on the performance of the agricultural sector using time series annual data; with ECM model under the framework of OLS regression estimation, a long-run relationship was detected among the variables while the ECM model established an inverse relation between interest rate spread on agricultural productivity. This also prevailed concerning the relationship between exchange rate and agricultural productivity (Beck & Levine, 2004; Anthony, 2010). The present investigation focuses on BOA financial facility and agro-incentive utility in Wukari Community of Taraba State in Nigeria.

Methodology

The regressing framework of this study addresses the impact of BOA facility on agribusiness capacity Wukari Community. The target population for the collection of data is 57 (Table 1):

Table 1: Target Population Enumeration

S/N	Categorization	Number	Percentage (%)
1	BOA Officials	7	12
2	Agro-incentive beneficiaries (men)	29	51
3	Agro-incentive beneficiaries (women)	21	37
	Total	**57**	**100**

Source: Enumeration for Research Instrument Administration.

Adopting the formula: $n = [N]/[1+N(e)^2]$, the sample size is determined thus:

Where: n = Sample size
N = Population
e = Level of significance

Utilising the enumeration: $n = [57]/[1+57(0.05)^2]$
$= 57/1.1425 = 50$ (approximately).

The sample size is 50 respondents, representing 88% of the target population. Further to the sample determination, the operational enumeration for data collection is presented in Table 2:

Table 2: Sample Size Determination

S/N	Categorization	Number	Percentage (%)
1	BOA Officials	3	6
2	Agro-incentive beneficiaries (men)	27	54
3	Agro-incentive beneficiaries (women)	20	40
	Total	**50**	**100**

Source: Research Questionnaire Enumeration.

The 50 respondents determined within the framework, which comprises BOA officials and agro-incentive beneficiaries provided adequate requisite data for analytical purposes. Essentially, the focal variables are BOA financial facility (profiled by ACGS) and agro-incentive utility, conceptually mainstreamed into the following research model:

$$AGIU = f(BOAFF) \quad \ldots (1)$$

$$AGIU = \beta_0 + \beta_1 ACGSF + e \quad \ldots (2)$$

Where:

AGIU = Agro-incentive utility
BOAFF = BOA financial facility
ACGSF = AGCS facility
e = Error term
β_0 = AGIU intercept
β_1 = ACGSF coefficient

Harnessing the tri-portfolio of BOA, denoted by ACGS, Agriculture Credit Support Scheme (ACSS) and Commercial Agriculture Credit Scheme (CACS), affords Analysis of Variance (ANOVA), which is conducted to determine the strength of the model towards ascertaining the impact of BOA financial facility and agro-incentive utility in Wukari Community, at the 5% level (Asika, 1991; Parahoo, 1997; Onikoyi, 2012; Dangana, 2019). Analytically, the null hypothesis is acceptable if the ensuing probability value (p-value) is greater than the 0.05 specified level of significance, otherwise the alternate hypothesis is substitutable. The computations are facilitated by the instrumentality of Statistical Package for Social Sciences (SPSS).

Results

The results of data analysis presented herein feature fundamental descriptive and inferential statistics, culminating in the test of hypothesis (Tables 3 to 5):

Table 3: Operational Data Collection Administration

Description	**Number**	**Percentage (%)**
Copies returned by respondents	49	98.0
Copies retained by respondents	1	2.0
Copies released to respondents	**50**	**100.0**

Source: Research Questionnaire Operational Enumeration.

In Table 3, the results indicate that 49 (98.0%) out of 50 copies of the data collection instrument administered on respondents, were duly filled and returned, whilst 1(2.0%) was not retrieved. The quantum retrieved is considered adequate for analytical purposes.

Table 4: Descriptive Statistics Details

	N	Min	Max	Sum	Mean		Std. Dvn	Var
Description	Stats	Stats	Stats	Stats	Stats	S.E.	Stats	Stats
$AIUD_1$	49	.00	4.00	40.00	.8163	.13259	.92811	.861
$AIUD_2$	49	.00	4.00	74.00	1.5102	.20229	1.41602	2.005
$AIUD_3$	49	.00	4.00	76.00	1.5510	.20632	1.44426	2.086
$AIUD_4$	49	.00	4.00	72.00	1.4694	.22607	1.58248	2.504
Valid N (listwise)	49							

Source: SPSS Computations from Research Instrument.

The designations captured in Table 4 are:

$AIUD_1$ = Agro-incentive utility dimension relating to poultry farming
$AIUD_2$ = Agro-incentive utility dimension relating to storage facilities
$AIUD_3$ = Agro-incentive utility dimension relating to market for poultry
$AIUD_4$ = Agro-incentive utility dimension relating to exportation of poultry

In Table 4, the results indicate mean of 0.8163 for $AIUD_1$, 1.5102 for $AIUD_2$, 1.15510 for $AIUD_3$, and 1.4694 for $AIUD_4$; with standard deviation of 0.92811 for $AIUD_1$, 1.41602 for $AIUD_2$, 1.44426 for $AIUD_3$, and 1.58248 for $AIUD_4$.

Table 5: Hypothesis Test Statistics

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	S.E	Beta	t-Stat	Sig.
1	(Constant)	.106	.196		.542	.590
	New hybrid impact	.234	.086	.357	2.713	.009
	Booster impact	.116	.089	.180	1.305	.198
	Holding impact	.121	.083	.206	1.453	.153

Source: SPSS Computations from Research Instrument.

P = 0.001, with t-stat of 0.542.

In Table 5, results of the test of hypothesis indicate t-statistic of 0.542 ($p = 0.001 < 0.05$). By this analytical outcome, the null hypothesis is not accepted. The alternate hypothesis is, thus, accepted, which affirms that BOA financial facility has significant impact on agro-incentive utility.

Discussion of Findings

This study investigated the impact of BOA financial facility on agro-incentive utility in Wukari Community of Nigeria. Regarding the specific objectives of the study, the results reveal that ACGS facility has significant impact on agro-incentive utility in the community. Thus, agro-incentive utility is functionally related with BOA financial facility. This revelation is well supported by previous empirical indications, locally and internationally. Outcomes of some previous related investigations are quite supportive of this empirical stance. They focally project bank credit as having significant positive effect on agricultural output, ultimately translating to sustainable economic growth and development over time. They attribute about 70% of overall credit to the agricultural sector of the Nigerian economy as agro-financing intensity in the direction of fertilizer and seed purchases. To the analysts, majority of agricultural production enhancement dynamics are determined by changes in quality and quantum of the input specifications so underscored (Olaitan, 2006; Longe, 2008). Afangideh (2006) focused on the effect of financial sector development on the output and investment of the agricultural sector using aggregate data from 1970-2005. The results revealed that there is a significant and positive relationship between bank lending to agriculture and agricultural sector real output. Emphasis on investment in the agricultural sector was underscored as the agenda that should be topmost in financial sector development if the target of economic diversification is to be achieved by Nigerian governments. The fundamental lesson taken from this study is that performance of the Nigerian agricultural sector is critically enhanced by the development of the financial sector.

Analytically, also, interest rate constitutes a dominant determinant of agricultural productivity. It is contend that one purpose of policies on agricultural credit over the years over relates to the provision of adequate credit to agricultural players at an affordable cost and at the right time. In this regard, the intervention of government in form of sectorial credit allocation, oligopolistic tendencies, interest rate ceilings and highly concentrated market structure result in monopoly and the associated inefficiencies that aggravate economic distortions. There are other studies which project the determinants of agro-incentive utility and agricultural productivity in the Nigerian economy (Central Bank of Nigeria, 2005; Anyanwu, 2010; Olowa & Olowa, 2011). An investigation on the effect government expenditure on the Nigerian agricultural output involved key variables such as foreign direct investment on agricultural sector, annual rainfall, government expenditure on agricultural sector, agricultural credit guarantee scheme fund, and commercial bank loans and advances to the agricultural sector. The results anchoring on estimated OLS model affirmed existence of significant and positive relationship between government expenditure on agriculture and Nigerian agricultural sector output during the evaluation period. Still, an analysis on the effect of government expenditure on agricultural sector using annual time series data and adopting the OLS model, found a positive relationship between agricultural financing (expenditure) and its output in Nigeria (Chimobi, 2010; Udoka, 2015). The present investigation sought to ascertain the impact of BOA financial facility on agro-incentive utility.

Conclusion and Recommendations

This study examined BOA financial facility and its impact on agro-incentive utility in Wukari Community in Nigeria. The focal operational determinant is ACGS facility. The descriptive statistics indicate goodness of fit, while variance in agro-incentive utility is highly explained by dynamics of the impact of BOA facility, as featured by the coefficient of determination. Based on the t-statistics details, the null hypothesis is rejected, paving way for the alternate hypothesis to be accepted. This firmly establishes that ACGS facility has significant impact on agro-incentive utility. It is noteworthy that much of similar scholarly advances have been anchored on the financial liberalization theory of McKinnon and

Shaw. In the light of this, consideration is central on the part played by government in terms of intervening in financial market activities. This is perceived critically setting back growth, investment and savings mobilization. In essence, the role of government in interest rate control and credit allocation to the productive economic sectors in developing countries may hinder the mobilization of savings and discourage financial asset holding, economic growth and capital formation. Also, interest rate ceiling on deposit indirectly inhibits financial saving, resulting in excess liquidity outside the banking industry (Ajayi & Ojo, 2006; Coray, 2008; Sanusi, 2010; Agundu, 2019). Government pervasive intervention and financial system involvement through supervisory and regulatory frameworks (particularly interest rate control and credit allocation) also tend to precipitate and effectuate financial market distortions. Proponents, thus, conclude that the intervention of government adversely affects market players' decision regarding investment and savings, ending up in financial mediation fragmentation; eventually forging a scenario, the resultant effect of which the economy becomes financially repressed. Credit allocation is to be influenced by free market forces as financial markets are liberalizing, such that adjustment in real interest rate gravitates to the equilibrium level and eliminates projects with low yields. This equally brings about improvement in overall savings and investment efficiency and increased supply of total real credit; consequently inducing increase in volume of investment to engender the growth of an economy.

Nonetheless, critics of government intervention and market liberalization tend to underscore the prevalence of imperfect information. They oppose the proponents by addressing financial development issues against the realities of information asymmetry and credit rationing resulting from expensive information (Anderson, 1990; Ajayi & Ojo, 2006). The fundamental problems connected there with have to do with adverse influence of imperfect information and moral hazard. The impact on higher rates of interest as a result of financial liberalization and related reforms/policies aggravates risk mitigation and administration in the economy, thereby undermining financial system stability and further deepening financial crises in the economy. With respect to capitalization and agricultural production, the foremost provider of capital resources and financial incentives for the agricultural sector over the years has been the government. Government budgeting provision still serves as critical determinant of the output and performance of the Nigerian agricultural sector (Acaravci, Ozturk & Acaravci, 2007; Chimobi, 2010). Against the backdrop of the analytical outcomes, the study concludes that BOA financial facility has significant impact on agro-incentive utility in Wukari Community in Nigeria. It is, therefore, recommended that:

i. Agricultural financial grants should be intensified by government through increased budgetary allocation and provision of available/affordable far-reaching facilities; and
ii. Monetary authorities should do more to mitigate the risks associated with agricultural lending, thereby spurring DMBs/DFIs to sustain extension of credits to the agricultural sector.

Furthermore, credit constraints towards boosting agribusiness capacity and overall agricultural productivity should be addressed, for the country to be self-sufficient in food productions. With the exigencies characterising agriculture and agricultural lending, added to the peculiar status of farmers (particularly the poor rural farmers who are handicapped of acceptable collateral for borrowings), the BOA and allied banks/financial institutions in the Nigerian economy should strategically reposition to take agricultural financing to the next level.

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Capital Gains Tax and Economic Development in Nigeria: An Empirical Analysis

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Abstract

The aim of this paper was to determine the impact of capital gains tax revenue on economic development of Nigeria within the period of 2006-2017. It specifically investigated the extent to which capital gains tax (CGT) affects Gross Domestic Product (GDP) and Human development index of Nigeria within the period of study. Data were gathered from Federal Inland revenue service (FIRS) publications for various years, Central bank of Nigeria Annual statistical Bulletin and annual Reports and United Nations development program (UNDP) Annual Reports. Regression and thematic analyses tools were applied on the data. Findings indicate CGT revenue has significant impact on economic development when measured on GDP and HDI. Thus, tax revenue is crucial aspect of government funding needed for economic developmental purposes. Furthermore, tax revenue when adequately utilized in Infrastructure provision and human capital empowerment fosters economic development. The implication is that Nigeria's economic development pursuit has not been adequate in relation to the tax revenue generated. This calls for increase in tax revenue generation and judicious use of tax revenue in order to foster economic development. Government should ensure that revenue leakages are reduced and prudent expenditure towards economic growth and development pursuits well maintained.

Keywords: *Capital Gains Tax, Economic development, Gross Domestic Product, Human Development Index, Nigeria*

Introduction

World Bank report of 2013 and other world markers concisely portrayed high level retrogression of Nigeria. In the light of that report, in spite of the fact that Nigeria gave an indication of one of the quickly developing economies, anyway improvement pointers have demonstrated opposite patterns. *Neediness rates are high, human advancement list rating is low (153 out of 183 nations) joblessness rate is expanding with the figures coming to as high as 18.8% in 2017, expansion rate in twofold digits, and falling per capita pay* (Proshare, 2017). With this situation, improvement in not so distant future can be said to be implausible. These are battling with the way that Nigeria is credited to having wealth of assets available to her that income expected to execute formative exercises is accepted not to be an issue. Tragically, the expansion in income just as increment in use has not converted into the improvement of its residents. There have not been increment in the way of life and the methods for money of the individuals demonstrated in late reports as prior expressed. The main way monetary improvement can be sought after toward completion is through powerful and productive drive for income age exercises (Ironkwe & Ordu, 2016). Furthermore, more as of late, it is pushed all around that nations should move from the idea of financial advancement to that of *sustainable economic development*. This is the degree of advancement that can be continued on the since quite a while ago run. To accomplish this in any case, huge amount of funding is required, and tax revenue is one of the significant ways this huge measure of financing is created.

Generally, revenues accruing to an economy, such as Nigeria, can be divided into two main categories, which are; oil revenue (includes revenue from royalties, Petroleum Profit Tax (PPT), gas tax amongst others) and Non-oil revenue (includes trade, loans, direct and indirect taxes paid by other sectors of the economy, Aids, agriculture etc) (Ordu & Anaele, 2015). However, as Jideofor (2012) outlined various types of taxes, it is argued that *direct taxes- where taxation is levied on incomes of individuals or profits of corporations are the most convenient and easiest means of generating revenue for the government for developmental purposes. Government has over the years engaged in tax reforms and drives for increased revenue from taxation. However, in the midst of this call for increased taxation revenue, there have been issues of adequate utilisation of the already generated revenue for developmental purposes so as to get the nation on track towards ensuring the betterment of its citizens through infrastructure provision and development*. Furthermore, as has also been argued in several quarters, *generating the needed revenue from taxation activities is not a guarantee that the needed infrastructural development for a nation such as Nigeria* *will come* (Ordu & Anaele, 2015). This is due to the fact that other factors such as corruption, evasion, and as well as tax havens amongst others usually affect the actual use of the revenue from taxes for economic development of the nation. This is where the problem lies. Whether or not the tax revenue generated in relation to economic development witnessed in the country is adequately utilized is another issue that has attracted the attention of not just scholars but policy makers as well. In addition, it is also believed that the level of economic development witnessed in any country has a relationship with the revenue accruing to that nation. In other words, if the nation has huge capital (whether from tax revenue or any other sources) at its disposal, then it is likely to witness more of economic development.

It is argued that as important tax revenue is the use of tax as an instrument of fiscal policy to achieve economic growth in most less developed countries cannot be reliable because of dwindling level of revenue generation (Ironkwe & Ordu, 2016). But different scenario plays out in developed economies. In many rich countries, tax constitutes 30-40% of the GDP (Golit, 2008; TJN, 2012). Consequent upon this, changing or fine-tuning tax rates has been used to influence or achieve macroeconomic stability. Some examples of governments that have influenced their economic development through revenue from taxes are Canada, United States, Netherlands, United Kingdom. They derive substantial revenue from Personal income tax, Capital gains tax, Company Income tax, Value Added Tax, Import Duties and have used same to create prosperity (Oluba, 2008). Thus, taxation has profoundly beneficial effects in fostering better and more accountable government (Tax Justice Network, 2012), hence the need to have and maintain a steady tax revenue growth. Capital gains tax is a form of direct tax that is levied on investment income after an investment is sold and a capital gain is realized. In other words, this tax is imposed on any gain accruing to any person in connection with the disposal of assets during the assessment year. It also covers profits accruing from sold stocks and shares, and is applicable to both residents and non-residents. *It is a concurrent tax, implying that the federal government, which has jurisdiction over corporate bodies and over residents of Abuja, administers it through FIRS* (Anyaduba, Eragbhe & Modugu, 2012). The effects of capital gains on the economy are a mixed one. Where there is increase, there is a negative effect whilst government revenue increases. Furthermore, lower and higher capital gains tax rates also affect the financial positions of household and corporations, while reducing capital gains taxes also causes realizations to rise as investors and business persons cash-in long-term capital gains (Taiwo & Adejere, 2016). Given this background, the impact of the capital gains tax aspect of tax revenue on the economic development is hard to tell unless there is an empirical relationship that is studied that enables a logical conclusion. Thus, this study empirically investigates the impact of capital gains tax on the economy of Nigeria.

Conceptual Framework

In this study the variables are identified and conceptualized, including tax revenue which constitutes the independent variable and economic development which is dependent variable. Furthermore, indicators of economic development (measures) (Gross Domestic Product (GDP) and Human development index (HDI) are adopted as the dependent variable of analysis while Capital Gains tax (CGT) is the dimension of Tax revenue for analysis. The Figure 1 is used to illustrate the interaction of independent variables, Tax revenue (TR) and the dependent variables Economic development (ED).

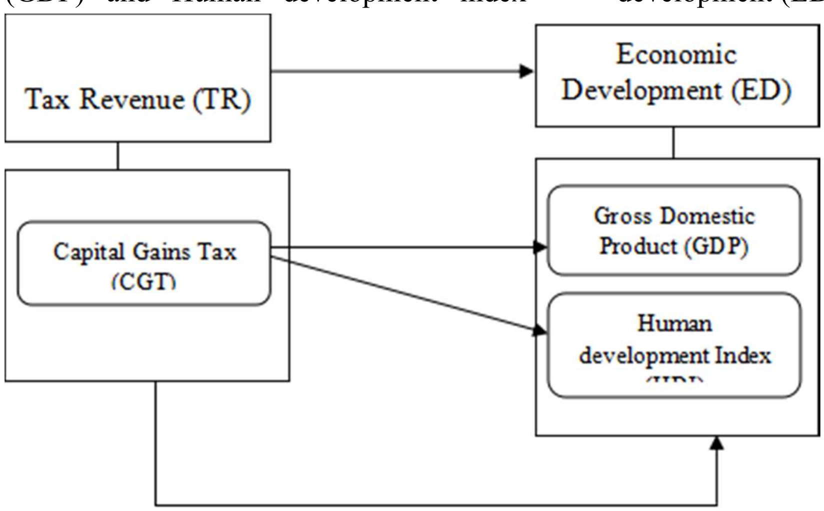


Figure 1.1: Conceptual Framework

Source: Authors design (2019)

The main aim of this study is to determine the impact of tax revenue on economic development of Nigeria within the period of 2006-2017. Other specific objectives include:

1. To ascertain the impact of Capital gains tax on Gross domestic product of Nigeria.
2. To evaluate the impact of Capital gains tax on human development index in Nigeria.

Based on the objectives of the study, the following research questions are addressed:

1. What extent has capital gains tax income impacted on the Gross domestic product of Nigeria?
2. What extent has capital gains tax impacted on Human development index of Nigeria?

The hypotheses are:

$H0_1$: There is no significant relationship between capital gains tax income and Gross Domestic Product in Nigeria

$H0_2$: There is no significant relationship between capital gains tax income and human development index in Nigeria.

Literature Review

Conceptual Review

Concept of Economic Development

The definition of economic development given by Todaro (1985) sees it as an increase in living standards, an improvement in the needs for self-esteem and freedom from oppression, as well as a wider option. Although GDP is used to measure economic development, it is argued that the most accurate method of measuring development is the human development index. HDI incorporates literacy rates, life expectancy rates, as they affect productivity and also lead to economic growth (Todaro & Smith, 2011). It also leads to the creation of more opportunities in the areas of education, health, employment and environmental conservation. Therefore, economic development can be summarized as there being an increase in the living standards of citizens, an improvement in the needs for self-esteem and freedom from oppression, as well as citizens who have more options available to them. Although economic growth and economic development are often used interchangeably, there is a subtle difference. Economic growth is a limited concept compared to economic development (Amadoe, 2018). Economic growth means in particular an increase in the amount of goods and services produced over a certain period of time and economists use an increase in the country's GDP to measure economic growth. On the other hand, economic development is a sustained increase in per capita national production or net national product over a long period of time. It implies that the *rate of increase in total production must be greater than the rate of population growth* (Dwinvedi, 2004). As Todaro & Smith (2011) assert, economic development is a policy intervention effort which aims at the economic and social well-being of people. In other words, it could be referred to as policy makers' actions which promote the health, political and social well-being of people.

Common areas of development include literacy rates, life expectancy, unemployment, poverty rate etc. Thus, it is possible to have economic growth without economic development. It is argued that the Nigerian economy is currently undergoing turbulent times as a result of drastic and unwanted changes that have behoved it. Though an analyst says it is recovering (Afokuyo, 2017), however the rate of recovery cannot be said to be at the expected and accepted level. Therefore, this requires a verification of the policy, as well as a retraction of the momentum of the policy which has been underlined and which will result in an economic recovery. In recent times, development indicators have included the development of human capital in addition to the gross domestic product, as well as the level of expenditure in the public account, as this has marked the rhythm in the path of supplying infrastructures that can bring people out of poverty to better standard of living (Amadoe, 2018). Correct use of capital expenditure by the government, financed from tax revenues, is expected to lead to an increase in the productive sector of the economy, generate jobs and ultimately lead to upward movement of GDP. Similarly, the GDP of hesitant nations could be a sign of misplaced or misguided spending, especially when there is a high percentage of public spending that will be resorted to on a recurring basis rather than to infrastructure arrangements and will lead to the creation of goods and services (World Bank, 2013). Low economic growth will be observed in the forms of decline in GDP and, consequently, the human development index will be reduced due to low economic growth.

Concept of Gross Domestic Product

Gross domestic product (GDP) is one of the main indicators used to measure the health of a country's economy. According to the Central Bank of Nigeria (2010), *GDP is the monetary value of goods and services produced in an economy over a period of time, regardless of the nationality of the people who produce goods and services*. Generally, it is calculated regardless of capital consumption (or depreciation deductions). It represents the total dollar value of all goods and services produced during a specific period of time. GDP can be seen as the godfather of the indicator world. In general, GDP is expressed in comparison with the previous quarter or year. For example, if the annual GDP increases by 5%, this is believed to mean that the economy has grown by 5% in the last year. Measuring GDP is difficult; that's why economists stayed (Ironkwe & Success, 2017). Two basic calculations are used to determine GDP involves: adding what everyone has earned in a year (approach to income) or adding what everyone has spent (spending method). Logically, both measures should reach approximately the same total. The income alone approach is calculated by adding total compensation to employees, gross earnings for incorporated and non-incorporated companies and taxes minus subsidies. The spending method is the most common approach and is calculated by adding up total consumption, investment, public expenditure and net exports. As you can imagine, production and economic growth, which represent GDP, have a big impact on almost everyone in the economy. For example, when the economy is healthy, there is low unemployment and wage increases as companies require labour to satisfy the growing economy. As the economy continues to grow, development can be seen.

Furthermore, it can be summed up that GDP is a development indicator that is used to measure the country's national income and production over a given period. GDP is equal to the total expenditure for all goods and services produced in the country within a certain period of time, usually annually (tradingeconomics.com, 2018). This indicator is fundamental, since it is linked to public expenditure, in particular to those of a capital nature which can be translated into the production of goods and services in the nation. And these government expenditures are financed from the income generated in the nation. When the GDP is high, it means that the economy is growing and therefore by development. Likewise, when GDP is low, it means that the nation is hesitant in development progress. And when GDP is negative, it means that the economy is in recession and, therefore, progress in development is delayed.

Figure 2: Recent GDP trend for Nigeria (Source: tradingeconomics.com, 2018)

From the chart above, it can be seen that in recent times the Nigerian GDP has been increasing having falling to a record low of 169.5 billion dollars in 2009 and then to 369.1 billion dollars in 2010 and highest of 568.5 billion dollars in 2014 and thereafter began to fall in 2015 and 2016 respectively. This means that economic development activities in Nigeria have not been consistent as there is a distorted movement as the trend shows. While it can be seen that development took place between 2009 and 2014, it appears that development has taken a step back since that time. Needless to say, the Nigerian economy has been in a recession since 2015 and, although it is believed to have recovered, but in reality people's living standards have remained low and, as this indicator reveals, growth falters as an increase is needed of public expenditure. . Perhaps a look at the growth rate could indicate the extent of the recovery in the recession, as stated in some government sectors.

Figure 3: GDP Annual growth rate in recent times (Source: tradingeconomics.com, 2018).

In the previous table, it can be seen that between January 2015 and January 2018, economic growth was observed in Nigeria at a faster rate in 2015 with a record of 3.96%, while in a year it dropped to a negative value of - 0.67 in January 2016, indicating a recession in the economy. Although it appears to be recovering, as seen in January 2018, the growth rate is still low compared to 2015 in the same period. In total, it shows that developmental progress has experienced a faltering position in this short period; however, observing the long-term trend (which is the general approach of this study) will help to make decisions more informed.

Concept of Tax Revenue

A tax is a sum levied or collected by a government on a product, income or asset. *If it is collected or charged directly on personal or corporate income, it is considered as a direct tax, while it is collected on the price of a good or service, it is considered as an indirect tax. Of course, a tax is generally imposed by authorized legislation, otherwise it becomes illegal if it is imposed on citizenship* (Okafor, 2012). In addition, the Nigeria Public Accountants Institute (2006) and the Nigeria Collegiate Tax Institute (2002) have defined a tax as a forced contribution of money to the government in accordance with a defined authorized legislature. The tax generates very substantial revenues for the government. Therefore, it is related to the gross domestic product (GDP), which is the standard indicator for measuring a nation's economic well-being. The nature and level of taxes vary according to the economic policies adopted by the government of the time. As a result, the different laws in Nigeria allow the government to tax its citizens and increase tax revenues. These laws are the 2011 Personal Income Tax Amendment Act, the 2007 Corporate Income Tax Amendment Act, and the 2004 Oil Income Tax Amendment Act. Others they are the amendment law of the 2004 capital gains tax, the 2007 Value Added Tax Amendment Act, and the 2004 Education Tax Change Act. The federal government agency responsible for administering and collecting these taxes (except customs / special taxes) until April 2007 was the Federal Board of Internal Revenue (FBIR).

In 2007, the board was discarded and replaced by Federal Internal Revenue Services (FIRS) (Ofuegbu, Akwu & Oliver, 2016). Available reports have revealed that Nigeria has experienced an increase in tax revenues above the target each year. For example, Federal Internal Revenue Service (FIRS) reports indicate that taxes increased from N2.83 billion to N4.71 billion between 2010 and 2014 (Ofuegbu *et al*, 2016), and this increase has continued also in the last few times and cuts various types of taxes in the country. In Nigeria, there are several types of taxes that the government uses as sources of income generation (Table 1). These include the federally collected taxes as CIT, PIT (of those within the federal jurisdiction) , PPT, VAT, EDT, Withholding tax (WHT) as well as the state collected taxes which include the CGT (on individuals), PIT amongst others. These taxes when collected and adequately utilized could lead to betterment of the lives of the citizens through provisions of basic amenities as well as protection of lives and properties of the people (Ordu & Omesi, 2017).

Table 1: Approved taxes for collection by various jurisdictions in Nigeria

S/N	Federal Jurisdictions	State Jurisdictions	Local jurisdictions
1	Companies Income Tax (CIT)	Personal Income Tax (PIT) on residents of state	Tenement rate, shop and kiosk rate
2	Personal Income Tax on personnel of armed forces. police, external affairs and residents of Abuja	Road tax	Liquor license rate
3	Petroleum Profit Tax (PPT)	Betting and gaming tax	Marriage, birth and death registration
4	Value Added Tax (VAT)	Development tax	Slaughter slab fees
5	Custom duties for import and export.	Business premises registration levy	Market, major park fees.
6	Capital Gain Tax (CGT) On Corporate Bodies and Abuja residents	Capital gain tax (CGT) on individual only	Street name Registration fee excluding state owned market
7	Excise duties	Stamp duties on individuals only	Domestic animal license
8	Stamp duties on corporate bodies	Street name registration fees only	Bicycle, trucks, Wheel barrow, cars and canoe fees
9	Mining rents and royalties	Right of occupancy fees state capital only	public convenience, sewage and refuse disposal
10	Withholding tax (WHT) on companies	Market fees where market is fenced by state government	Cattle tax
11	Education Tax (EDUT) on companies only	Miscellaneous revenue	Merriment fees radio and Television license fees
12	Miscellaneous from oil sales, rent on property	Rent on property, vehicle parking fees, burial ground and religious places permit fees	Signboard and bill board advertisement permit fees”

Source: Adapted from Anyaduba, Eragbhe and Modugu (2012).

Capital Gains Tax (CGT)

Capital gains tax is a form of direct tax that applies to investment income after an investment has been sold and a capital gain has been made. In other words, this tax is imposed on any income that corresponds to any person in connection with the sale of assets during the valuation year. It also covers the benefits derived from the shares sold and is applicable to both residents and non-residents. It is a concurrent tax, which implies that the federal government, that has jurisdiction over the corporate bodies and residents of Abuja, manages it through FIRS (Anyaduba, Eragbhe & Modugu, 2012). States have the power to tax people within their territories, and each state's internal revenue council is responsible for capital gains tax on people. The capital gains deriving from the acquisition of company shares through a merger or acquisition are exempt from CGT on condition that no cash is paid for the shares acquired. It currently accounts for 10% of total revenue. The effects of capital gains on the economy are mixed. Where there is an increase, there is a negative effect as government revenues increase. In addition, the increasingly lower tax rates on capital gains also affect the financial positions of households and companies, while the reduction in capital gains tax increases the realizations as investors and private individuals Companies charge long-term capital gains (Taiwo & Adejere, 2016). In addition, consumer spending increases as realized or saved capital gains, net of taxes, are realized or saved. The increase in asset prices, both in capital values and in residential properties, is reflected in a stronger overall balance of households and in the reduction of debt due to the greater realization of capital revenues and profits (Pınar, 2012). On the other hand, where there is a decrease, government revenue may also increase, not in the same proportion as when there is an increase.

As Taiwo and Adejere (2016) also observed, Capital gains taxes may create an additional level of taxation on successful entrepreneurs. Furthermore, asymmetric taxation of capital gains and losses (where profits are taxed more than losses) can be a particularly important issue for entrepreneurs; Asymmetries in the tax system can dissuade entrepreneurs from taking risks (Pınar, 2012). The more a tax reduction of capital gains increases the return for savers and the cost of capital for companies decreases, and the more savings and investments respond to these changes, the more likely that such tax reduction will stimulate savings and investments, thereby increasing the gross national product (GNP). These are all indicators that economic development is taking place or not. For example, lower capital gains tax increases the real rate of return after tax for savers, which can reduce the cost of capital for businesses. When the tax rates on capital gains are increased, taxpayers can decide to defer the profit taking or even to retain assets during their lifetime, transferring the accumulated gains to their tax-exempt beneficiaries. As a result, a reduced tax rate on capital gains has an important role to play in promoting economic growth and promoting the commercial momentum in which the Nigerian economy thrives. Similarly, Thomas (2010) says that tax reductions on capital gains increase savings and investments, provide short-term economic stimulus and stimulate long-term economic growth. However, on the downside, it is argued that a tax reduction of capital gains would primarily benefit taxpayers with very high incomes who could save most of any tax reduction. A temporary reduction in the capital gains tax could have a negative impact on short-term economic growth. Higher taxes on capital gains and dividends significantly damage the economy and employment growth and suggest that the increase in federal tax revenues may not be profitable compensation (Pınar, 2012).

Empirical Studies

There is growing number of literature in recent times on the issue of taxation and economic development. Although they are looked at from different dimension of tax revenue; however the overwhelming conclusion on these studies (Ibrahim & Ahmed, 2011; Worlu & Nkoro, 2012; Okafor, 2012; Onakoya & Afintinni, 2016; Ogbonna & Ikeagwu, 2017) is that a significant relationship exists between taxation and economic development using various dimension of tax and proxies of economic development. Ibrahim and Ahmed, (2011) investigated the relationship between economic growth and development in the context of error correction model. The study has GDP as proxy of economic growth while the proxy of development is HDI. Secondary data of 1975-2008 were used while error correction methodology was used for data analysis. The study revealed that economic growth has an insignificant negative short run relationship with human development index in the short run but significant positive relationship on the long run. The study concludes that government policies aimed at accelerating growth would have a negative impact on human development in the short run but in the long run, equilibrium will be restored by HDI adjusting to correct the equilibrium error. Consequently, economic growth leads to human development in the nation and policies that encourage economic growth needs to be sustained.

Okafor (2012) examined the impact of income tax revenue on economic growth in Nigeria within the period of 1981 – 2007. Economic growth was indicated by GDP why federally collected taxes as CIT, PPT, VAT and Customs and Excise duties were the tax revenues studied. Using ordinary least square regression analysis the data were analysed. Finding revealed no significant relationship between federally collected tax revenue and GDP. Thus calling for ways to better the tax administration and collection process in order to increase the revenue base needed for economic growth. Worlu and Nkoro (2012) examined the impact of tax revenue on the economic growth of Nigeria, using infrastructural development and GDP as proxies for economic development. Using data of 1980-2007 and ordinary least square regression as the tool of analysis, the study revealed that tax revenue stimulates economic growth through infrastructural development. The study recommends that tax revenue can only impact on economic development when offenders are checkmated so a reducing corruption, evasion and tax avoidance so that tax revenue base for increase growth can be increased. Chukwunonso (2014) examined the impact of social spending on human development index of sub-Saharan Africa, using data of 20 African countries and regression analysis and fixed effect panel data model for data analysis. Government spending was looked at on the case of spending on health and education whilst HDI was used for development. The study revealed that only public health and tertiary education spending are significant in explaining human development in these countries. Further, private health spending, primary and secondary education expenditures were found to be insignificant. The study, therefore, suggests that increased public spending is needed in these critical sectors in order to bring about development of human capital that will lead to enhancement of human development index of the nations.

Onakoya and Afintinni (2016) examined taxation revenue and economic growth in Nigeria, looking at trends from 1980-2013. Using descriptive statistics and stationary test analysis, data were analysed. The study revealed that a long run (but no short run) relationship existed between taxation and economic growth in Nigeria. Further, there is a significant positive relationship between Petroleum profit tax, Company Income tax and economic growth, but a negative relationship between economic growth and customs and Excise Duties. However, the tax components are jointly insignificant in impacting the Nigerian economic growth. Accordingly the study recommends that strong institutional reforms in the tax collection agencies is needed so that revenue leakages could be blocked to reduce corruption whilst, the Federal, state and local governments should urgently modernize and automate all its tax system. Taiwo and Adejere (2016) investigated the impact of capital gains tax on the economy of Nigeria. Using data for the period of 2006-2015 and Pearson product moment correlation and multiple regressions for data analysis, the study revealed that capital gains tax has a positive significant impact on economic growth in Nigeria however; the level of significance is very low. The study recommended that government should increase the rate of Capital gain tax in Nigeria so that the revenue generated from this medium will be elevated that will be utilised for economic development activities in nation. From the reviewed literature it can be observed that majority of the studies indicate the existence of a significant relationship between tax revenue and economic growth necessary for development. In addition, the overwhelming majority of the studies support the use of GDP and HDI as measures of economic development. In other words, these indicators are veritable tools for assessing the economic wellbeing of any nation. However none of the studies did a combination of capital gains tax and the economic indicators as used in this current study thereby creating a gap in variables of study. In addition this study also tries to fill period gap by looking at the periods of 2006 -2017 of which other studies did not cover.

Theoretical Framework

Although there are several theories of economic development and taxes, this study presents two of them here: social theories of development and the theory of taxes received on benefits.

Social Theories of Development

Advocates of this theory, like Schumacher and the rest, stress the importance of human capital in development. Social theory evolved in the wake of the economic crises that threatened western countries, as well as the least developed countries in the early 1950s and 1960s. In another to diagnose the crisis and find a solution, Schumacher challenged the modern belief that *bigger is better and replaced by small is beautiful* (Schumacher, 1973, p150). His thesis was that greatness is impersonal, insensitive and eager for power; Smallness, on the other hand, is free, efficient, creative, fun and lasting. The most important area in which he tried to implement smallness was technology, mainly because the modern world was shaped by it (Varma, 2003). Schumacher suggested that least developed countries should not imitate western technological development based on the drip approach; on the other hand, the least developed countries should adopt an alternative development path that is less expensive and, therefore, within the reach of ordinary people but more productive than indigenous technology. With the presence of these, the most productive aspect of the economy orchestrated by the availability of technological advances and research, economic development could testify. It is argued that what makes Schumacher's work remarkable are the philosophical themes intertwined around low-cost, small-scale technology as an alternative to high-cost, large-scale technology (Varma, 2003). The summary of social theories is that the key to economic growth which can therefore lead to development was the presence of education, health, fertility and other better living standards, etc. Secondly, there is a concern modified by the general rate of economic growth. to considerations of poverty, inequality, urbanization and other social evils. When problems such as social diseases and inequality, the poverty rate, among others, are in minimal development, it could be said that it has been achieved. And what will bring these development indicators to light as postulated by proponents of this theory is the availability of revenue that is used judiciously for the same purpose. Tax revenues are the means by which these development funds are updated in Nigeria and in most nations of the world.

Benefit Theory

This theory dictates that the state should impose taxes on people based on the benefit of public spending. The more benefits a person gets from state activities, the more he has to pay taxes to the government. In other words, this theory is based on the assumption that there is basically an exchange or a contractual relationship between a taxpayer and the state. Benefit theory would imply that a resident should be able to collect personal tax benefits insofar as their home state tax payments exceed the monetary value of any home state government benefits they already receive, including infrastructure, labour markets and regulated capital and so on (Otu & Adejumo, 2013). According to Musgrave and Musgrave (1973), the profit approach or theory was initially developed by Knut Wicksell (1896) and Erik Lindahl (1919), two Stockholm School economists, and was later applied and promoted by numerous academics, including Richard Musgrave and Peggy Musgrave similar tastes. It should be noted that the formulation of Wicksell's almost unanimous principle was based on an equitable distribution of income. The approach has been expanded in the work of Paul Samuelson, Richard Musgrave (Hansgrugen, 2000) and others (Musgrave, 1959).It has also been applied to issues such as tax progressiveness, corporate taxes and property or capital taxes (Musgrave & Musgrave, 1973; 2004). As in contemporary times, the theory of the benefits received is found in almost all writings on tax issues and their benefits not only for the individual but for society in general (Bassey, 2013). Interestingly, the theory of the benefit received is not without criticism. Indeed, one of the criticisms emanates from the unanimity aspect of Wicksell's approach in linking taxes and expenses, which is presumed to be a deviation from the study of constitutional economics to the work of James Buchanan (Buchanan, 1986), and therefore it cannot be correctly applied in the principle of justice. Furthermore, as observed by Otu and Adejumo (2013), although the received benefit theory is intuitively attractive, it has several drawbacks which include:

- It would be impossible to implement precisely due to the difficulty of determining the amount of government benefits, including diffuse benefits such as military protection received by each resident and non-resident taxpayer.

- It does not accord with modern understandings of income taxation. In a purely domestic context, states generally do not condition government benefits upon recipients' payment of taxes. Indeed, taxpayers receiving the largest government benefits may be those who, due to their needy circumstances, pay the least taxes.
- If state maintains a certain connection between the benefits conferred and the benefits derived. It will be against the basic principle of the tax (there is no direct *quid pro quo* in the case of a tax) (something for something) because there is not direct proportion of which tax is based.
- Most of the expenditure incurred by the state is for the general benefit of its citizens, it is not possible to estimate the benefit enjoyed by a particular individual every year. If we apply this principle in practice, then the poor will have to pay the heaviest taxes because they benefit more from the services of the state. And if we get more from the poor by way of taxes, it is against the principle of justice.

Regardless of his criticisms, this theory has stood the test of time and is applicable in this context of Nigeria, in the sense that if the state collects taxes on people based on the benefit granted to them, it will be easier to pay taxes to all the more benefits. one or more people derived from governmental activities, the more they are willing to pay taxes in accordance with government provisions. In other words, voluntary compliance could be improved as people will feel the impact of government activities and the provisions that are generated with tax revenues and will be more forced to pay taxes and even pay more.

Methodology

The research design of this study is explanatory, historical and correlational in nature. The approach of an explanatory research project is how to effectively explain the characteristics of a population or social phenomenon (Saunders *et al.*, 2007). This is usually effective when a quantitative framework is adopted for the study, in which it is possible to establish the relationship or influence in one variable with respect to the other (Kothari, 2004). It is of a historical nature, in the sense that the income from taxes on historical data (income from education taxes) and the indicators of economic development (gross domestic product and human development index) of the 12-year period are used. In addition, the correlational method adopted involves the use of regression analysis and helps to measure the relationship between two variables. Helps determine if one variable affects the other or not. The study population is made up of 57 years (from 1960 to 2017) when Nigeria gained independence until 2017, when the economy experienced a period of recession. Using convenience sampling method, purposively, data of the twelve years period for capital gains tax (CGT) and GDP and HDI for the period (2006-2017) representing fairly recent years data were chosen for the study, because it will give relatively acceptable time period of study for the research. The data for economic development for same period (2006-2017) were also utilized. Data for the study were gathered from Central bank of Nigeria (CBN) statistical bulletin, annual reports, United Nation Development Program annual reports, World Bank Reports and federal Inland Revenue Service (FIRS) website (Table 2). The data collected were analysed using Multiple Regression Analysis and correlations coefficient guided by a regression Model to analyse the relationship of the variables identified as well as ascertain whether or not they have influence over one another. This helped in testing the hypotheses.

Model specification

Using the Ordinary Least Square multiple regression formula which states:

$Y_i = b_0 + b_1x_{1j} + b_2x_{2j} + \ldots\ldots + b_kx_{kj} + e_j$, where y_i is the dependent variable from the population of the interest, $b_0, b_1 \ldots b_k$ are the population partial regression coefficients and X_{1j} $X_{2j} \ldots X_{kj}$ are observed values of the independent variables $X_1, X_2 \ldots X_k$, respectively.

In view of the above, the following models are developed for this study:

ED = f(TRG) --------------------- (1)

GDP = f (CGT) --------- (2)

HDI = f(CGT)…………..(3)

In the linear form, Equation (2) & (3) convert to:

$GDP = b_0 + b_1(CGT) + e$

$HDI = b_0 + b_1(CGT) + e$

Using Statistical Package for Social Sciences (SPSS) software, the variables are subjected to complementary statistical tests and the results used for analysis and for hypotheses verification.

Data Analysis and Results

Data Presentation

This section examines tax revenue data within the period looking at the trends and impacts on the economic development indicators:

Table 2: Economic Development and Tax Revenues

Year	GDP (Billion N)	HDI (Values)	CGT (Billion N)
2006	67,931.24	0.507	245
2007	69,023.93	0.502	275
2008	67,152.79	0.492	421
2009	63,218.72	0.487	601
2010	59,929.89	0.481	666
2011	57,511.04	0.477	0.77
2012	54,612.26	0.527	0.87
2013	49,856.10	0.527	20.3
2014	46,012.56	0.525	2.59
2015	42,922.41	0.521	4.3
2016	39,995.50	0.514	0.38
2017	29,451.30	0.527	0.94
Total	**647,617.74**	**6.09**	**2,238.15**

Source: 1. Federal Inland revenue service (FIRS) planning, reporting and statistic department report for various years up to 2017 (online at www.firs.gov.ng)

2. Central bank of Nigeria Annual statistical Bulletin and annual Reports (various years).

3. United Nations development program (UNDP) Annual Reports

Data Analysis

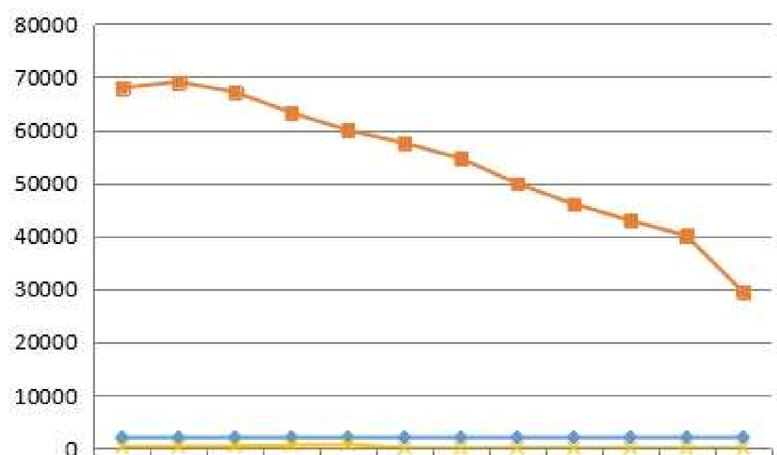
Tax Revenue and Economic Development Indicators (GDP & HDI) in Recent Years

Within the last twelve year period under review, tax revenue has decline and the total amount was to N5, 200. 5 billion while GDP has also been on the decline with total amount N647.6 trillion. However, of the tax revenue, Capital gains tax yielded revenue of (N2238.2 billion). This signifying that more action is needed in terms of raising the revenue that comes from capital gains tax. However with all of these revenue accruing to Nigeria, the average HDI value for the same period remain at 0.51 signifying that economic development in terms of human capital development and infrastructure provision has not been adequate within the period. While a high GDP could be witnessed (Table 2, Figure 4.1 and Figure 4.2 respectively), however, the GDP increase is not commensurate with tax revenue generated within the period. As can be seen in the figure, whilst increase in taxation revenue is needed (especially the tax examined), however non judicious use of the revenue will not result in economic development. In other words, the tax revenue influences economic development however that could only happen when there is adequate utilization of the revenue towards provision of services and production that will lead to economic growth and thus resulting in development.

Impact of Capital Gains Tax on Gross Domestic Product

There is an uneven relationship experienced between the capital gains tax and gross domestic product within the period reviewed. Whilst capital gains tax revenue increases minimally, from 2006 to 2011 and then began to fall and has continued to decline up till 2017. On the other hand, GDP has also continued to decline implying that increase in tax revenue CGT will lead to its increase and vice versa. It is hoped that when the revenue is channelled towards job creation, spurring up investment and increase in productive activities of the economy, an increase in GDP will be witnessed and thus economic development would be seen.

Figure 4.1 Trend of GDP & CGT (2006-2017)



	1	2	3	4	5	6	7	8	9	10	11	12
Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP (Billion N)	67,9	69,0	67,1	63,2	59,9	57,5	54,6	49,8	46,0	42,9	39,9	29,4
CGT (Billion N)	245	275	421	601	666	0.77	0.87	20.3	2.59	4.3	0.38	0.94

Impact of Capital Gains Tax on Human Development Index

Similarly, looking at the impact of investigated tax revenues on HDI, from the chart and Table 2 (Figure 4.2), tax revenues impacts on HDI. For example from the charts, CGT impacts on HDI in the sense that where there was increase in capital gains tax, corresponding increase in HDI values were witnessed in Nigeria whilst when the tax revenue began to decline, a decrease in HDI values was also witnessed (Figure 4.2).

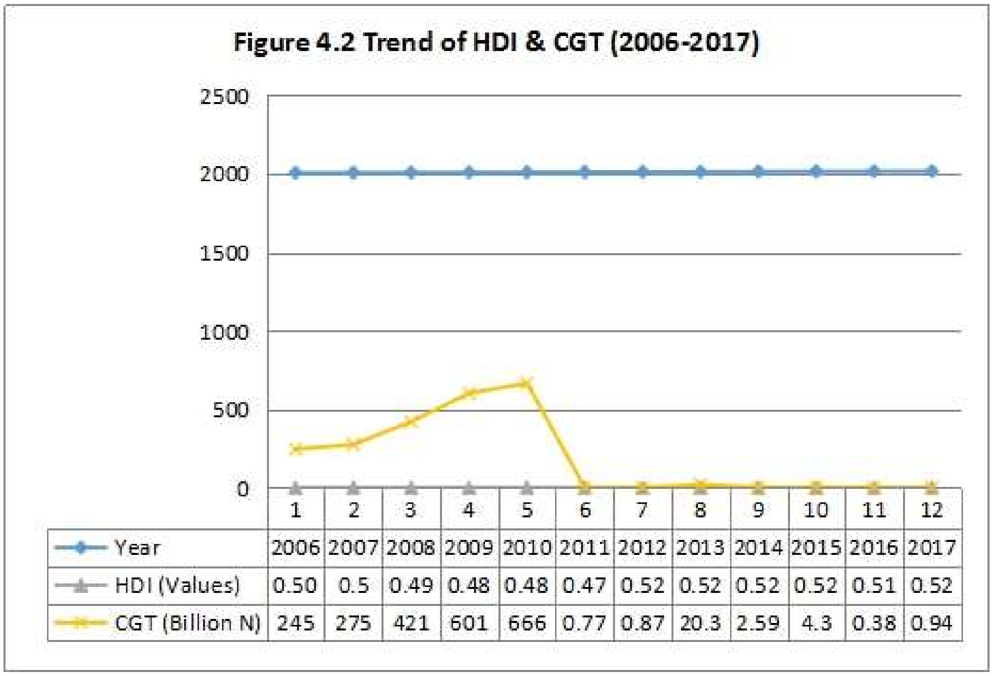


Figure 4.2 Trend of HDI & CGT (2006-2017)

Test of Hypotheses

Hypothesis 1

Decision Rule: Accept Null hypothesis if calculated F Value is less than Tabulated (critical) value.

Table 3: Regression Analysis for Hypothesis one

“Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson”
1	.646[a]	.417	.359	10038.654307	1.696

a. Predictors: (Constant), CGTBillionN
b. Dependent Variable: GDPBillionN

ANOVA[a]

“Model		Sum of Squares	df	Mean Square	F	Sig”
1	“Regression	720335280.759	1	720335280.759	7.148	.023[b]
	Residual	1007745802.866	10	100774580.287		
	Total”	1728081083.626	11			

a. “Dependent Variable”: GDPBillionN
b. “Predictors: (Constant)”, CGTBillionN

Coefficients[a]

Model		“Unstandardized Coefficients”		“Standardized Coefficients”	t	Sig.	“Collinearity Statistics”	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	47987.798	3660.782		13.109	.000		
	CGTBillionN	32.064	11.993	.646	2.674	.023	1.000	1.000

a. Dependent Variable: GDPBillionN

Similarly, from the regression Table 3, it revealed a significant change in value of 0.023 (calculated value of F value 7.16, while tabulated value is 0.646 which is less than the calculated value). We therefore reject the null hypothesis one and accept the alternate hypothesis which states that there is a significant relationship between capital gains tax revenue and Gross Domestic Product in Nigeria.

Hypothesis 2

Table 4: Regression Analysis for hypothesis two

“Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson”
1	.702[a]	.492	.442	.014284	2.133

a. Predictors: (Constant), CGTBillionN

b. Dependent Variable: HDIValues

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	9.698	.011[b]
	Residual	.002	10	.000		
	Total	.004	11			

a. “Dependent Variable": HDIValues
b. “Predictors: (Constant)”, CGTBillionN

Coefficients[a]

Model		“Unstandardized Coefficients”		“Standardized Coefficients”	T	Sig.	“Collinearity Statistics”	
		B	“Std. Error”	Beta			“Tolerance”	VIF
1	(“Constant”)	.517	.005		99.254	.000		
	CGTBillionN	-5.314E-005	.000	-.702	-3.114	.011	1.000	1.000

a. Dependent Variable: HDIValues

Again, from the regression Table 4, it revealed a significant change in value of 0.011 (calculated value of F value 9.698, while tabulated value is 0.702 which is less than the calculated value). We therefore reject the null hypothesis two and accept the alternate hypothesis which states that there is a significant relationship between capital gains tax revenue and Human Development Index in Nigeria.

Discussion of Findings

Based on the results obtained, for GDP and CGT, with R value of 0.646 (65%) positive and strong relationship exists between the variables. Further, with R squared of 0.417; it shows that 42% of total variation of economic development in terms of GDP in Nigeria within the period of study was due to the effect of capital gains tax revenue in Nigeria whilst 0.359 on adjusted basis, the GDP was 36%

relative to capital gains tax revenue in Nigeria. The DW is 1.696 and is less than 2, indicating no evidence of auto correlation amongst the variables. This implies that GDP will be affected as soon as capital gains tax revenue is generated to the government. On the case of HDI and CGT, the results indicated an R value of 0.702 (70%), strong and positive relationship existing between the variables of study. Further, with R squared of 0.492, which shows that 50 % of the total variation of economic development in Nigeria within the period of study in terms of Human development index (HDI) was due to the effect of capital gains tax revenue, whilst 0.442on adjusted basis, the HDI of Nigeria was 44% relative to the effect of capital gains tax revenue. The Durbin Watson (DW) is 2.13 and in this case slightly greater than 2, also indication no evidence of autocorrelation amongst the variables, capital gains tax revenue and human development index in Nigeria.

In conclusion, the significant and positive relationship that is discovered to exist between capital gains tax revenue and economic development in terms of GDP and HDI, it implies that tax revenue when adequately utilized in terms of provision of infrastructure as well as empowerment of human capital, economic development will take place. Thus, the standard of living will increase; life expectancy as well as income level will increase. The findings of the study are in agreement with the works of several authors (Ibrahim & Ahmed 2011; Ofoegbu, Akwu & Oliver, 2016; Taiwo & Adejare, 2016; Ikebujo, Ibanichuka & Akani, 2016; Ogbonna & Ikeagwu, 2017) as reviewed. Ibrahim and Ahmed (2011) as well as the works of Chukwunonso (2014) showed that only public health and tertiary education spending are significant in explaining human development in the developing nations such as Nigeria and that increased public spending is needed in these critical sectors in order to bring about development of human capital that will lead to enhancement of human development index of the nation. That of Ibrahim and Ahmed (2011) indicated that economic growth has an insignificant negative short run relationship with human development index in the short run but significant positive relationship on the long run.

Conclusion and Recommendations

The impact of tax revenue on economic development is significant one and thus indicates that tax revenue is crucial aspect of government funding needed for economic developmental purposes. Capital gains tax affects economic development when measured on the Gross domestic product (GDP) and also with Human development index (HDI). In other words capital gains tax revenue has a significant and positive relationship with GDP and HDI. This also implies that the tax revenue when adequately utilized in terms of provision of infrastructure as well as empowerment of human capital, economic development will take place. The standard of living will increase; life expectancy as well as income level will increase. The implication of this study is that Nigeria's economic development pursuit has not been adequate as it has witnessed low to medium level of development within the period examined in the face of tax revenue generated. This is buttressed with the low level of HDI witnessed (average of 0.5 within the eleven years) while an index of 0.5-0.68 means medium development and index of 0.7-0.79 means high development, while index of above 0.8 means very high development (Okon, 2012). Consequently, the government needs to assess its economic growth and developmental objectives including fiscal policies and make plans to improve upon the observed short comings which will in turn improve the economy and increase Nigeria standing in international developmental indicators and rating. Essentially:

i. There is need to advocate for increase in tax revenue generation and judicious use of tax revenue in order to foster economic development. In other words, there is need to ensure that revenue leakages are reduced and prudent expenditure towards economic growth and development pursuits are maintained;

ii. Capital gains tax though affects economic development both on GDP and HDI, thus increase is needed however, and caution on the increase is also needed. This is because as suggested by Pinner (2012), a temporary capital gains tax reduction possibly could have a negative impact on short-term economic growth; further higher taxes on capital gains and dividends significantly harm the economy and job growth and suggest that the increase in federal tax receipts may not be a worthwhile trade-off;

iii. More sensitization as well as incentives is needed for tax payers to pay their taxes so that government revenue base can increase which is used for economic development; and

iv. Adequate use of tax revenue for economic diversification, production of goods and services and job creation activities is needed now so that economic development could be witnessed on a faster pace.

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Basel III, Dodd Frank Act and Regulatory Reforms in Nigerian Commercial Banks

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Abstract

The Dodd Frank Act of 2010 was formulated to complement Basel III in regulatory framework. This study investigates the relationship between bank capital and regulatory framework of commercial banks in Nigeria. Three multiple regression models are formulated to explore the relationship between bank capital and regulatory indicators of commercial banks in Nigeria. Times series data are sourced from publications of Central Bank of Nigeria, financial stability reports and financial statement of commercial banks in Nigeria. Ordinary least square method with statistical package for social science is used analysis. The result indicates the variance inflation factor of less than 10percent. Model I reveals that Tier I capital, Tier II capital, and Adjusted capital to risk asset ratio have negative impact while capital to net loans and advances, capital to risk asset ratio, and capital to total asset ratio have positive impact on lending regulation. Model II reveals that Tier I capital, Tier II capital, adjusted capital to risk assets, and capital to risk asset ratio have negative impact on liquidity while capital to total asset ratio and capital to net loans and advances have positive impact on liquidity. Model III reveals that all the independent variables have negative impact on minimum capital regulation except capital to net asset ratio. We conclude that Basel III capital regulation significantly affects Nigerian regulatory framework. We recommend strict compliance to Basel III rules to achieve the desired banking system soundness.

Keywords: *Basel III, Dodd Frank Act, Commercial Banks, Capital Regulation, Liquidity Regulation*

Introduction

Bank is the most regulated business institution in the world. This is because its activities have direct impact on the economy. Banks plays important and sensitive roles hence their performance directly affects the growth, efficiency and stability of the economy (Oladejo & Abiodun, 2011). Historically, banking regulation in Nigeria can be traced to the banking ordinance of 1952, which empowered Central Bank Nigeria to regulate the banking sector (Okereke, 2003). This was the period after the free banking era. It was for the first time Nigerian banks were required to have a capital base of £12,500 and a reserve ratio of 20% of annual profit (Onoh, 2002). The monetary policy objective of bank regulation is to achieve desired macroeconomic objectives. For instance regulation no doubt is needed to bring sanity into the banking sectors as well as putting it in an internationally competitive status. Lending regulations, interest rate regulations and liquidity regulation is the monetary policy instrument of price stability, economic growth and full employment (Okoro, 2008); while capital regulation aimed at consolidating the banking sector against environmental shocks. Banking regulation is expected to have a positive impact on the performance of banking institution. For instance, increase in bank capital from N2billion to N25billion repositioned the banking sector for effective intermediation function and the profitability of the banking sector (Scott, 2010). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) of 2010 provides for a wide variety of new regulatory and supervisory initiatives with the goal to promote a safer and sounder banking system. The extensive list of initiatives includes more stringent regulatory capital requirements, stricter consumer protections when accessing credit, a new office to monitor and address risks to financial stability, a new resolution process for troubled financial firms whose collapse might cause widespread damage, the prohibition of proprietary trading by banks, greater transparency for derivative instruments, the provision for shareholders of a nonbinding vote on executive compensation, more regulatory enforcement power over credit ratings agencies, *skin in the game* required for originators of assets backing securities, and limits on the Federal Reserve's emergency lending authority.

The enactment of Dodd-Frank follows an all-too-familiar pattern of major banking laws: the United States suffers a banking crisis, and government's response is to enact legislation. A timeline is provided that links the enactment of major banking laws to specific episodes of serious troubles in the banking sector. Clearly, whenever serious banking problems arise, the response is to enact a new law so that *never again* will such problems disrupt the financial markets and economic activity.

Yet as the timeline clearly shows, history is repeated with one new law after another, with no real success in preventing the next crisis. Indeed, over time it appears that the frequency and severity of crises have worsened. This is a sad commentary on all the reform efforts to date. Second, title XIV of the Dodd Frank Act applies minimum underwriting standards for mortgages. One of its more important clauses is that in accordance with regulations prescribed by the Board no creditor may make a residential mortgage loan unless the creditor makes reasonable and good faith determination based on verified and documented information that, at the time the loan is consummated, the consumer has a reasonable ability to repay the loan, according to its terms, and all applicable taxes, insurance (including mortgage guarantee insurance), and assessments. While most would agree that higher lending standards would improve the securitization process, it is not clear that a presumption of loan repayment is realistic. Surely, some loans, even mortgages, may be economically viable, even if there is a significant chance of default. Of course, the interest rate underlying the loan should reflect the probability of default. Indeed, this is the basis for the market's pricing of credit risk. Loan originators might be straitjacketed by the direct stipulation of underwriting standards that is, those precluding the origination of loans that could be made inherently less risky through innovative contractual and monitoring mechanisms or simply different credit terms, such as requiring a higher down payment. In other words, such a provision may restrict worthwhile mortgage credit from being provided to the marketplace.

The international policies on bank capital such as Basel III are introduced after bank crisis; bank capital is considered adequate if it is enough to cover the banks operational expenses satisfy customer's withdrawal needs and protect depositors against total or partial loss sustained by the banks. In the CAMELS analysis of banking system soundness, capital adequacy is one determinant among other variables. One critic against the BASEL capital adequacy is the neglect of other internal and external factors that can affect the operational efficiency of the banking industry rather than capital adequacy such as management quality and sensitivity to market risk. A bank can be capitally adequate if poorly managed will still collapse. This was the case of Nigerian banking industry less than five years after recapitalization and consolidation of banks from N2billion to N25billion; some banks were found functioning marginally by Central Bank of Nigeria examination team in 2009. The outcome of the examination team led doubt on the effect of capital adequacy on the profitability of Nigerian commercial banks which result to the bailed-out of some banks in 2007 to a tune of N620 billion according to the Central Bank of Nigeria Governor, Sanusi Lamido

Sanusi, with this lofty objectives of ensuring sound and adequate capital base for Nigeria banks so as to reposition it for overall efficiency and enhancement of the National Economy, Therefore, it is against this background among others that this study seeks to analyse the effects of Basel III Dodd-Frank Wall Street Reform and Consumer Protection Act commercial banks regulatory framework in Nigeria.

Literature Review

Dodd-Frank Wall Street Reform and Consumer Protection Act

The economic theory of regulation is very clear: regulate where there is a market failure. It is apparent that a major market failure in this crisis was the emergence of systemic risk. More specifically, systemic risk emerged when aggregate capitalization of the financial sector became low. The intuition for why this is a problem is straightforward. When a financial firm's capital is low, it is difficult for that firm to perform financial services; and when capital is low in the aggregate, it is not possible for other financial firms to step in and address the breach. This breakdown in financial intermediation is the reason that severe consequences occurred in the broader economy. When financial firms therefore ran aground during the crisis period, they contributed to the aggregate shortfall; leading to consequences beyond the individual firms. Individual firms had no incentive to manage the systemic risk. Therefore, it is a big positive that the Dodd–Frank Act focuses on the market failure of systemic risk. The negative externality associated with such risks implies that private markets cannot efficiently solve the problem, so government intervention is required.

Dodd-Frank: Key Features and Implementation Progress

Dodd-Frank is the lengthiest piece of banking legislation in US history, far longer than even the legislation establishing the Federal Reserve in 1913. It is therefore not possible here to cover all aspects of the new law. However, there are several features of Dodd-Frank that deserve special mention, given their importance, as viewed by many, in better ensuring a safer and sounder banking system. It is to these key features of the new law that we now turn. The section concludes with a discussion of progress the extent to which the appropriate regulatory authorities have finalized the implementing regulations corresponding to those parts of the law.

Regulatory Capital Standards

The regulatory authorities are to establish both minimum leverage ratios and risk-based capital requirements for banks, which are to be not quantitatively lower than those that were in effect as of the date of enactment of Dodd-Frank. These requirements are more of a shift in placing more emphasis on the leverage ratio than establishing a new regulation, since current *prompt corrective action (PCA)* procedures and closure rules already incorporate a leverage ratio. In addition, Dodd-Frank establishes more stringent prudential standards for nonbank financial companies and banks with assets equal to or greater than $50 billion. In this regard, the law states that such firms are to maintain a debt-to-equity ratio of no more than 15 to 1. The Federal Reserve is also to conduct an annual stress test to evaluate whether these firms have the capital necessary to absorb losses as a result of adverse economic conditions. The firms themselves are required to conduct semi-annual stress tests, while all other banks with assets of more than $10 billion are required to conduct annual stress tests. The regulatory authorities, moreover, are to prescribe stricter regulations than what is currently in place to provide for the early remediation of financial distress at a bank, or take action based on PCA standards.

Consumer Protections

A Bureau of Consumer Financial Protection (BCFP) is established to regulate the offering and provision of consumer financial products and services, with a director appointed for a term of five years. Formally, the BCFP is to ensure that: (1) consumers are provided with timely and understandable information to make responsible decisions about financial transactions; (2) consumers are protected from unfair, deceptive, or abusive acts and practices, and from discrimination; (3) out-dated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens; (4) federal consumer financial law is enforced consistently, without regard to the status of a depository institution as a person in order to promote fair competition; and (5) markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Financial Stability Oversight Council (FSOC)

A new entity is established with the Treasury Department known as the Financial Stability Oversight Council (FSOC). The FSOC consists of ten voting members, including the heads of all the federal financial regulatory authorities, and five nonvoting members, with the secretary of the Treasury serving as the chairperson. The chairperson, whose affirmative vote is required for most important decisions, is the key member. The stated purpose of FSOC is to identify risks to US financial stability that could arise from the material financial distress or failure of large, interconnected banks or nonbank financial companies, and to promote market discipline by eliminating expectations on the part of shareholders and creditors of such firms that the federal government will shield them from losses in the event of failure. The FSOC is to identify nonbanks posing such risks; they then become subject to supervision by the Federal Reserve and to bank-like prudential standards. The FSOC may also make recommendations to the Federal Reserve concerning more stringent prudential standards to be imposed on these same The interconnected banks or nonbank financial firms. Dodd-Frank recommends an asset threshold that is higher than $50 billion for the application of these standards. A new office, the Office of Financial Research (OFR), is established within the Treasury Department. Its purpose is to support the FSOC in fulfilling its duties. This is done within two centres that are also established, the Data Centre and the Research and Analysis Centre. The OFR is funded with assessments levied on banks with assets of $50 billion or greater and nonbank financial firms supervised by the Federal Reserve.

Resolution Procedures

Dodd-Frank expands regulatory authority with respect to the liquidation of distressed firms by creating an Orderly Liquidation Authority (OLA) to liquidate failing banks and nonbank financial companies that are likely to be considered too big to fail under FDICIA. This earlier law covers only banks. It had been used to resolve and liquidate hundreds of small and medium-sized banks during the financial crisis, but it has not been used to resolve any very large, systemically important banks. Three characteristics of the FDICIA framework stand out. The first is *promptness* of all actions by the FDIC as receiver. The second is the specification of triggers for action to be taken prior to insolvency (PCA). The third is that certain actions by the FDIC are legally mandated, although exceptions became important during the subprime housing crisis. These characteristics contribute to early intervention, predictability for stakeholders, and reduced incentives for *runs* on a bank in distress. An escape clause exists in FDICIA for banks of systemic importance. This *systemic risk exception* leaves room for unequal treatment of creditors of banks considered too big to fail by the Treasury Department, the Federal Reserve, and the FDIC relative to creditors of small and mid-sized banks. During the crisis, the systemic risk exception was triggered, and the government focused on the recapitalization of very large international banks like ContiGroup and Bank of America. As a result, the FDICIA procedures have not been tested on a very large bank, most likely out of fear that such banks are too large, too complex, and too systemically important to resolve under the procedures at a time when the capacity of the system is already strained.

Prohibition of Proprietary Trading

Dodd-Frank prohibits banks from engaging in proprietary trading or acquiring or retaining any equity, partnership, or other ownership interest in or sponsoring a hedge fund or a private equity fund. This is known as the Volcker Rule. Nonbank financial firms supervised by the Federal Reserve are to be treated as if they are banks, but instead of an outright prohibition, additional capital and quantitative requirements may be imposed.

The prohibition does not apply to certain securities, such as US Treasury securities, securities in connection with underwriting or market-making-related activities, and risk-mitigating hedging activities. However, a bank may make and retain a de minimize investment (i.e., 3percent or less of a bank’s Tier 1 capital, and 3percent of a single fund’s capital) in a hedge fund or private equity fund that the banking entity organizes and offers.

Derivative Instruments

The new law states that acting as a swaps entity for credit default swaps (CDS) is not considered and permissible activity unless the swaps are cleared by a clearinghouse. These swaps must be executed on an exchange or swap execution facility. Moreover, each derivatives clearing organization shall possess financial resources that, at a minimum, exceed the total amount that would enable the organization to meet its financial obligations to its members and participants, notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions. Furthermore, all swap dealers and major swap participants, including both banks and nonbanks, must meet minimum capital requirements, and minimum initial and variation margin requirements. However, banks can retain swaps activities that are for hedging purposes or relate to traditional bank investment categories. The objective of having derivatives cleared by a central clearinghouse is that the gross positions of banks in derivatives can be reduced relative to a situation whereby transactions are cleared bilaterally. Bilateral clearing increases the interconnectedness problem of financial institutions with large positions in derivatives, and thereby the systemic risk of these financial institutions increases.

Shareholders and Executive Compensation

Dodd-Frank provides shareholders with a nonbinding vote on executive compensation and golden parachutes. It also gives the Securities and Exchange Commission (SEC) authority to grant shareholders the ability to nominate their own directors. Moreover, members of compensation committees are required to be members of the board of directors and independent.

Credit Ratings Agencies (CRAs)

The new law establishes an office, known as the Office of Credit Ratings, within SEC to examine and fine credit ratings agencies (CRAs). It also requires each nationally recognized statistical rating organization to disclose on the form developed under its credit ratings, the main assumptions and principles used in constructing procedures and methodologies, the potential limitations of the credit ratings, and information on the uncertainty of the credit ratings. Dodd-Frank, moreover, allows investors to sue CRAs for *knowing or reckless* failure with respect to their ratings. Furthermore, Dodd-Frank empowers the SEC to deregister a CRA that fails to provide accurate ratings over a period of time. Lastly, each federal financial regulatory agency is required to remove any reference to or requirement of reliance on credit ratings, and to substitute in such regulations an appropriate standard of creditworthiness. The law is intended to reduce the reliance on a few rating agencies for regulatory intervention, the definition of permissible securities that can be used as collateral, and the calculation of capital requirements. The possibility that agencies have conflicts of interest relative to rated firms and securities is another motivation for stronger regulation in this area. Securitization Dodd-Frank requires federal banking agencies and the SEC to jointly prescribe regulations requiring any securitize to retain an economic interest in a portion of the credit risk (not less than 5percent) of securitized assets it issues. Banks that package loans are required to keep 5percent of the credit risk on their balance sheets. However, regulators are to exempt low-risk mortgages, such as qualified residential mortgages that meet certain minimum standards. This *skin in the game* regulation is intended to strengthen the incentive of the *securitizer* to conduct proper evaluation of the risk of the assets backing the securities it sells. Without skin in the game, it would be able to sell high-risk securities to risk-insensitive financial institutions and package securities without much concern for the underlying risk.

Basel III Framework Capital

$$CAR = \frac{Tier\ 1 + Tier\ 2}{RWA} \geq 8\% \tag{1}$$

- Higher and stricter condition for Tier 1 and Tier 2 requirements
- Risk Weighted Asset is to be increased for some asset classes

$$NSFR = \frac{\sum_i W_i L_i}{\sum_i W_i A_i} \geq 1 \tag{2}$$

- NSFR is the ratio of the sum of weighted (W_i) liabilities (L_i) divided by the sum of weighted (W_j) Assets (A_j)
- Weights are between 0 and 1. On the asset side larger weights imply a less liquid position. On the liability side, larger weights imply more stable funding sources.
- A higher value of NSFR signifies that a bank is more stable.

$$STFR = \frac{Liabilities < 1year}{Total\ Liabilities} \geq 1 \tag{3}$$

- A higher value of STFR implies a higher reliance on short term funding and a greater financial fragility (Vasquez and Federico, 2012).

$$LR = \frac{Capital\ Measure}{Exposure\ Measure} \geq 3\% \tag{4}$$

- Capital measure will be computed by using regulatory common equity ratio, the Tier 1 Capital Ratio or the Total Capital Ratio.
- Exposure Measure represents the on-and off-balance sheet exposures.

Basel III Countercyclical Capital Buffers

The primary aims of introducing countercyclical capital buffer (CCB) are to accomplish a supervisory regime which shields banking sector from the build - up of the system-wide risk that characterized period of excessive aggregate credit growth. Secondly, in the previous section, we argued that prior to the crisis period, there was excessive credit growth. This exacerbated pro-cyclicality in banking, a phenomenon, which is inherent, and its eradication may be impossible. Countercyclical capital buffer is therefore aimed to lessen the severity of the pro-cyclicality in the banking sector. Additionally, Basel Committee on Banking Supervision (BCBS) introduced the countercyclical capital buffer to ensure that credit is available during crisis period; banking sector is protected during the period of stress from losses that excessive credit growth trigger; and to discourage excessive bank lending during economic boom or build up phase by requesting for higher capital defence from banks.

The Basel III Regulations

The global financial crisis in 2007/2008 that threatened the word economy brought another phase of bank policy called the BASEL III. The BCBS introduced several new regulations and supervisory tools for banks in order to improve their resilience to shocks. The new regulatory framework enhances the risk coverage and the consistency of the capital base, reduces the pro-cyclicality, banks' liquidity risk and their maturity mismatches. The three new sets of regulations are the Capital-to-Assets Ratio (CAR), the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The CAR is defined as Tier 1 capital divided by total assets. The current Basel III proposal demands banks to hold a CAR of 3%. It ensures that banks are able to cover a sufficient percentage of total assets with their own funds and constrains pro-cyclicality by limiting the build-up of leverage. In addition, given that it is a non-risk-based capital requirement, it will also contribute to the dampening of the pro-cyclical behaviour of banks by delinking the level of total regulatory capital required from the evolution of risk perceptions.

Theoretical Framework

Bank Managerial Compensation

The bank manager, whose choice of effort responds to monetary incentives, is offered a monetary compensation, the sum of a fixed salary and a cash bonus on each loan. The fixed salary is set equal to zero for the sake of simplicity. In addition, the bank manager is paid a cash bonus $b \in [0, R)$ whenever the loan portfolio succeeds without losses and whenever shareholders as a result of inspection decide not to fire him. The bonus represents the variable part of the managerial compensation and, given that it is tied to the good performance of the portfolio of loans, can be interpreted as a *pay-for- performance* scheme. Only conditional on the result of their inspection, shareholders might decide to fire the incumbent bank manager. Whenever the incumbent bank manager is fired, a new manager is hired and, as a result, the probability of loan losses switches from p to an average value $\phi \in (pL, pH)$. As the new bank manager is offered the same managerial compensation, shareholders benefit from firing the incumbent bank manager only when as a result of inspection they observe an effort level below that of an average external manager. Therefore, to reduce loan losses, it is strictly preferable to retain the incumbent manager. In conclusion, shareholders will not fire the incumbent manager unless they observe an effort level below that of an average external manager. The insiders of the bank, shareholders and the bank manager, choose their efforts non-cooperatively and simultaneously. The equilibrium concept applied here is Nash equilibrium in monitoring and inspection choices. To derive the equilibrium bank risk, we have to solve for the efforts as a fixed point of the best reply functions. From the analysis, loan loss can derive the probability of loan losses, taking into account all the possible actions:

$$p(m,s) = mpL + (-m)[s\phi + (-s)pH] \tag{5}$$

$$pL + (1-m)[\Delta - s\Delta_{\phi})pH] \tag{6}$$

Where $\Delta \equiv pH - pL and\ \Delta_{\phi} \equiv pH - \phi$z. The probability of losses is pL when the bank manager exerts effort regardless of the shareholder effort. Notice that inspection by shareholders is effective in reducing loan losses only if the external bank manager is more capable.

Equilibrium Bank Risk

Given bank shareholders' limited liability, in the event the loan portfolio falls shorter due to losses, the deposit insurance repays insured depositors the entire face value D_0. Hence, the expected profit of bank shareholders can be expressed as

$$U^B(m,s) = [1 - p(m,s)][(R-b)L_0 - D_0] - \frac{C}{2}8^2 L_0 \tag{7}$$

Where the probability $p(m,s)$ is defined in (2), the first term represents the expected total return of the bank portfolio net of managerial bonus and repayment to depositors, and the second term is the shareholders' inspection cost.

The best reply function of shareholders in terms of inspection intensity s is the solution to

$$\frac{\partial U^B}{\partial s} = (1-m)\Delta_{\phi}\left[(R-b)-\frac{D_0}{L_0}\right] - Cs = 0 \tag{8}$$

for each level of bank manager's monitoring m, where the amount of deposits D_0, the size of the loan portfolio L_0, and the managerial bonus b are all taken as given. Equation (3) indicates that, for a given bonus and amount of deposits, the benefit of inspecting depends negatively upon the managerial effort: a greater managerial effort improves the probability of success of the project without costs for shareholders, while inspection entails a positive private cost. The shareholders prefer the bank manager to be the one to exert the effort to save their private cost of inspection. Hence, because of this free riding problem, there is substitutability between the two efforts. For given managerial compensation, the expected utility of the incumbent bank manager is:

$$U^M(m,s) = [1-q(m,s)]bL_0 - \frac{M}{2}m^2L_0 \tag{9}$$

Where $1-q(m,s) \equiv [1-p(m,s)]bL_0 - \frac{M}{2}m^2L_{0.}$ is the probability that the bank manager will cash the bonus. The bank manager earns the bonus with probability [1 — p(s, m)] unless lie is fired with probability s [1-p(s,m)]. Notice that the probability of observing loan losses is smaller than the probability of losing the bonus for the incumbent manager, that is, $p(m,s)-q(m,s) = -s(1-m)(1-\phi) < 0$. The portfolio of loans could be successful, and in this case, the incumbent bank manager does not pocket the bonus (because he is fired), and the bonus is paid to the new manager who has exerted the monitoring. The best reply function of the bank manager, in terms of monitoring m, is the solution to

$$\frac{\partial U^m}{\partial m} = [\Delta + s(1-pH)]b - Mm = 0 \tag{10}$$

for each intensity of inspection by shareholders, where the managerial bonus b is given. Equation (4) indicates that, for a given bonus, the monitoring effort of the bank manager increases with the inspection of shareholders: a larger probability of inspection increases the threat of being fired and thus induces a greater managerial effort. Shareholders and bank manager choose simultaneously and non- cooperatively their efforts at date 1. Characterize the mixed-strategy Nash equilibrium of the game in the following proposition:

When the lending size is limited by the capital ratio k such that $L_0 \leq E_0 / k$ and there is a deposit insurance funded with public money, the monitoring intensity $\hat{m}$ of the bank manager, the inspection of shareholders $\hat{s}$, and the probability of loan losses $\hat{p}$ are the solution to the following system of equations:

$$(1-\hat{m})A - C\hat{s} = 0 \quad (11)$$

$$[\Delta + \hat{s}(1-pH)]b - \hat{m}M = 0 \quad (12)$$

$$\hat{p} - pL - (1-\hat{m})(\Delta - \hat{s}\Delta_{\phi}) = 0 \quad (13)$$

$$with\ A \equiv \Delta_{\phi}[R - b - (1-k)] \quad (14)$$

The Portfolio Management Theory

According to Pyle (1971) and Hart and Jaffee (1974), a bank's assets and liabilities may be viewed as securities As a result of this interpretation, the whole hank may actually he considered as a portfolio of securities. Once that view is postulated, it is possible to apply the portfolio theory developed in the 50's and 60's to the asset-liability management of a bank. The following simple in model, adapted From Freixas and Rochet (1997), illustrates the main ideas: Assume for simplicity that there is only one risky financial security (which may he interpreted as loans), and one risk-free security (the liquid asset), with returns rL and r, respectively. Starting with initial wealth E + D) (equity and deposits, taken as all exogenously given amount here), the hank manager determines the amounts xL, to invest in the risky security, the rest being invested in the risk-free, liquid asset. A positive amount is interpreted as being on the asset side of the balance sheet, and a negative amount on the liability side. Assuming for simplicity that the interest rate on deposits is zero, the random payoff is equal to:

$$\pi = r(E + D) + (rL - r)xL \qquad (21)$$

The bank manager is risk averse, and assumed to have mean-variance preferences: $U(E(\pi), \text{var}\ (\pi))$ with U increasing in the expected profit, and decreasing in the variable. Given these premises, the following result obtains: if the expected returns are ordered in the following way, rL> r>0 then xL, >0When it comes to the anion not invested in liquid assets, E + D - xL, the most important determinant is risk, i.e., both the level of risk aversion, and the riskiness of the returns on loans. First, F + 1) is increasing in the degree of risk aversion of the ii an age r (for low degrees of risk aversion, it may he negative). Hence, banks with relatively more liquid assets should be more risk averse. Furthermore, for a given function U, and for given excess returns (Pr, -r), the amount invested in liquid assets is increasing in value), keeping f constant. An empirical implication is that, when the volatility of interest rates increases, banks should decrease the amount of loans, and increase the holdings of liquid assets.

Empirical Studies

Al-Khouri (2011) assessed the impact of bank's specific risk characteristics, and the overall banking environment on the performance of 43 commercial banks operating in 6 of the Gulf Cooperation Council (GCC) countries over the period 1998-2008. Using fixed effect regression analysis, results showed that credit risk, liquidity risk and capital risk are the major factors that affect bank performance when profitability is measured by return on assets while the only risk that affects profitability when measured by return on equity is liquidity risk. Kargi (2011) found in a study of Nigeria banks from 2004 to 2008 that there is a significant relationship between banks performance and credit risk management. He found that loans and advances and non-performing loans are major variables that determine asset quality of a bank. Ezeoha (2011), in a study, used a panel data from 19 out of a total 25 banks operating in Nigeria; where he uses a multivariate constant coefficient regression model to test weather consolidation heighten incidence of non-performing credit in a fragile banking environment. He find that there is deterioration in asset quality and the deterioration in asset quality and increased credit crisis between 2004 and 2008 was exacerbated by the viability of bank to optimally use their huge asset capacity to enhance their earnings profiles. This implies that excess liquidity syndrome and relatively huge capital bases fuelled reckless lending by banks portfolio ironically helped to mitigate the level of nonperforming loans within the studied period. Boahene, Dasah and Agyei (2012) used regression analysis to determine whether there is a significant relationship between credit risk and profitability of Ghanaian banks. They followed the line of Hosna, Manzura and Juanjuan (2009) by using Return of Equity as a measure of bank's performance and a ratio of non-performing loans to total asset as proxy for credit risk management. They found empirically that there is an effect of credit risk management on profitability level of Ghanaian banks. The study also suggests that higher capital requirement contributes positively to bank's profitability.

Poudel (2012) appraised the impact of the credit risk management in bank's financial performance in Nepal using time series data from 2001 to 2011. The result of the study indicates that credit risk management is an important predictor of bank's financial performance. Fredrick (2010) demonstrated that credit risk management has a strong impact on bank's financial performance in Kenya. Meanwhile, Jackson (2011) towed the line of Fredrick (2010) by using CAMEL indicators as independent variables and return on Equity as a proxy for banks performance. His findings were also in line with that of Fredrick who also concluded that CAMEL model can be used as proxy for credit risk management. Musyoki and Kadubo (2011) also found that credit risk management is an important predictor of bank's financial performance; they concluded that banks success depends on credit risk management. Onaolapo (2012), while analysing the credit risk management efficiency in Nigerian commercial banking sector from 2004 through 2009, provides some further insight into credit risk as profit enhancing mechanism. They used regression analysis and found rather an interesting result that there is a minimal causation between deposit exposure and bank's performance. Kithinji (2010) analysed the effect of credit risk management (measured by the ratio of loans and advances on total assets and the ratio of non-performing loans to total loans and advances on return on total asset in Kenyan banks between 2004 to 2008). The study found that the bulk of the profits of commercial banks are not influenced by the amount of credit and non-performing loans. The implication is that other variables apart from credit and non-performing loans impact on banks' profit. Kithinji (2010) result provides the rationale to consider other variables that could impact on bank's performance. Analysis of credit risk along capital requirement on bank's performance could find solutions to the issue of bank's performance in Nigeria. Unfortunately, only few studies have been conducted in developing countries and Nigeria in particular to examine the impact of capital requirement and bank's performance. Few studies that examined capital requirement and performance in Nigeria and other developing countries concentrated on capital adequacy without considering credit risk in a unified framework.

John and Oke (2013) examined the effect of the Basel capital standard on the performance of selected commercial banks in Nigeria using the ordinary least square method. The variables examined were Earnings per share and profit after tax as the functioning loans and advances, shareholders' funds, total assets and customer's deposit. Asikhia and Sokefun (2013) studied the effect of capital adequacy on the profitability of Nigerian banks using both primary and secondary data from 2006 – 2010. The findings from primary data show no significant relationship but the secondary data results shows positive and significant relationship between capital adequacy and bank profitability. Ikpefan (2013) examined the impact of capital adequacy, management and performance of Nigerian commercial banks from 1986 – 2006 using time series data obtained from Central Bank of Nigeria statistical bulletin and Annual financial statement of sampled banks. The overall capital adequacy ratios of the study shows that shareholders fund/Total Assets which measured capital adequacy of bank (risk of default) have negative impact on ROA. The efficiency of management measured by operating expenses indicates negative impact ROC. Tanaka (2002) investigated the effect of bank capital adequacy regulation on the monetary transmission mechanism. The finding suggested that using a general equilibrium frame-work, the study revealed that the monetary transmission mechanism is weakened if banks are poorly capitalized or if the capital adequacy requirement is inflexible. Chen (2003) analysed the situation and regulation of the capital adequacy of state commercial banks in China. Capital enhancement is always preferred and the mainly practical method which is adopted is to use subordinated debt in order to increase the supplementary capital requirements.

Williams (2011) investigated the impact of banks characteristics, financial structure and macroeconomic indicators on banks' Capital base in the Nigerian banking industry. The study revealed that economic indicators such as rate of inflation, real exchange rate, demand deposits, money supply, political instability, and return on investment are most robust predictors of the determinants of capital adequacy in Nigeria. Buyuksalvarc and Abdioglu (2012) used profitability, deposits, size of banks and liquidity as bank specific factors to assess their impact on capital adequacy requirements. Navapan and Tripe (2003) highlighted that return on equity is one way of measuring the banks' performance in comparison to other banks. Study asserted that there should be a negative relationship between a bank's ratio of capital to assets and its return on equity may seem to be self-evident as to not need empirical verification. The study found negative relationship between capital and profitability exists. Ho and Hsu (2010) investigated the relation between firms' financial structures and risky investment strategy in Taiwan's banking industry. The results found that the restrictions on capital adequacy ratio have influenced banks' risky investment strategies, as market share and leverage are positively related. Finally, the regression results found that financial structures for banking firms are positively related to the states of business cycle. Guidara, Lai and Soumare (2010) investigated bank's performance, risk and capital buffer under business cycles and banking regulation in Canada. They concluded that Canadian banks were well capitalized and that explains why Canadian banks were insulated for global financial crisis.

Naceur and Kandil (2006) examined the impact of capital requirement on bank's performance in Egypt using generalized method of moment (GMM). Their findings reemphasized the importance of capital regulation to bank's performance. The result of the study also suggests that the state of the economy is a major determinant of bank's performance. Naceur and Kandil (2008) appraised the impact of capital requirement on banks cost of intermediation and performance using Generalized Method of Moment (GMM) on time series data between 1989 through 2004. They used ratio of capital to total asset and ratio of net loans to deposit as independent variables while return on asset (ROA) and return on equity (ROE) was used as dependent variables. The result of the study is in agreement with their earlier result that capital adequacy is a predictor of banks performance. Gurdmundssoa, Ngok-Kisingula and Odongo (2013) examined the role of capital requirement on bank competition and stability in Kenya using panel data estimation on time series data between 2000 and 2011. The result of the study indicates that regulatory efficiency improves competition in the banking sector. Oladejo and Oladipupo (2011) examined whether there is a link between capital regulation and performance of Nigeria banks. They found that consolidation has increased the potential of banks to compete effectively at national, regional and global level. In general, studies that examined the impact of capital adequacy on bank's performance tend to conclude that capital adequacy enhance performance (Ravindra, Vyasi & Manmeet 2008; Gurdmundssoa, Ngok-Kisingula & Odongo, 2013). While the evidence on contemporaneous impact of capital adequacy on banks performance may be mixed it is likely that capital adequacy can impact on bank profits by cushioning the effect of loan losses.

Methodology

Model Specification

Capital Adequacy Compliance

LR $= \beta_0 + \beta_1 T1/TC + \beta_2 TII/TC + \beta_3 ACRR + \beta_4 CNLAR + \beta_5 CRA + \beta_6 CTAR\mu$ 15

LIQR $= \beta_0 + \beta_1 T1/TC + \beta_2 TII/TC + \beta_3 ACRR + \beta_4 CNLAR + \beta_5 CRA + \beta_6 CTAR\mu$ 16

CAR $= \beta_0 + \beta_1 T1/TC + \beta_2 TII/TC + \beta_3 ACRR + \beta_4 CNLAR + \beta_5 CRA + \beta_6 CTAR\mu$ 17

Where:

LR	=	Lending Regulatory Framework
LIQR	=	Liquidity Regulatory Framework
CAR	=	Minimum Capital Regulation
TI/TC	=	Tier I Capital to Total Capital
TII/TC	=	Tier II Capital to Total Capital
ACRR	=	Adjusted Capital to Risk Asset Ratio
CNLAR	=	Capital to Net Loans and Advances Ratio
CRA	=	Capital to Risk Asset Ratio
CTAR	=	Capital to Total Asset Ratio
μ	=	Error Term
β_0	=	Regression Intercept
$\beta_1 - \beta_5$	=	Coefficient of the Independent Variables to the Dependent Variables

Statistical Approach

The statistical approaches used in this study include:

(i) Coefficient of Determination (R^2): This is used to measure the extent to which the independent variables in the model can explain changes on the dependent variable.

(ii) Correlation Coefficient (R): This measures the strength and the extent to which the dependent and the independent variable are related.

(iii) T-Test: This is used to measure the significance of the independent variables to the dependent variable; the hypotheses test is carried out at 5% level of significance (95% confidence interval). The hypothesis for this test is stated thus:

- Null Hypotheses; H_0: $\beta = 0$, (Statistically insignificant)
- Alternate Hypotheses; H_1: β ¹ 0. (Statistically Significant)

The decision rule states that H_0 should be rejected when T-statistic is greater than the critical value; but when the T-statistic is lower than the critical value, the H_0 is accepted with its conclusion.

(iv) F-Test: This is used to find out the overall significance of the regression model at 5% level of significance. The hypothesis for this test is stated thus:

- Null Hypotheses; H_0: $\beta_1 - \beta_6 = 0$ (all slope coefficients are equal to zero)
- Alternative Hypotheses: H_0: $\beta_1 - \beta_6{}^1$ 0 (all slope coefficients are not equal to zero)

The decision rule for this test is that H_0 should be rejected when F-statistic is greater than the critical value of F; but when the F-statistics is lower, then the H_0 is accepted, while the H_1 is rejected.

(v) Test for Autocorrelation

The Durbin Watson statistics is used in this research to test for the presence of autocorrelation. When there is presence of autocorrelation, the First order autoregressive scheme will be employed to correct it. The hypothesis states thus:

- H_0: $P = 0$ (There is serial independence in the errors)
- H_1: $P > 0$ (There is first order (AR) positive autocorrelation.

When the Durbin Watson Statistics (DW-Stat) is less than lower Durbin Watson (D_L), the null hypothesis (H_0) is rejected; but if the Durbin Watson statistics is greater than the upper Durbin Watson (D_u), the null (H_0) is then accepted.

In order to have a proper analysis of the data sourced, Multiple Regression and Statistical Package for Social Sciences (SPSS) are used. The analysis also employs descriptive statistics such as graphs and bar charts in illustrating the trends of the variables within the time covered in this study.

RESULTS AND DISCUSSIONS

Table 1: Analysis of Collinearity

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions						
				(Constant)	T1_TC	T2_TC	ACRR	CNLAR	CRA	CTAR
	1	5.442	1.000	.00	.00	.00	.00	.00	.00	.00
	2	1.294	2.051	.00	.00	.17	.00	.00	.04	.00
	3	.161	5.806	.00	.03	.42	.00	.00	.56	.00
1	4	.071	8.749	.00	.66	.20	.00	.01	.33	.00
	5	.024	14.990	.00	.17	.00	.09	.11	.01	.09
	6	.006	29.915	.01	.14	.20	.89	.01	.05	.51
	7	.002	55.359	.99	.00	.01	.02	.87	.00	.40

Source: SPSS 20.0

The variance inflation factor (VIF) is less than 10 evidencing low level of multicollinearity among these variables.

Table 2: Dodd Frank and Lending Regulation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
	(Constant)	5.273	1.458		3.616	.002	2.231	8.316					
	T1_TC	-.022	.039	-.142	-.576	.571	-.103	.058	-.383	-.128	-.110	.597	1.675
	T2_TC	-.004	.017	-.075	-.221	.827	-.039	.031	.015	-.049	-.042	.318	3.144
1	ACRR	-.024	.020	-.361	-1.240	.229	-.065	.017	-.494	-.267	-.236	.428	2.334
	CNLAR	.005	.026	.048	.196	.846	-.050	.060	.304	.044	.037	.610	1.639
	CRA	.000	.002	-.052	-.160	.875	-.005	.005	-.159	-.036	-.030	.347	2.886
	CTAR	-.006	.030	-.057	-.195	.848	-.067	.056	-.367	-.044	-.037	.425	2.351

Source: SPSS 20.0

Table 3: Dodd Frank and Liquidity Regulation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.681	3.239		.519	.609	-5.075	8.438					
	T1_TC	-.010	.086	-.033	-.121	.905	-.189	.168	.011	-.027	-.026	.597	1.675
	T2_TC	-.012	.037	-.125	-.333	.743	-.090	.065	.083	-.074	-.071	.318	3.144
	ACRR	-.007	.044	-.054	-.165	.870	-.098	.084	.106	-.037	-.035	.428	2.334
	CNLAR	.015	.058	.069	.255	.801	-.107	.137	-.101	.057	.054	.610	1.639
	CRA	-.002	.005	-.159	-.442	.663	-.013	.009	-.080	-.098	-.094	.347	2.886
	CTAR	.080	.066	.399	1.226	.234	-.056	.217	.279	.264	.260	.425	2.351

Source: SPSS 20.0

Table 4: Dodd Frank and capital Regulation

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations	Collinearity Statistics			
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	61.664	30.477		2.023	.057	-1.909	125.237					
	T1_TC	-.983	.806	-.299	-1.220	.237	-2.665	.698	-.313	-.263	-.231	.597	1.675
	T2_TC	-.160	.349	-.154	-.458	.652	-.888	.569	.206	-.102	-.087	.318	3.144
	ACRR	-.007	.409	-.005	-.018	.986	-.861	.847	-.079	-.004	-.003	.428	2.334
	CNLAR	-.403	.550	-.178	-.734	.472	-1.550	.744	-.108	-.162	-.139	.610	1.639
	CRA	-.071	.049	-.463	-1.439	.166	-.173	.032	-.380	-.306	-.273	.347	2.886
	CTAR	.402	.617	.189	.652	.522	-.885	1.689	.124	.144	.124	.425	2.351

a. Dependent Variable: LIQR

Source: SPSS 20.0

Table 5: Regression summary of Dodd Frank and Lending Regulation

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.525[a]	.275	.058	.38425	.275	1.265	6	20	.317	1.751

a. Predictors: (Constant), CTAR, CRA, T1_TC, CNLAR, ACRR, T2_TC

Source: SPSS 20.0

Table 6: Regression summary of Dodd Frank and Liquidity Regulation

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.317[a]	.100	-.170	.85341	.100	.372	6	20	.888	1.182

Source: SPSS 20.0

Table 7: Regression summary of Dodd Frank and Lending Regulation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.530[a]	.281	.065	8.02974	.281	1.303	6	20	.301	1.220

Source: SPSS 20.0

Discussion of Findings

Model I found that tier I capital, tier II capital and capital to risk asset ratio have negative impact on the lending regulation of commercial banks in Nigeria. This finding is contrary to our expectation. One of the determinants of commercial bank lending is capital adequacy an therefore capital adequacy is expected to have a positive impact on the dependent variable. The negative impact of the variables can be traced to poor deposit mobilization, increase in liquidity ratio and other internal and external factors that affect commercial banks' lending. However, capital to net asset ratio, capital to total asset ratio and capital to risk asset ratio have positive impact on the dependent variable. This finding confirms our a-priori expectation. The model summary found that the correlation coefficient is 52.5%, the R-square shows that 27.5% variation can be explained on the dependent variable. The F-ratio justifies that the model is significant. Model II found that tier I capital, tier II capital, capital to risk asset ratio and capital to risk asset ratio have negative impact on liquidity regulation of commercial banks in Nigeria. This finding is contrary to our expectation. The negative impact of the variables can be traced to poor deposit mobilization, increase in liquidity ratio and other internal and external factors that affect commercial banks' liquidity. However, capital to net asset ratio, capital to total asset ratio have positive impact on the dependent variable. This finding confirms our a-priori expectation. The model summary found that the correlation coefficient is 31.7%, the R-square shows that 10% variation can be explained on the dependent variable. The F-ratio justifies that the model is not significant. However, model III found that all the independent variables have positive impact on minimum capital regulation of commercial banks. The finding confirms our a-priori expectation and the objective of effective lending management.

Conclusion and Recommendations

This study examined Basel III, Dodd Frank Act of 2010 and the impact on the regulatory framework in Nigerian commercial banks. The objective of the study was to examine the impact of Basel III on the regulatory framework of the Nigerian banks. Three multiple regression was formulated having capital regulation, liquidity regulation and lending regulation. From the findings of the study, we conclude that Basel regulatory framework have significant impact on lending regulation than capital regulation and liquidity regulation. We recommend that management should ensure compliance with Basel capital regulation in order to achieve banking system stability.

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Effect of Financial Development on Income Inequality and Poverty Reduction in Nigeria

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Abstract

This research explored the impact of financial development on income inequality and poverty reduction in Nigeria. The study addressed four specific objectives, research questions and hypothesis respectively. Two ARDL regression model were employed to analyse the hypothesis. The two dependent variables were the poverty level and inequality rate. The independent variables were financial market and financial institution development represented by CPSGDP and M2GDP respectively. The control variables were inflation rate and exchange rate. The study employed secondary data obtained from the CBN Statistical bulletin and World Bank data. The scope of the study was from 1981-2017 The Auto Regressive Distributed Lagged (ARDL) Regression method represented the principal estimation method with a combination of preliminary and diagnostic tests. This study recommended that the government should focus more of its policies on arresting the scourge of poverty and inequality, and ultimately boost economic welfare in the economy. The study believes that financial development had been skewed towards an "unequal society" where the rich have grown richer and the poorer had grown poorer.

Keywords: *Financial development, poverty level, inequality, financial market development, Financial institution development.*

Introduction

Financial development has been viewed as the pivot for economic development especially in developing (emerging) and developed economies. In the same way that financial activities increase income growth generally, expanding the supply of financial services which can be accessed by the poor will increase income growth of the poor, thus having a direct and indirect impact through financial market by creating better investment opportunities for firms and entrepreneurs in Nigeria. This makes flexible savings facilities available to enable the build-up of reserves that can be used when there are unanticipated fluctuations in income and expenditure; an important feature for those with low and variable incomes. Similarly, insurance companies are said to provide protection to this financial facility against some types of shocks. These facilities can reduce the vulnerability of the poor, and minimize the negative impacts that shocks can sometimes have on long-run income. The mobilization of savings also creates an opportunity for re-lending the collected funds into the community. The availability of credit can strengthen the productive assets of the poor by enabling them to invest in productivity - enhancing new *technologies* such as new and better tools, equipment, or fertilizers etc. They can also invest in education and health which may be difficult to finance from regular household income, but which could provide for a higher income in future. The availability of credit can also be an important factor in the creation or expansion of small businesses, thus generating self- and wage-employment and increasing incomes. Access to credit can reduce the vulnerability of the poor to shocks in the absence of savings or insurance. Access to credit also increases the use of modern technologies with increased productivity and income enhancement which the financial sector can increase overall growth (e.g. savings mobilization, risk management, facilitation of transactions) also serve to reduce inequality in Nigeria.

The 2016 Human Development Report substantiates the claims on human development index (HDI) improvement in Nigeria over years from 0.45 in 2003 to 0.5 in 2010 and then rose to 0.53 in 2015. Notwithstanding, the progressive growth recorded in the human development index and the level of economic growth. Nigeria ranked one of the poorest countries in the world. Income inequality and extreme poverty are on the geometric increase accounting for more than 65.9% of the 200million estimated population in 2020 in extreme poverty and 45.8% in moderate poverty. About 30.93 million adults financial excluded with no access to either formal or informal finance. Financial illiteracy had been identified a factor that impeded economic and financial development resulting to financial exclusion, increase in inequality and poverty in Nigeria. The motivation for this study is to provide better understanding on the impact of financial development on poverty reduction and income inequality in a developing country like Nigeria. Limited studies that have been conducted on the impact of financial development on poverty and income inequality are awash with empirical irregularities. Some of the past studies often focused on financial development while ignoring poverty while host of other studies examined financial development and inequality and overlooked poverty. Other studies captured the indirect impact of financial development on poverty and inequality through the growth effect but not the direct impact of financial development on poverty and inequality (Kirkpatrick, 2000; Odhiambo, 2009, 2010; Quartey, 2005; Inequality occurs when an individual or firm finds it difficult to get the best from her human resources resulting from income disparity, harsh policies by the government authorities, corruption high inequality among others, unequal access to basic infrastructure and unequal capabilities (education and health status). There have been numerous studies on poverty reduction in Nigeria, but few on inequality. Incidentally, the importance of equal access to opportunities, assets, income and expenditure cannot be over emphasized as it plays important roles in reducing poverty and spurring the economy to long-term or short-term development. The financial sector and its institutions are criticized for being cruel in developing countries such as Nigeria were individuals and small scale businesses with low income and lack of collateral are denied access to funds for investment. This increases inequality through the lack of significant impact of financial

Ang, 2008; Shahbaz & Islam, 2011; Honohan, 2004; Shahbaz, 2009; Azran *et al*, 2012). This is the lacuna filled by this study. The study therefore presents recent and fresh empirical evidence on the direct impact of financial development on income inequality and poverty reduction in Nigeria.

development on poverty and income inequality alleviation in Nigeria (Kalecki, Fitoussi & Saraceno, 2010). This study focused on Nigeria as a developing country struggling with the challenging factor of high inequality affecting low income earners in moderate and extreme poverty. The Kuznet hypothesis has suggested that as development proceeds, inequality will increase at the very early stages and then decline. However, there has been no consensus on whether a Kuznet curve exists for Africa but other countries in diaspora (Fields, 2000). While in this study we try to investigate the impact of financial market and institutions (banks) in eliminating inequality; whether they have a positive or negative impact on the economic growth of Nigeria. The fundamental objective of this study is to examine the impact of financial development on inequality in Nigeria. The specific objectives are to:

i. Investigate the impact of financial development on inequality in Nigeria.
ii. Examine the long run co-integration relationship between financial development and inequality in Nigeria.

The research questions are:

i. To what degree has financial development impacted on inequality in Nigeria?
ii. To what degree is the co-integration relationship between financial development and inequality in Nigeria?

The research hypotheses are:

i. Financial development has on significant impact on inequality in Nigeria.
ii. There is no significant long run co-integration relationship between financial development and inequality in Nigeria.

This study covers the period of 1981-2017, a period of 36years. Basically, this research focused on the exploring the impact of financial development on inequality in Nigeria. The researcher sought to examine the financial market and institutions and their contribution towards eliminating inequality in Nigeria, using time series data, drawn from the Central Bank of Nigeria Bulletin and World Bank publications.

Literature Review

There are two competing theoretical perspectives in the literature on the impact of financial development on poverty reduction and income inequality. The first theoretical model was developed by Banerjee and Newman (1993), Galor and Zeira (1993), Aghion and Bolton (1997), and Mookharjee and Ray (2003,2006).They contended that borrowing constraints caused by market imperfections such as asymmetric information and moral hazard make financial development exacerbate the conditions of the poor and increase income inequality between the rich and the poor (Ang, 2008).They argued that this is so because the poor would not have access to enough credit to finance high yielding investment projects and human capital development that can facilitate their transition from low income level to higher income level and reduce their poverty level. The poor are not like the rich that have collateral to secure enough credit to finance their human capital investment and high yielding investment such that increases in financial development make the rich better off. The main theoretical prediction of this model is that financial development increase the income inequality between the rich and the poor and the poverty level of the poor becomes worsened with the development of the financial system due to financial market imperfections that constrained the poor from borrowing (Ang, 2008). However, Greenwood and Jovanovich (1990) provided contrary perspective on the relationship between financial development, poverty reduction and income inequality. They posited that as the economy developed, the transaction costs of using financial services especially by the poor reduces therefore provide better borrowing opportunities for the poor to access enough finance to invest in human capital and high yielding investment projects. They related that the way it works is that the development of the financial system first increases income inequality, stabilizes it after sometimes and eventually reduces income inequality between the rich and the poor by extension reduce the poverty level of the poor (Ang, 2008).

There are numerous empirical studies that have tested the impact of financial development on income inequality and poverty reduction. The findings of the studies can be categorised into two strands. The first strand of studies found support for the Greenwood and Jovanovich (1990) hypothesis. These studies documented negative relationship between financial development, income inequality and poverty reduction. The second strands of studies documented positive relationship between financial development, income inequality and poverty reduction. Kirkpatrick (2000) represented one of the foremost studies that examine the interaction between financial development and poverty reduction in developing countries. He investigated the contributions of financial development to poverty reduction in developing countries. He argued that financial market imperfections are key constraints to pro poor growth. He, therefore, suggested that public policy that are directed towards correcting these market failures are essential to ensure financial development contributes to growth and poverty reduction in developing countries. Jalilian and Kirkpatrick (2002) extended the finance growth studies to cover the impact of financial development on poverty reduction. They investigated the impact of financial development on poverty reduction in 42 low-income countries by employing panel data regression method. They reported that reduction effect of the development of financial sector, financial development was also found to help reduce income inequality between the rich and the poor as the poor is expected to have better access to credit to finance their investment such that the gap between the rich and the poor becomes reduced. Ang (2008) examined the impact of financial development and financial liberalization on income inequality in India using the ARDL bound test cointegration method. The study reported that financial development helped reduce income inequality while financial liberalization was found to increase or worsen the inequality between the rich and the poor in India. He noted that underdevelopment of the financial system in India tends to hurt the poor more than the rich, and therefore, rejected the Greenwood and Jovanovic (1990) hypothesis that financial development help reduce the income inequality between the rich and the poor. The results of this study were found to be robust to different measures of financial development and financial liberalization.

Odhiambo (2009) employed the trivariate causality test to examine the dynamic relationship between financial development, growth and poverty in South Africa. The study reported that financial development and economic growth granger cause poverty reduction. He also found economic growth to granger cause financial development and in the process lead to poverty reduction in South Africa. Similar result was found by Quartey (2005) in his study of the relationship between financial development, savings mobilization and poverty reduction in Ghana. He reported that financial development helped reduce poverty in Ghana but does not Ganger cause savings mobilization. Odhiambo (2010a) documented that financial development Granger cause savings mobilization and poverty reduction in Kenya. Also, he reported feedback effect between domestic savings and poverty reduction. He found similar result in Zambia when he examine whether financial development Granger cause poverty reduction. Odhiambo (2010b) found financial development to be Granger caused by poverty reduction. The result reported by this study indicated that the outcomes depend largely on the measure of financial development employed in the study. He noted that when M2 as percentage of GDP was used as measure of financial development, it was found to be Granger caused by poverty reduction, but when private credit as percentage of GDP was employed to proxy financial development, unidirectional causality was reported between financial development and poverty reduction. These findings imply that the relationship between financial development and poverty reduction is sensitive to the measure of financial development employed by the study (Uddin *et al.*, 2014).

Clarke *et al.* (2002) reported that financial development and income inequality was found to be negatively related. This suggests that the development of the financial sector provide better financing opportunities for the poor especially access to credit. It also implies that financial development could also help reduce the income gap between the rich and the poor. Similar result was documented by Honohan (2004). He reported negative relationship between financial development and poverty reduction. This finding is similar to the result documented by Shahbaz (2009) on financial development and poverty reduction in Pakistan. He also reported negative relationship between financial development and poverty level but found financial instability to increase poverty level in Pakistan. Beck *et al.* (2004) in a cross country study used the instrumental variable method to investigate whether financial development disproportionately increases the income of the poor and alleviate their poverty. The study results indicated that the development of the financial sector induces the income of the poor to grow faster than the average GDP per capita. They found income inequality to fall faster and poverty rate to reduce more rapidly with the development of the financial sector. Akhter and Daly (2009), in their study of 54 developing countries, also documented similar finding to the work of Shabaz (2009). They reported that financial development helped reduced poverty but instability that comes with financial development was found to be inimical to the poor. Uddin *et al.* (2014) investigated the relationship between financial development, economic growth and poverty reduction in Bangladesh. They reported that growth is weakly accelerated by financial development and poverty reduction. The study noted that rising economic growth rate of the 1990s had positive impact on poverty but the increase growth and declining poverty has not brought about a more equitable distribution of income in Bangladesh. Gokan (2011) established positive link between financial development and per capita income.

Kim and Lin (2011) tested the non-linearity between financial development and income distribution. They noted that the financial development of banks and stock markets have disproportionately helped the poor and improve their income distribution. They observed that this was possible under certain threshold of financial development. Rewilak (2012) examined whether the income of the poor grow with average income. The study equally investigated the impact of financial development on income of the poorest quintile. He reported that financial development may alleviate poverty but may not be universal. This was indicated in the findings that shows that financial development has helped alleviated the poverty of the poorest quintile. Shahbaz and Islam (2011) employed the ARDL estimation method to examine the impact of financial development on income inequality in Pakistan. The study documented that financial development reduces income inequality while financial instability was found to aggravate income inequality in Pakistan. Similar study on Pakistan was carried out by Azran *et al.* (2012) using the ARDL with Error correction method to investigate the impact of financial development on poverty reduction without extending further to capture the impact of financial instability on poverty and the impact of financial development on income inequality. The results indicated that financial deepening (domestic credit to private sector and broad money supply) had impact on consumption *per capita* used as proxy of poverty. However, domestic bank asset was not found to have long run impact on poverty. Benjamin (2012) used the 2SLS to investigate the impact of financial development on poverty in developing countries. The study reported that increasing the availability of money and deposit opportunities rather than private credit have helped reduced poverty in developing countries. Financial development was observed to have the greatest impact on poverty in the least financially developed countries but was not found to reduce income inequality.

More so, Fowowe and Abidoye (2010) carried out a quantitative assessment of the effect of financial development on poverty in sub Saharan Africa using panel GMM estimator. They reported that financial development does not significantly influence poverty in SSA. However, they reported that macroeconomic variables such as low inflation and trade openness that were used as control variables were found to reduce the level of poverty in SSA. Inoune and Hamori (2010) investigated the impact of financial deepening on poverty reduction in India using state-level panel data and GMM panel estimator. Financial deepening and economic growth were found to help in the alleviation of poverty in the various states in India. The result was found to be robust to changes in the poverty ratios in rural areas, urban areas and the economy as a whole. Khan *et al.* (2011) employed unbalanced panel OLS to estimate the impact of financial sector development on poverty reduction. The banking sector variables used as proxy for financial development was reported to be negatively related with poverty. The same negative relationship was reported between stock market development, bond market variables used as proxies of financial development and poverty level. Kendo *et al.* (2008) examine the impact of financial sector development on poverty decomposed by gender in rural sector of Cameroun. The study employed OLS and instrumental variable method. Financial sector development was found to have non-linear impact on gender inequality and poverty reduction in rural Cameroon. Financial sector development was found to be positively related to income growth for both male and female heads of household and reduces inter-gender inequalities. Furthermore, Dhrifi (2013) examined the impact of financial development on poverty reduction of 89 developed and developing countries using the three stages least squares method. The study found positive and significant effect of financial development on poverty reduction through savings, insurance services and access to credit. These were found to outweigh the indirect negative effects through growth and inequality. He noted that institutional quality plays a crucial role for financial development to have impact on poverty. Imran and Khalil (2012) evaluated the impact of financial development on poverty reduction through the development of manufacturing industry in Pakistan. They employed the error correction model and found positive relationship between financial development and poverty reduction through industrial growth. The foregoing review of empirical studies indicates that the relationship between financial development, income inequality and poverty reduction is mixed. The empirical irregularities in the empirical literature informed the need for new empirical evidences. This current study, therefore, examines the impact of financial development on poverty reduction and income inequality in Nigeria.

Methodology

This study employed the *ex-post facto* research design. This design can also be referred to as comparative research to examine the cause-effect relationship between the independent and dependent variables. The event understudy happened in the past. Another justification for the adoption of the research design is the desire to adopt secondary data for the test of hypotheses. The dataset for this study was collated from the Central Bank of Nigeria (CBN) Statistical bulletins for various years, from 1981-2017. The datasets are annualized time series that are secondary in nature, verifiable and cannot be manipulated by the researcher.

Model Specification

The model of Beck, Demirgue-Kunt and Levine (2007), Ang (2010) and Kim & Lin (2011) where economic welfare variables are regressed on financial development (FD), banking variables (BV), market variables (SMC) and other set of control variables (CV) as well as the theoretical proposition of Greenwood and Jovanovich.

Conceptual Model

1.Gini=f(M2GDP))

2.Gini=f(CPSGDP)

*Analytical Model (*shows log-transformed data)*

1.LAGini=α +ßo(CPSGDP)+ $ß_1$(M2GDP) +ε

ARDL Regression Model

$$Gini_{t=} \; a_0 + \sum_{n=1}^{p} b_0 Gini_{t-1} + \sum_{n=1}^{q} b_1 \; cpsgdp_t + \sum_{n=1}^{q} b_2 m_2gdp + \Psi_0 \; Gini_{t-1} + \Psi_1 \; cpsgdp_t + \Psi_2 \; m_2gdp_t + e_t \text{.................................(1)}$$

Where:
α = Intercept
$\beta_0, \beta_1, \beta_2\ \beta_3$ = Coefficient of the explanatory variable (slope)
ε =Represents the error term in the model.
Gini= inequality which is captured by Gini coefficient (the proxy).
M2gdp= ratio of Broad money supply to gross domestic product.
Cpsgdp= ratio of credit to private sector to gross domestic product.
L=log transformation

Description of Research Variables

Inequality: This refers to the measure most commonly use to describe income inequality between the rich individuals and the poor. Income inequality = Gini coefficient

Independent Variables

In line with the objectives of this study, financial development and the control variable are the independent variables.

M_2GDP= is an abbreviation for broad money supply to gross domestic product ratio which is one the financial deepening index of a multidimensional concept and constitute a potentially important mechanism for long-run economic growth, M2-implies the ability of financial institution to mobilize savings for investment purposes.

CPSGDP = is an abbreviation for credit to private sector as a ratio to gross domestic product, CPS is known as a financial deepening that refers to the financial resources provided to the private sector by financial corporation, such as through loans, purchases of no equity securities and trade credits and others accounts receivable, that establish acclaim for repayment, while GDP is a broad measurement of a nation's overall economic activity.

The control variables employed include: INFL- Inflation Rate and EXCH= Exchange Rate.

Unit Root Test

Unit root tests are tests for stationarity in a time series data. A time series data is stationary if a shift in time doesn't cause a change in the shape of the distribution. There are many tests that can be employed for unit root testing examples are the Schmidt – Philips test, Elliot- Rothenberg-Stock test, Zivot-Andrew test and Augmented Dickey – Fuller (ADF) test, etc. In this research we will employ the Augmented Dickey – Fuller (ADF) test.

Diagnostic Tests

The issues of model specification in regression analysis can be severe in terms of the adverse effects on the sampling properties of both estimators and tests. There are also commensurate implications for forecasts and for other inferences that may be drawn from the fitted model. Accordingly, the econometric literature places a good deal of emphasis on procedures for interrogating the quality of a model's specification. These procedures address the assumptions that may have been made about the distribution of the model's error term, and they also focus on the structural specification of the model, in terms of its functional form, the choice of *regressors*, and possible measurement errors. Against this backdrop, a battery of diagnostic tests will be conducted on each hypothesis model employed in the regression analysis to ascertain the performance of the estimated model.

Data Analysis and Results

Descriptive Statistics

The descriptive Statistics show the characteristics of mean, median, kurtosis, and skewness of the observations.

Table 1: Descriptive Statistics

	CPSGDP	EXCH	GINI	INF	M2GDP
Mean	34.29216	11.55919	44.40649	22.23189	12.71784
Median	53.02000	10.84000	43.90000	18.93000	11.15000
Std. Dev.	25.45885	6.782017	5.208774	16.34087	4.468335
Skewness	-0.107525	0.132076	0.596859	1.645806	0.748442
Kurtosis	1.096438	1.991203	2.495258	4.741607	2.090420
Jarque-Bera	5.657602	1.676483	2.589578	21.37969	4.729832
Probability	0.059084	0.432470	0.273956	0.000023	0.093957
Observations	37	37	37	37	37

Source: Researcher's Computation (2019)

Table 1 above presents the basic descriptive statistics showing the mean, median and mode for all the observations. This includes the standard deviation, which is a measure of dispersion; and the kurtosis, skewness and the Jacque Bera Statistics which are tests for normality for the distributions. The kurtosis measures the *peakness* or flatness of the series. The result above shows that CPSGDP, EXCH, GINI, and M2GDP are platykurtic because they all have a kurtosis value < 3, while INF is leptokurtic because it has a value > 3.

Unit Root test

The unit root test was conducted on the datasets to ascertain their stationarity properties for meaningful analysis. Using the Augmented Dickey-Fuller Statistics, the results of the unit root are presented in Table 2:

Table 2: Augmented Dickey-Fuller Unit Root Tests

S/N	Variables	ADF Stat	Critical Values			Order of integration @ 5%
			1%	5%	10%	
1.	CPSGDP	-5040	-4.243**	-3.544**	-3.204**	I (1)
2.	EXCH	-5.444	-4.243**	-3.544**	-3.204**	I (1)
3.	GINI	-3.040	-3.632	-2.948**	-2.612**	I (1)
4.	INF	-4.243	-3.544**	-3.204	-2.890**	I (0)
5.	M2GDP	-5.261	-4.243**	-3.544**	-3.204**	I(1)

Suggests Stationarity at the given level of Significance

Source: Researcher's Computation (2019)

The Decision Rule

The ADF Stat (ADF-stat) must be more negative than the critical value to reject the H_0 and accept H_1. The dataset shows a combination of I (0) and I (1), which provides necessary theoretical support for the adoption of the ARDL estimation approach, as proposed by Pesaran, Shin and Smith (1999; 2001), to test for co-integrating relationship.

Estimations of the Hypotheses Regression Model

Hypothesis I

CPSGDP = -0.106EXCH - 0.617INF + 2.285GINI - 52.229

SE = (0.673) (0.246) (0.795) (33.186)

T = (-0.157) (-2.504) (2.874) (-1.573)

Expectation = (+) (+) (+) (+)

The diagnostic tests contained in Table 3 facilitate analysis of significance of the regression estimates stated above. This is to confirm that there are no violations of the assumptions of the regression model as such violations will cast doubts on the validity and reliability of the results.

Table 3: Diagnostics Tests for the Regression Model for Hypothesis II

R^2	F-Stat	DW	x^2(HET)	RESET-F
0.84	43.136	2.76	0.27	0.0015

Source: Researcher's Computation (2019)

The R^2 of 84% measures the goodness of fit of the regression line model in hypotheses (II). The reported result, R^2 of 84% shows the model reliability and the variation in the dependent variable accounted for by the independent variable. The F- statistic of 43.136 and the matching probability value of 0.000 imply that the model is all-inclusive and is positive and statistically significant for reliable analysis. The Durbin-Watson Statistics of 2.76 indicates the absence of first-order positive autocorrelation. The test for heteroskedasticity was conducted on the model to ensure that the assumption of homoskedasticity was not violated. The test revealed that, $thex^2$ and F-stat indicates that the model is homoscedastic. The regression error specification (RESET-F) test clearly reveals that the model does not have an inclusion of any irrelevant variable neither does it have omission of a relevant variable.

The regression estimate and fitted parameters of result in hypothesis (II) reveal that EXCH and CPSGDP positively and significantly impact on inequality. On the contrary, INF negatively and significantly impact on inequality. The result indicates a statistically positive and significant impact of financial development on inequality in Nigeria. From the result reported, it can be inferred that a moderate unit increase in EXCH and CPSGDP impact on inequality by 10% and 28%, while a unit decrease in INF decreases inequality by 61%. The coefficient of the constant term shows positive; which implies that at zero percent performance the independent variable used inequality at 52.22%. The findings of this study are in line with the studies of Cyn and Mercado (2015), Park and Kwanho (2015), Meldin and Softić (2016), and Ayensu (2017).

Hypothesis II

ARDL Estimation Result

CPSGDP = 0.3634CPSGDP(-1) + 0.031CPSGDP(-2) + 0.428CPSGDP(-3) - 1.291EXCH + 0.733EXCH(-1) + 1.890GINI + 0.032INF - 0.274INF(-1) - 63.225

SE = (0.150) (0.158) (0.151) (0.298) (0.268) (0.375) (0.086) (0.086) (14.693)

T = (2.420) (0.196) (2.820) (-4.351) (2.732) (5.033) (0.376) (-3.183) (-4.302)

Expectation = (+) (+) (+) (+) (+) (-) (-)

Proceeding to analyse the significance of the ARDL model estimates, it is also necessary to discuss the diagnostic tests for the long-run model contained in Table 4 to confirm that there are no violations of the assumptions of the ARDL model.

Table 4: Diagnostics Tests for the Regression ARDL Model

R^2	F-Stat	DW	x^2 (HET)	RESET-F
0.96	26.783	2.29	0.35	0.85

Source: Researcher's Computation (2019)

The R^2 of 96% measure the goodness of fit of the ARDL regression line model in the hypothesis. From the result, R^2 of 96% shows the model reliability and the variation in the dependent variable as accounted for by the independent variable (long with an unexplained variation of 4%). The F- statistic of 26.783 and corresponding probability value of 0.0000 indicate that the entire model is significant and reliable for meaningful analysis. The Durbin Watson Statistics of 2.29 indicate the absence of first-order positive autocorrelation. Heteroskedasticity test was carried out on the model to ensure that the assumption of homoskedasticity was not violated. From the result obtained, $the\, x^2$ and F-stat indicates that the model is homoscedastic. The regression error specification (RESET-F) test clearly reveals that the model does not have an inclusion of any irrelevant variable neither does it have omission of a relevant variable.

Table 5: ARDL Bound Test Model for Cointegration

Selected Model ARDL	(3,1,0,1)	
Dependent Variable	F- Statistics	K
CPSGDP	8.6705	3
Critical Value Bounds		
Significance level	Lower Bounds I (0)	Upper Bounds I (1)
10%	2.37	3.2
5%	2.79	3.67***
1%	3.65	4.66

****at 5% level of significance*

Source: Researcher's Computation (2019)

The bound test result shows that the F-statistic value of 8.6705 fall outside the upper bounds of 3.67. The Bound test findings verify the existence of a long-run relationship. The F-statistic value clearly rejects the null hypothesis of no long-run relationship among the variables. To investigate the short-run parameters, the ECM Model was applied.

Table 6: Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(CPSGDP(-1))	-0.459307	0.119037	-3.858522	0.0007
D(CPSGDP(-2))	-0.428250	0.118429	-3.616099	0.0013
D(EXCH)	-1.291211	0.225642	-5.722396	0.0000
D(INF)	0.032550	0.064964	0.501051	0.6207
CointEq(-1)*	-0.177256	0.024996	-7.091491	0.0000
R-squared	0.698258	Mean dependent var		1.589412
Adjusted R-squared	0.656638	S.D. dependent var		9.678596
S.E. of regression	5.671376	Akaike info criterion		6.443794
Sum squared resid	932.7708	Schwarz criterion		6.668258
Log likelihood	-104.5445	Hannan-Quinn criter.		6.520343
Durbin-Watson stat	2.129047			

Source: Researcher's Computation (2019).

The short-run result shows that the Cointeg(-1) of (-0.17) is negative statistically significant. The coefficient of the feedback parameter reveals the speed of reversion from disequilibrium caused by poor financial institution development, increase in poverty rate causes by financial development crisis, and unemployment among others. The departure from equilibrium in the previous period is therefore reduced by 17% in the current period. The bound test for a long-run relationship reveals the existence of a long run relationship between financial development and inequality in Nigeria. The F-statistic of 8.670 is in line with our study of 4 variables (K+1) = 4 variable (EXCH, INF, CPSGDP, and GINI). According to Pesaran, Shin and Smith (2001), the F-test statistic of the lower and upper bound values 5% significance levels are 2.79 and 3.67 respectively. The model intercept of unrestricted constant and no trend was adopted to ascertain the long run relationship without control. The F-statistic value of 8.670 exceeds the upper bound I (1) of 3.67 at 5% significance level. It, therefore, shows that there is a long run relationship between financial development and inequality in Nigeria. The F-statistics clearly rejects null the hypothesis of no long-run relationship at a 5% level of significance. The coefficient of the error correction term, ECM_{t-1} of -0.177, shows a statistically significant p-value of 0.000 less than <0.05. The ECM measures the speed of adjustment from disequilibrium caused by increasing rate of inequality as a result of financial sector crisis in Nigeria. The result shows that increasing rate of inequality as a result of financial institution crisis in Nigeria in the previous period is reduced and adjusted by 17% in the current period to equilibrium to decrease inequality. The results of this study confirm the findings of Sylviane and Kangni (2011), Meldin and Softić (2016), and Onaolapo (2015).

Several studies have posited that access to financial services leads to decrease in the level of inequality and enhanced private investment and economic growth (Allen, *et al.*, 2016; Beck, Demirgüç-Kunt, & Peria, 2007; Beck, Demirgüç-Kunt & Levine 2004; Bruhn & Love, 2014; Mohammed *et al.*, 2017). However, the inequality-widening hypothesis, which states that financial development, might benefit the rich and well-connected, especially when institutional quality in the society is weak applies significantly in Nigeria. According to this hypothesis, the rich with a bigger income are able to offer collateral and who might be more likely to repay the loan, while excluding the low income earners (Rajan & Zingales, 2003) The low income earners, who do not have this, might, therefore, find it difficult to get loans even when financial markets are well developed. Therefore, it might worsen inequality and we would expect to see a positive relation between financial development and inequality. This study of the Nigerian economy seemed to support this inequality-widening hypothesis. The result of the study showed though financial development had a significant impact on inequality; it had no significant impact on inequality in Nigeria. This therefore suggested that Nigeria has an underdeveloped financial system with weak institutional quality. This suggests that weaker groups of people such as women, persons living in rural areas and young persons are those with the extreme population.

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Appendix 1

Time Series Data

YEARS	GINI	CPSGDP	M2GDP	INF	EXCH
1981	36.7	5.92	9.99	20.81	0.67
1982	37.2	6.88	10.19	7.7	0.75
1983	37.7	7.16	10.85	23.21	0.81
1984	38.2	7.31	11.80	17.82	1
1985	38.7	6.80	11.60	7.44	3.32
1986	39.2	7.53	11.76	5.72	4.19
1987	39.7	8.45	11.05	11.29	5.35
1988	40.2	8.53	11.97	54.51	7.65
1989	40.7	7.25	10.95	50.47	9
1990	41.2	6.71	10.58	7.36	9.75
1991	41.7	6.94	12.65	13.01	19.66
1992	45	6.39	12.21	44.59	22.63
1993	46.9	10.10	13.13	57.17	21.89
1994	47.02	8.14	13.06	57.03	21.89
1995	47.73	6.22	9.99	72.84	21.89
1996	51.9	6.31	9.15	29.27	21.89
1997	52.1	7.69	10.05	8.53	21.89
1998	53.5	61.9	7.67	10.64	10
1999	55	63.1	8.12	11.85	6.62
2000	56	64.4	7.69	12.74	6.93
2001	53.2	65.7	9.40	15.60	18.87
2002	45.08	66.9	8.21	13.29	12.88
2003	40.1	53.3	8.24	14.68	14.03
2004	40.06	53.3	8.21	12.31	15
2005	40.72	53.02	8.26	11.85	17.86
2006	41.74	53.12	7.99	13.25	8.24
2007	41.89	52.99	11.15	15.54	5.38
2008	42.9	53.6	17.73	20.45	11.58
2009	43	53.5	20.66	21.25	11.54
2010	43.9	54.43	18.60	20.21	13.72
2011	44.5	54.9	16.93	19.33	10.84
2012	45.1	55.01	20.43	19.38	12.22
2013	45.7	55.21	19.67	18.93	8.48
2014	46.3	55.9	19.24	19.85	8.06
2015	46.9	55.8	19.84	20.08	9.01

2016	47.5	57.2	20.77	21.29	15.68
2017	48.1	61.2	20.77	21.29	16.52

Note: GINI-gini coefficient for inequality(%),GPSGDP-credit to private sector to Gdp(Billion),M2GDP-Broad money Supply to Gdp (Billion), INF-Inflation rate(%) and EXCH-Exchange rate (%).

Hypothesis I

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	8.307129	Prob. F(2,30)	0.0013
Obs*R-squared	13.18754	Prob. Chi-Square(2)	0.0014

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 09/05/19 Time: 20:10

Sample: 1981 2017

Included observations: 37

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXCH	0.003215	0.009003	0.357100	0.7235
INF	0.006221	0.020901	0.297651	0.7680
M2GDP	-0.021712	0.159640	-0.136008	0.8927
PVR	-0.072112	0.067103	-1.074649	0.2911
C	3.808825	4.245670	0.897108	0.3768
RESID(-1)	0.675278	0.179887	3.753907	0.0007
RESID(-2)	-0.103038	0.190854	-0.539881	0.5933

R-squared	0.356420	Mean dependent var	2.22E-15
Adjusted R-squared	0.227704	S.D. dependent var	2.236071
S.E. of regression	1.965068	Akaike info criterion	4.357588

Sum squared resid	115.8447	Schwarz criterion	4.662357
Log likelihood	-73.61539	Hannan-Quinn criter.	4.465033
F-statistic	2.769043	Durbin-Watson stat	1.903690
Prob(F-statistic)	0.029060		

Dependent Variable: GINI
Method: Least Squares
Date: 11/05/19 Time: 15:48
Sample: 1981 2017
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXCH	0.106338	0.673920	-0.157791	0.0006
INF	-0.617043	0.246404	-2.504195	0.0174
CPSGDP	0.285010	0.795009	2.874193	0.000
C	52.22988	33.18633	-1.573837	0.1251

R-squared	0.843612	Mean dependent var	34.29216
Adjusted R-squared	0.813941	S.D. dependent var	25.45885
S.E. of regression	21.54335	Akaike info criterion	9.079818
Sum squared resid	15315.83	Schwarz criterion	9.253971
Log likelihood	-163.9766	Hannan-Quinn criter.	9.141215
F-statistic	43.13692	Durbin-Watson stat	2.764582
Prob(F-statistic)	0.00000		

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.366477	Prob. F(4,32)	0.2674
Obs*R-squared	5.397937	Prob. Chi-Square(4)	0.2488
Scaled explained SS	3.592091	Prob. Chi-Square(4)	0.4640

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 09/06/19 Time: 12:19
Sample: 1981 2017
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.247080	5.612196	-1.469493	0.1515
EXCH	-0.012173	0.012398	-0.981841	0.3335
INF	-0.034565	0.029182	-1.184491	0.2449
M2GDP	0.141401	0.224257	0.630530	0.5328
PVR	0.186181	0.086636	2.149015	0.0393

R-squared	0.145890	Mean dependent var	2.098413
Adjusted R-squared	0.039126	S.D. dependent var	2.837704
S.E. of regression	2.781635	Akaike info criterion	5.009043
Sum squared resid	247.5998	Schwarz criterion	5.226735
Log likelihood	-87.66730	Hannan-Quinn criter.	5.085790
F-statistic	1.366477	Durbin-Watson stat	2.242935
Prob(F-statistic)	0.267434		

Ramsey RESET TesT
Equation: UNTITLED
Specification: CPSGDP EXCH INF M2GDP PVR C
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	4.646615	31	0.0001
F-statistic	21.59103	(1, 31)	0.0001
Likelihood ratio	19.55666	1	0.0000

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	31.87531	1	31.87531
Restricted SSR	77.64128	32	2.426290
Unrestricted SSR	45.76597	31	1.476322

LR test summary:

	Value
Restricted LogL	-66.21258
Unrestricted LogL	-56.43425

Unrestricted Test Equation:
Dependent Variable: CPSGDP
Method: Least Squares
Date: 09/06/19 Time: 12:22
Sample: 1981 2017
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXCH	-0.003099	0.005530	-0.560397	0.5792
INF	-0.004206	0.012818	-0.328138	0.7450
M2GDP	-0.384503	0.371833	-1.034075	0.3091
PVR	0.021255	0.039677	0.535712	0.5960
C	8.005163	3.826244	2.092172	0.0447
FITTED^2	0.051994	0.011190	4.646615	0.0001

R-squared	0.956555	Mean dependent var	10.91649
Adjusted R-squared	0.949547	S.D. dependent var	5.409387
S.E. of regression	1.215040	Akaike info criterion	3.374824
Sum squared resid	45.76597	Schwarz criterion	3.636054
Log likelihood	-56.43425	Hannan-Quinn criter.	3.466920
F-statistic	136.5078	Durbin-Watson stat	1.271044
Prob(F-statistic)	0.000000		

Hypothesis II

Dependent Variable: GINI
Method: ARDL
Date: 11/05/19 Time: 19:24
Sample (adjusted): 1984 2017
Included observations: 34 after adjustments
Maximum dependent lags: 3 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (3 lags, automatic): EXCH GINI INF
Fixed regressors: C
Number of models evalulated: 192
Selected Model: ARDL(3, 1, 0, 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GINI(-1)	0.363437	0.150157	2.420383	0.0231
GINIP(-2)	0.031057	0.158309	0.196182	0.8461
GINI(-3)	0.428250	0.151812	2.820921	0.0092
EXCH	-1.291211	0.296752	-4.351144	0.0002

EXCH(-1)	0.733785	0.268523	2.732668	0.0114
CPSGDP	1.890771	0.375657	5.033238	0.0000
INF	0.032550	0.086379	0.376830	0.7095
INF(-1)	-0.274397	0.086188	-3.183721	0.0039
C	-63.22511	14.69382	-4.302837	0.0002

R-squared	0.965239	Mean dependent var	36.73088
Adjusted R-squared	0.940915	S.D. dependent var	25.12921
S.E. of regression	6.108259	Akaike info criterion	6.679088
Sum squared resid	932.7708	Schwarz criterion	7.083124
Log likelihood	-104.5445	Hannan-Quinn criter.	6.816876
F-statistic	26.78366	Durbin-Watson stat	2.299047
Prob(F-statistic)	0.000000		

*Note: p-values and any subsequent tests do not account for model selection.

ARDL Long Run Form and Bounds Test

Dependent Variable: D(GINI)

Selected Model: ARDL(3, 1, 0, 1)

Case 2: Restricted Constant and No Trend

Date: 11/05/19 Time: 21:22

Sample: 1981 2017

Included observations: 34

Conditional Error Correction Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-63.22511	14.69382	-4.302837	0.0002
GINI (-1)*	-0.177256	0.049463	-3.583648	0.0014
EXCH(-1)	-0.557426	0.293026	-1.902308	0.0687
CPSGDPI**	1.890771	0.375657	5.033238	0.0000
INF(-1)	-0.241847	0.093276	-2.592802	0.0157
D(CPSGDP(-1))	-0.459307	0.145005	-3.167528	0.0040
D(CPSGDP(-2))	-0.428250	0.151812	-2.820921	0.0092
D(EXCH)	-1.291211	0.296752	-4.351144	0.0002
D(INF)	0.032550	0.086379	0.376830	0.7095

* p-value incompatible with t-Bounds distribution.

** Variable interpreted as Z = Z(-1) + D(Z).

Levels Equation

Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXCH	-3.144746	1.926244	-1.632579	0.1151
GINI	10.66688	3.486616	3.059379	0.0052
INF	-1.364394	0.493339	-2.765632	0.0105
C	-356.6876	132.8861	-2.684160	0.0127

EC = CPSGDP - (-3.1447*EXCH + 10.6669*GINI -1.3644*INF -356.6876)

F-Bounds Test			Null Hypothesis: No levels relationship	
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	8.670559	10%	2.37	3.2
K	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66
			Finite Sample:	
Actual Sample Size	34		n=35	
		10%	2.618	3.532
		5%	3.164	4.194
		1%	4.428	5.816
			Finite Sample: n=30	
		10%	2.676	3.586
		5%	3.272	4.306
		1%	4.614	5.966

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Normative Analysis on Economic Growth, Unemployment and Poverty in Nigeria

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Abstract
This study employs normative analysis on economic growth, unemployment and poverty in Nigeria; with secondary data covering the period 1981-2016 (specifically GDP growth rate, unemployment rate and poverty rate) from Central Bank of Nigeria 2015 Statistical bulletin and other sources. Descriptive statistical analytical tools (mean, line graph, standard deviation, skewness, Jarque bera and probability) were employed. The inferential analysis indicates that the Nigerian economy has recorded moderate but rising growth rates. Unfortunately, the slightly impressive economic growth rate has not been accompanied by decreased unemployment and poverty rates. The line graph shows that, as against expectation in most of the years, increase in GDP growth rate did not lead to decrease in unemployment and poverty rate. The result of the mean supported this by showing unfavourable position when compare with the figures of the variables. The Jarque-Bera (JB) statistics follow the 5% level of significance and the residuals of all the variables are normally distributed. GDP growth rate and poverty rate are negatively skewed, which implies that they have long left tails; and unemployment rate is positively skewed, which means the distributions have long right tails. It is concluded that Nigeria economic growth potentials do not impressively reflect in the level of unemployment and poverty rates. The implication directly reveals that there is inadequate commitment to the course of the unemployment and poverty reduction, lack of transparency, absence of enabling environment, inadequate funding, prevalence of corruption, etc. The government should embark on job creation drive (focusing especially on agriculture, entrepreneur empowerment, industrialization, etc) to ensure that most citizens are gainfully employed to address the high rate of poverty in the land, resulting from high level unemployment.

Keywords: *Economic Growth, Unemployment, Poverty, Nigeria.*

Introduction

The economy of Nigeria has been experiencing increase in Gross Domestic Product (GDP) but this increase has not led to economic development especially in the areas of employment generation and poverty alleviation as revealed by the data released by Central Bank of Nigeria (CBN) Statistical Bulletin till 2015. Opejobi (2016) considered the United Nations report on Nigeria Common Country analysis on poverty, made public during a consultative meeting on the formulation of the UN Development Assistance Framework IV (UNDAF IV) for the South East geo-political zone in Awka, Anambra state. The report read in part: *Nigeria is one of the poorest and most unequal countries in the world, with over 80 million or 64% of her population living below poverty line. The situation has not changed over the decades, but is increasing. Poverty and hunger have remained high in rural areas, remote communities and among female –headed households and these cut across the six geo-political zones, with prevalence ranging from approximately 46.9% in the South West to 74.3% in North West and North East. In Nigeria, 37% of children under five years old were stunted, 18% wasted, 29% underweight and overall, only 10% of children aged 6-23 months are fed appropriately based on recommended infant and young children feeding practices. Youth unemployment which is 42% in 2016 is very high, creating poverty, helplessness, despair and easy target for crime and terrorism. Over 10 million children of school age are out of schools with no knowledge and skills. A vast majority of the global poor live in rural areas and are poorly educated, mostly employed in the agricultural sector, and over half are under 18 years of age*.

Vanguard (2016) cited the National Bureau of Statistics (NBS) as stating that unemployment rate in Nigeria has increased from 13.3% in the 2nd quarter to 13.9% in the 3rd quarter of 2016. This is contained in the Unemployment/Under-employment Report for 3rd Quarter of 2016, released by the NBS on Friday in Abuja. The report stated that the number of unemployed in the labour force increased by 555,311 persons. According to the report, the underemployment rate rose from 19.3% in second quarter to 19.7% in the third quarter. The report said that unemployment covered persons (aged 15–64) who during the reference period were currently available for work, actively seeking for work but were without work. Underemployment, however, occurs when a person works less than full time hours, which is 40 hours, but work at least 20 hours on average a week. It explained that underemployment could also happen if a person works full time but are engaged in an activity that underutilizes his skills, time and educational qualifications. According to the report, there is eight-period consecutive rise in the unemployment rate since 4th quarter of

2014. The World Bank (2016) has it that in 2013, 10.7% of the world's population lived on less than US$1.90 a day, compared to 12.4% in 2012. That's down from 35% in 1990. This means that, in 2013, 767 million people lived on less than $1.90 a day, down from 881 million in 2012 and 1.85 billion in 1990. While poverty rates have declined in all regions, progress has been uneven, the reduction in extreme poverty between 2012 and 2013 was mainly driven by East Asia and Pacific (71 million fewer poor) - notably China and Indonesia - and South Asia (37 million fewer poor) - notably India. Half of the extreme poor live in Sub-Saharan Africa. The number of poor in the region fell only by 4 million with 389 million people living on less than US$1.90 a day in 2013, more than all the other regions combined.

Nigeria Insight (2014) cited that the National Bureau of Statistics (NBS) as stating that a staggering 112.519 million Nigerians live in relative poverty conditions is disturbing. This figure represents 69% of the country's total population estimated to be 163 million. More worrying is the fact that the poverty rate is rising at a time the Gross Domestic Product (GDP) growth rate is put at 7.75%. We deplore the increasing poverty level in the country as shown by the survey. It is a pity that many Nigerians are living below poverty line in an oil-rich country. The paradox is that while a privileged few Nigerians are living in opulence, majority are wallowing in abject poverty. Eke (2016), in his report on Ripples Nigeria, stated that Fitch International revealed that the poverty rate in Nigeria has reached its all - time high of 72% by August 2016 and that the unemployment level has equally increased due to the bad situation of the country as more than 55% youths are either unemployed or underemployed. ILO (2007) defines unemployment as when people are unable to secure a job within the space of past four weeks they have sought for it (National Bureau of Statistics, 2006) like most countries in the world now uses a variant of the ILO definition such that the unemployment is the proportion of those in the labour force (not in the entire economic active population, nor the entire Nigerian population) who were actively looking for work but could not find work for at least 20 hours during the reference period to the total currently active (labour force) population. According to Ugwu (2009), in World Bank report (2006), it is expected that as an economy grows, there will be an improvement in the life of the citizen of the nation; one would see a sinking effect as an improvement in welfare of its citizenry. This means that as the economy of a nation experiences growth, the growth ordinarily should transcend in improving the standard of the living of the citizen especially in the area of employment opportunities and poverty alleviation. Egunjobi (2014), in his paper, stated that poverty may be a function of unemployment, for it is expected that unemployment brings about poverty, when people are unemployed, they don't earn income and are bound to be deprived of providing for themselves and their family the basic necessities of life thus higher rates of unemployment may lead to higher level of poverty. Based on the menace of unemployment and poverty that the nation has faced for years, government in a bid to ameliorate these challenges established some programs and institutions to help alleviate poverty and engage unemployed persons. Some of the programmes are as follows:

- Establishment of the National Directorate Of Employment (NDE),
- Establishment of the Family Economic Advancement Program (FEAP),
- Structural Adjustment Programme (SAP),
- Establishment of the Family Support Programme,
- Nigeria Agricultural, Cooperative and Rural Development Bank,
- Cooperative and Rural Development Bank,
- National Poverty Eradication Programme (NAPEP),
- The Subsidy Reinvestment and Empowerment Program known (SURE-P),
- Seven - Point Agenda,
- Youth Enterprise with Innovation in Nigeria (You WiN),
- Vision 20:20, etc.

Despite all these intervention programmes and agencies, poverty and unemployment rate have been on the increase. The improvement in the economy of Nigeria should result to creation of employment opportunities to reduce unemployment level thereby alleviating poverty. The aim of this study, therefore, is to analyse the economic growth of Nigeria on unemployment and poverty. Many researchers have dwelt on the impact of unemployment and poverty on the economy of Nigeria. However, to our knowledge, not much research attention has been given to the impact increase in GDP makes on reducing Unemployment and alleviating poverty level of the nation. This study is therefore an attempt to fill this gap by using a descriptive analysis to determine the impact of economic growth on unemployment and poverty in Nigeria.

Literature Review

Theoretical Framework

There are different opinions by researchers in economics on the theoretical bases of unemployment and poverty. The theories to be used here are in line with the ones used by Ogbeide and Agu (2015) and Asaju *et al.* (2014), and also the ones applicable in our country.

Individual/Cultural Theory of Poverty

The major proponent of this theory is Oscar Lewis in 1966. The theory believes that the individuals are the cause of their poor state. This theory purports that individuals are poor because poverty is inbuilt in them, they inherited it. And also due to their behaviour, they are unable to get themselves out of the poverty state. This can be seen in our society today, some tribes/persons are known to be lazy, they don't have urge for opportunities that can better their lives, they believe in already made wealth, this they transfer to their children which continue to re-occur among them and their generations.

Structural/Economic Theory of Poverty

This theory is of the view that some are poor not because they want to be poor but due to the situation of the economy in which they find themselves. For instance, this theory explains what is obtainable in some of the developing countries like Nigeria, where they are a lot of people who have all it takes to work but are unable to work. Thus an individual is poor not because he is not hard working but does not have the opportunity to work. He is made poor as a result of the economic system that denied him his share of the income and inequitable distribution of income.

The Keynesian Theory of Unemployment

This theory can as well be called the cyclical or deficient-demand unemployment. The cyclical or Keynesian economists are of the opinion that unemployment occurs when there is not enough aggregate demand in the economy to provide job for everyone who wants to be engaged in employment. This is to say that when demand for goods and services reduced production for that particular product will also reduce thereby reducing the income generated from the sale of the goods. When this happens, end effect will be reduction in the income which from which wages is been paid. And when there is no enough wages to pay workers, retrenchment and inability to employ at all takes place which result to unemployment. This theory can be linked to what is presently happening in Nigeria where oil companies lay off some of their staff due to shortage in demand of oil products by patronizing countries. Asaju *et al.* (2014) posits that the Keynesian economists went on to argue that the number of unemployed workers exceeds the number of job vacancies, so that even if full employment were achieved and all open jobs were filled, some workers would still remain unemployed due to some mismatch in the economy.

Empirical Studies

Oloni (2013) examine the impact economic growth in Nigeria has on employment generation. The Johansen vector- Error correction model was used in his investigation. His findings reveal that, although economic growth had positive relationship with employment, the relationship is not significant. He concluded that the growth in Nigeria does not support employment. Sodipe and Ogunrinola (2011) examined the employment and economic growth relationships in the Nigerian economy. Simple model of employment was formulated and estimated using the Ordinary Least Squares technique before and after the time series data used for the study were corrected for non-stationarity using Hodrick-Prescott filter. The result of their econometric analysis shows that a positive and statistically significant relationship exists between employment level and economic growth in Nigeria while a negative relationship was observed between employment growth rate and the GDP growth rate in the economy. Swane and Vistrand (2006) examined the relationship between GDP and growth of employment in Sweden. Their result reveals that there is a strongly positive relationship between employment and GDP. Sulaimon (2015) in an investigation of socio-economic effect of unemployment on Nigeria Economy, focusing on Bariga Local government Area in Lagos State, concludes that unemployment among youths is high in Nigeria with the tendency of causing pervasive poverty, youth uneasiness, high rate of social vices and criminal activities if not controlled.

Saad and Suryati (2009) examined the effect of real Gross Domestic Product (GDP) on unemployment in Nigeria. The study considers the period 1977 to 2011 to analyse the long run and shot run relationship between real gross domestic product and unemployment in Nigeria, with unemployment as a dependent variable. Besides the main variables for their study, other control variables particularly inflation was included in the model. They study used Autoregressive Distributed Lag (ARDL) Model to test for ARDL- bound co-integration test, the long run and the Error Correction Model (ECM). The co-integration bound test results showed that the variables are co-integrated at 5% level. The results revealed a positive relationship between unemployment and real GDP in Nigeria both in the short run and in the long run. Mbah and Agu (2013), in their study on the effectiveness of government employment policies in Nigeria, show that employment policies of successive governments were not yet adapted to achieving full employment. Ugwu (2009) in his study reveals that Nigerian economy has recorded a rising growth in its GDP especially over the last decades but has not translated into accelerated employment and reduction in poverty among its citizens. Osunubi (2006), in his paper on Nigeria economic growth, unemployment and poverty, reveals that economic growth has not all times followed by reduction in unemployment and poverty.

Methodology

This paper is descriptive, as the study utilizes qualitative research techniques to analyse the impact of economic growth on unemployment and poverty. It uses data from sources such as textbooks, journals, magazines, newspapers and the internet. Conclusions and useful policy recommendations were made based on the above descriptive design.

Data on the main variables are presented in Table 1:

Table 1: Gross Domestic Product (GDP), Unemployment Rate and Poverty in Nigeria (1981-2016)

Year	UMPR	PVR	RGDP	GDPGR
	%	%	N'Billion	%
1981	4.1	27.2	15,258.00	0.942776
1982	4.2	26.8	14,985.08	-1.78874
1983	5.3	36.4	13,849.73	-7.57656
1984	7.9	37	13,779.26	-0.50882
1985	6.1	46.3	14,953.91	8.524826
1986	5.3	49.26	15,237.99	1.899665
1987	7	54.1	15,263.93	0.170244
1988	5.1	58.94	16,215.37	6.233269
1989	4.1	63.78	17,294.68	6.656061
1990	3.5	68.62	19,305.63	11.62761
1991	3.1	63.46	19,199.06	-0.55203
1992	3.5	42.7	19,620.19	2.193493
1993	3.4	54.74	19,927.99	1.568807
1994	3.2	53.63	19,979.12	0.256575
1995	1.9	52.53	20,353.20	1.872348
1996	2.8	65.5	21,177.92	4.052034
1997	3.4	54.41	21,789.10	2.885916
1998	3.5	53.68	22,332.87	2.495602
1999	17.5	52.96	22,449.41	0.521844
2000	18.1	52.23	23,688.28	5.5185
2001	13.7	51.51	25,267.54	6.666848
2002	12.2	57	28,957.71	14.60438
2003	14.8	64.2	31,709.45	9.502606
2004	11.8	54.4	35,020.55	10.442
2005	11.9	80	37,474.95	7.008457
2006	13.4	72.92	39,995.50	6.725974
2007	14.6	76.42	42,922.41	7.318081
2008	15.9	79.93	46,012.52	7.199287
2009	19.7	62.6	49,856.10	8.353344
2010	5.09	69	54,612.26	9.539786
2011	5.96	74.1	57,511.04	5.307924
2012	10.57	75.03	59,929.89	4.20589
2013	9.96	75.96	63,218.72	5.487793
2014	7.84	76.89	67,152.79	6.222942
2015	9	77.82	69,023.93	2.786398
2016	12.1	72		-1.5

Source: Central Bank of Nigeria Statistical Bulletin (2015), World Bank, IMF World Economic Outlook 2016, Index Mundi and Knoemia.

Operationalized Variables

Gross Domestic Product represents the market value of goods and services at any point in time, while the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force and poverty rate using the relative poverty line is the line that separates the poor from the non-poor. All persons whose *per capita* expenditure is less than the line range is considered to be poor while those above the stated amount range are considered to be non-poor.

Statistical Techniques

The following statistical techniques will be applied to enable the normative analysis of economic growth on unemployment and poverty in Nigeria.

i. *Mean:* The mean is the average of the data. It used to identify the level of severity of the answer to the sample of the study`

ii. Line graph: This is use to get the trend of the data.

iii. *Maximum Number:* The maximum is the largest data value. One of the simplest ways to assess the spread of data is to compare the minimum and maximum. If the maximum value is very high, in relation to the centre, the spread, and the shape of the data, the cause of the extreme value may be investigate.

iv. *Minimum Number:* The minimum is the smallest data value. . If the minimum value is very low, the cause of the extreme value may be investigated; and if the low value is desired, it is necessary to investigate and know the cause in order to work towards its sustenance.

v. *Standard Deviation:* The standard deviation is the most common measure of dispersion, or how spread out the data is about the mean. It is used to determine how spread-out the data are from the mean.

vi. *Skewness:* This is the extent to which the data are not symmetrical.

vii. *Kurtosis:* This indicates how the peak and tails of a distribution differ from the normal distribution. We use kurtosis to initially understand general characteristics about the distribution of your data.

viii. *Jarque Bera:* This is used for testing normality distribution of residuals.

ix. *Probability:* This relates to subjective interpretation; it describes the *degree of belief that a certain character is true*, i.e., the degree of belief we have that a coin when tossed will land head.

Data Analysis and Results

Historical Analysis

It is recorded that the Nigerian economy has witnessed relatively high GDP growth rate of 6.82% (approximately) between the period 2000 and 2013; making it one of the fastest growing African economies. On the other hand, welfare of Nigerians has not improved, considering the associated high poverty rate with over 60% of the population living below poverty line; and an associated rising rate of unemployment that is over 19percent. Evidently, Nigeria can be characterized among developing economies facing the paradox of growth with rising unemployment and deepening poverty rate. From the above trend description, real GDP grew at average rates of 1.9%, 9.2% and 6.5% over the periods of 1991-2000, 2001-2010 and 2011-2014 respectively. This validates that the Nigerian economy has recorded a slightly moderate but rising growth rates. Unfortunately, the slightly impressive economic growth rate has not been accompanied by decreased unemployment and poverty rates. A cursory look at the unemployment trend reveals that unemployment rate has assumed an upward trend, rising from an average of 6.042% between 1991 and 2000 to 8.58% over the period of 2011-2016. Similarly, the volatility of human welfare has worsened over time in spite of the persistent rise in economic growth. Poverty rate rose from 46.3% in 1985 to 65.5% in 1996 and further to 77.82% in 2015. From economic theory, sustained economic growth is expected to lead to improved welfare; however, the Nigerian situation runs contrary to this axiom; with unstable growth rate.

Descriptive Analysis

The essence of performing descriptive analysis is to determine the historical properties of the variables. The results are presented in the Table 2:

Table 2: Descriptive Statistics

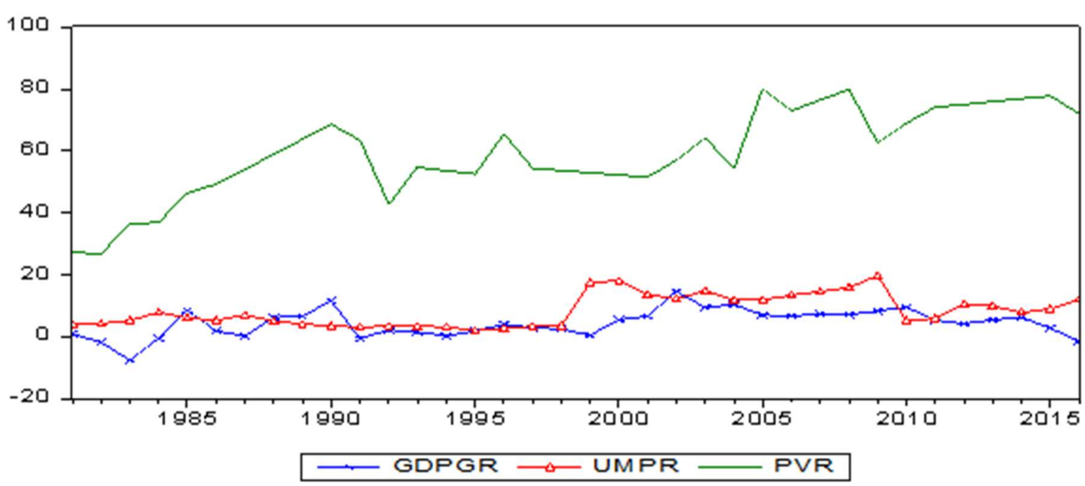
	GDPGR	UMPR	PVR
Mean	4.357365	8.375556	59.27833
Median	4.756907	6.550000	57.97000
Maximum	14.60438	19.70000	80.00000
Minimum	-7.576560	1.900000	26.80000
Std. Dev.	4.433854	5.107346	14.34014
Skewness	-0.153290	0.617044	-0.461643
Kurtosis	3.241398	2.137244	2.609188
Jarque-Bera	0.228397	3.400978	1.507785
Probability	0.892081	0.182594	0.470532
Sum	156.8651	301.5200	2134.020
Sum Sq. Dev.	688.0672	912.9743	7197.382
Observations	36	36	36

Source: Authors Computations using E-Views 9.

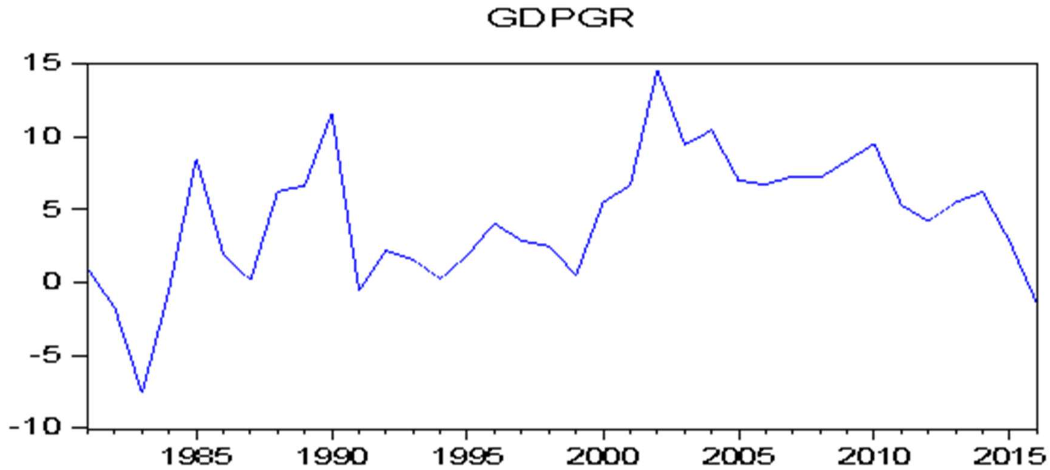
The mean measures the dispersion in a distribution which shows by how much on average each item in the distribution differs in value from the arithmetic mean (mean from the descriptive analysis result) of the distribution. The mean for GDP growth rate is 4.3357365, 8.375556 for unemployment rate then 59.27833 for Poverty rate. From the data in Table 2 above, the GDP growth rate is higher than the GDP growth rate mean of 4.3357365 in year 1985, 1988 -1990, 2001-2011, and 2013 -2015. This shows a favourable result, whereas other years that the reverse is the case indicates an unfavourable result. For the Poverty rate, the rate from the data in Table 1 is higher (unfavourable) from 1981-1986 and 1992. There is same unfavourable result for unemployment from 1999-2009, 2012-2013 and 2015-2016. The standard deviation of GDP growth rate, unemployment rate and poverty rate are 4.433854, 5.107346, and 14.34014 respectively. The analyses of descriptive statistics of the variables reveal different degrees of skewness and kurtosis. The descriptive statistic of GDP growth rate and poverty rate are negatively skewed which implies that they have long left tails, unemployment rate is positively skewed; which means that the distributions have long right tails. It is vital to note that skewness is a measure of how symmetric or asymmetric data is. Skewness value greater than 1 is the degree to which the data is skewed in the positive direction, likewise, a value less than -1 is the degree to which the data is skewed in the negative direction. A skewness value between –1 and +1 implies symmetry. The maximum values of the sample are 14.60438 for GDP growth rate in 2002, 19.70000 for unemployment rate in 2009, and 80percent in 2005 for poverty rate. On the other hand, the minimum values of the series in the sample are -7.576560 for GDP growth rate in 1983, 1.900000 for unemployment rate in 1995, 26.80000 for poverty rate in 1982.

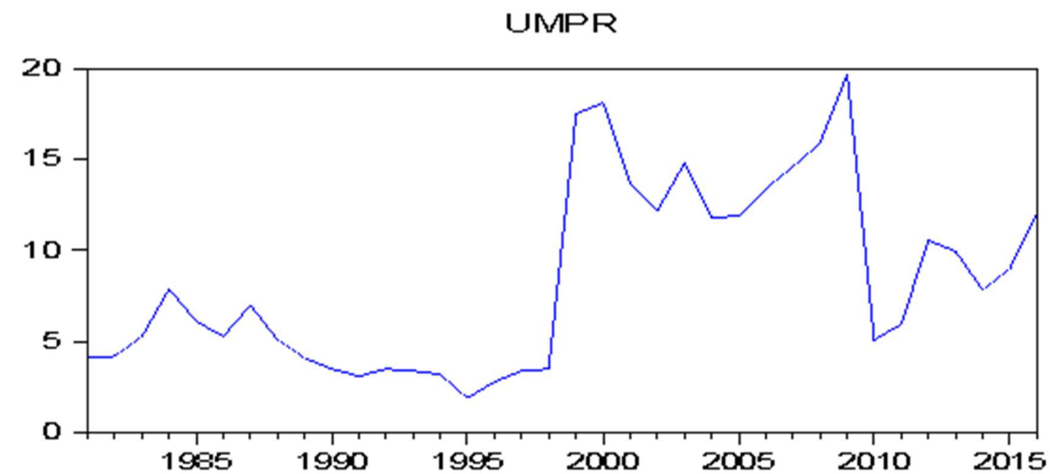
The Kurtosis statistic measures the peakness or flatness of the distribution of each of the series is computed at 3.241398 for GDP growth rate, 2.137244 for unemployment rate, 2.609188 for poverty rate. As a rule, the Kurtosis of the normal distribution is 3. If the Kurtosis exceeds 3, the distribution is peaked (i.e. leptokurtic) compared to the normal. If the Kurtosis is less than 3 the distribution is flat (i.e. platykurtic) relative to the normal. In addition, the Jarque-Bera (JB) statistic is used for testing normality distribution of residuals. In other words, JB statistics measures the difference of skewness and kurtosis of the series with those from the normal distribution. The computation, obtained Jarque-Bera (JB) statistic with a probability value of 0.892081 for GDP growth rate, 0.182594 for unemployment rate, and 0.470532 for poverty rate respectively. Under the null hypothesis of residual normal distribution, the Jarque-Bera (JB) statistics follows the 5percent level of significance; therefore, from the Jarque-Bera (JB) statistic computed, interestingly, the probability values of all the variables are not significant. Therefore, we cannot reject the hypothesis of normal distribution at the 5percent level of significance. Hence, the residuals of all the variables are normally distributed. The probability measures the degree of belief that a certain character is true, i.e., the probability describes the degree of belief we have that the coin will land heads before we toss it. From the descriptive result obtained from E-view analysis, the probability obtained for GDP, unemployment and poverty is 0.89, 0.18, and 0.47 respectively; but from the data gathered from Central Bank of Nigeria statistical bulletin, probability for GDP, unemployment and poverty in 2015 for instance is 3%, 77% and 9% respectively. This reflects the nature of the secondary data obtained on the variables.

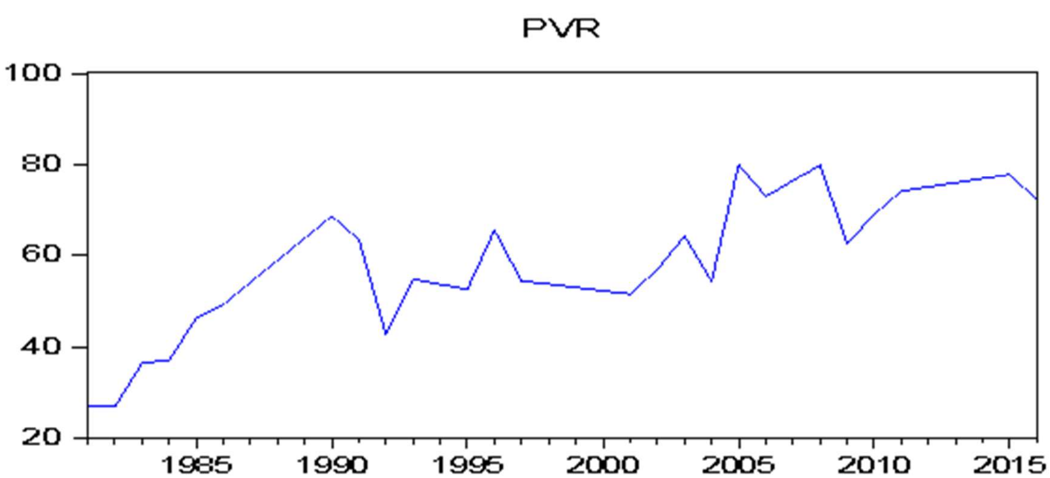
Line Graphs



Source: Authors Computations using E-Views 9.







Source: Authors Computations using E-Views 9.

From the above graph, it can be deduced that increase in Gross Domestic Product growth rate has not resulted to a corresponding decrease in unemployment rate and poverty rate in Nigeria. For instance, GDP increased from N13,779.26 billion in 1984 to N14,953 billion in 1985 giving a percentage increase of 8.5%, this did not reflect in the Poverty rate reduction as it increased from 37% to 46.3%. The increase in GDP gave resulted to decrease in Unemployment rate from 7.9% in 1984 to 6.1% in 1985. The same is observed between 1989 -1990. In 1989 GDP increased from N17,294.68 billion to N19,305.63 in 1990 giving an increase of 11.6%. The increase did not reduce poverty rate which rose from 63.8% in 1989 to 68.6% in 1990. The effect was felt in unemployment rate though not at the same rate, Unemployment reduced from 4.1% in 1989 to 3.5% in 1990. This trend remained the same for the years apart from some few years like 2006-2009 where the increase in GDP rate did resulted to increase in poverty rate and unemployment rate. This result is against *a priori* expectation.

Discussion of Findings

The results of this study have clear implication on the Nigeria's economy generally, especially when it is considered that against *a priori* expectations. Nigeria economic growth potentials do not impressively reflect in the level of unemployment and poverty rates. As seen from the result, from the line graph, as the GDP growth rate increases, the increase supposed to bring about reduction in poverty and unemployment rate. This can be supported by the result of mean where a lot of deviations were observed from the arithmetic mean. The implication directly reveals that there is lack of adequate commitment to the course of the unemployment and poverty reduction (as some unemployment and poverty alleviation programmes initiated in the past failed to meet their set objectives). There is also lack of transparency, absence of enabling environment, inadequate funding, prevalence of corruption, etc.

Conclusion and Recommendations

From the findings of this study, it is concluded that against expectation, Nigeria economic potentials does not remarkably reflect in the level of unemployment and poverty reduction.

In the light of the above conclusions, it is recommended that:

(a) The government should embark on job creation drive (focusing on areas like agriculture, entrepreneur empowerment, industrialization, etc) to ensure that majority of the citizens are gainfully employed, as the high rate of poverty in the land is as a result of high level of unemployment. This can be facilitated by providing environment that will attract capital and investment; the government does not necessarily create jobs but does aid the private sector in making job creation possible;

(b) Policies that would have direct impact on the citizens should be introduced by the Federal Government in order to reduce poverty and unemployment level in Nigeria; and

(c) Corruption control measures should be intensified to ensure that there is no further diversion of funds, which might be one of the reasons why the increase in revenue generation does not bring about decrease in poverty and unemployment level in the country.

Essentially, policy makers should direct Nigeria's growth strategies toward adequate employment generation so as to fasten the pace of poverty reduction in Nigeria.

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Sustainability Reporting and Market Value of Listed Non-Financial Companies in Nigeria

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Abstract

This study investigated the effect of sustainability reporting on market value of some non-financial companies in Nigeria using ex post facto research design. Using 65 listed non-financial companies in Nigeria, data for the study were derived from the annual reports and accounts of the sampled companies through content analysis. The data collected were analysed using multiple regression analysis. The results indicate that environmental reporting has a slight but positive relation with Tobin's Q (1.422); social reporting is negatively related to Tobin's Q (-3.208), and economic reporting is positively related to Tobin's Q (0.818). The study recommends that companies should intensify environmental reporting as this could lead to increased market performance in terms of Tobin's Q.

Key Words: *Economic Reporting, Environmental Reporting, Market Performance, Social Reporting, Sustainability Reporting, Tobin's Q.*

Introduction

The activities of human beings taking place today are seen by some people to have detrimental effect on the society, ecology and economy; which future generations will experience. We are now faced with series of very tangible environmental and social crises. Response to these issues by businesses helps to mitigate risks, protect corporate brand and gain competitive advantage as well as helps to reduce poverty and improve the quality of life for many. Companies are not only paying particular attention to the maximization of shareholders wealth alone but are increasingly engaging in activities that are geared towards maximising the benefits available to all the stakeholders. Companies that were seen to be of great benefit to its shareholders alone are now expected to be providing benefits to the society where they operate. This implies that companies are positively responding towards issues of sustainability and the need for sustainability reporting. Sustainability reports have since become prominent in accounting and reporting literature for the past three decades. This is because stakeholders now need both financial and non-financial information to help them make informed decisions. Stakeholders such as investors and shareholders use this information to carry out investment and other business-related decisions. Utile, Zayol and Aondoakaa (2018) maintain that there is global need for sustainability reporting probably because it will help mitigate restiveness among stakeholders and create business friendly environment. The usefulness of sustainability reporting is more when the market reacts to such information disclosure since accounting-based measures of performance are prone to managers' discretion and manipulations. This information should inform managers' decisions as to the right ways of channelling their funds. Sustainability reporting is expected to increase sales volume, improves profitability, enhance customer satisfaction and above all, provide an avenue for managers to weigh their investment options. Sustainability reporting is also known as social accounting, corporate social responsibility reporting, environmental accounting, triple bottom line reporting, integrated reporting, etc. These variants now have specific meanings and are considered sub-sets of sustainability reporting (KPMG, 2008). Sustainability reporting specifically provides non-financial information about a company's response to environmental, social and economic impacts of its activities on various stakeholders, including the host community.

Since, the Nobel award winner, Milton Friedman argued that corporate social responsibility (CSR) is mere waste of shareholders' money, a position that has generated a lot of debate on the usefulness of such reports (Dunn & Burton, 2006), researchers have conducted several studies on how sustainability reporting will affect firm value in general and market performance in particular and this has shown mixed and inconclusive results. While some report positive association, others report negative, and in some cases no relationship. However, some of the differences in these results may be tied to differences in methodologies adapted, legal, regulatory and institutional frameworks of the countries where these studies were conducted. Back home to Africa in general, and Nigeria in particular, there are issues of environmental degradation and pollution, depletion of the soil from industrial activities, youth restiveness, labour disharmony, poor maintenance of waste, and other health-related hazards (Akinbi, 2012; Kadafa, 2012). Managers of non-financial companies are in a position to carry out social investments and report on them accordingly. This form of reporting is of interest to stakeholders who view the actions of the firms as amounting to social and environmental responsibility. On the other pedestal, it is expected that the provision of such information may signal to investors the potentials of the firm as a going concern and this may in turn reflect on the market value of the firm. It is against this backdrop that this study investigates whether non-financial companies operating in Nigeria are responding to this kind of reporting and whether this reporting has any impact on their market value.

Sustainability reporting has gradually gained grounds across the globe. This is largely due to the desire for organizations to show transparency in how they treat their economic, social and environmental activities and their attendant consequences to stakeholders. It is also widely recognized in the business world and literature has shown that such reporting is beneficial not only to the business but the society as a whole. However, most studies on sustainability reporting reviewed, such as Reddy and Gordon (2010); Burhan and Rahmanti (2012), Aggarwal (2013), Eccles, Ioannou and Serafeim (2014), Maletic, Maletic, Dahlgaard and Dahlgaard-Park (2014), Nugroho and Arjowo (2014), Backstrom and Karlsson (2015), Hussain (2015), Alshehhi, Nobanee and Khare (2018), and Ndukwe and Nwakanma (2018), reported on the effect of sustainability reporting on profitability. These studies, in most cases, examined sustainability reporting using accounting based measures that are termed backward-looking instead of being forward-looking using market value or stock returns. Only few studies, such as Bartlett (2012); Maletic, Maletic, Dahlgaard, Dahlgaard-Park and Gomiscek (2015), to the best of the researcher's knowledge, reported on sustainability and market value, but with unclear link between sustainability reporting and market value. This may be due to the omission in some studies of control variables such as firm size, age and leverage; hence the need for more studies to be carried out in this area especially in the Nigerian context. It is in view of this that this study examines sustainability reporting and market value of listed non-financial companies in Nigeria. The hypotheses formulated for this study are:

HO_1 Environmental reporting does not significantly affect the market value of listed non-financial companies in Nigeria.

HO_2 Social reporting has not significantly affected the market value of listed non-financial companies in Nigeria.

HO_3 Economic reporting has no significant effect on the market value of listed non-financial companies in Nigeria.

Literature Review

Literature related to the study is reviewed in this section, highlighting conceptual framework, baseline theories, and empirical studies.

Conceptual Framework

The concepts of sustainability reporting and market value are explained below:

Sustainability Reporting

Sustainability reporting is also referred to as social accounting, integrated reporting, social and environmental accounting, corporate social reporting, corporate social responsibility reporting, triple bottom line accounting or non-financial reporting. The term originated about four decades ago (Asaolu, Agboola, Ayoola & Salawu, 2011). However, there is no single, generally accepted definition of Sustainability reporting. It is a wider term mostly used to describe how a company reports on its economic, environmental and social performance. It is synonymous with triple bottom line reporting, corporate responsibility reporting and sustainable development reporting. However, these terms are now given more specific meanings, making them subsets of sustainability reporting (KPMG, 2008). Unlike integrated reporting which requires reporting both financial and non-financial information, sustainability reporting focuses on non-financial information alone with special emphasis on environmental, social and economic aspects of reporting in line the goal of sustainable development. Triple bottom line reporting is synonym to sustainability reporting, but CSR and environmental reporting are sub-sets of sustainability reporting. Sustainability reporting can, therefore, be summarized as a sub-category of reporting that disseminates non-financial information on a company's environmental, social and economic activities and their impact an of the various stakeholders. The environmental aspects of sustainability reporting encompass issues such as materials, energy, water, pollution, carbon-dioxide, biodiversity, environmental management systems, waste management and recycling amongst others. Social aspect of reporting includes issues relating to employment, employee retention, training and education, occupational health and safety, research and development activities, labour relations, diversity and equal opportunity, human rights and so on. Lastly, economic aspect has employee wages and salaries, economic value generated and distributed, market presence, operating costs, employee compensation, indirect economic impacts and so on. Generally, when companies report on their environmental activities, the society looks at them as being environmentally responsible, and this has the potential of impacting positively on the social lives of the people. This has the multiplier effect on the economic sphere of the citizens, thereby promoting accountability, making such companies to become legitimate, translating into benefits accruable to the various stakeholders.

Market Value

Market value is a forward-looking measure of company performance. The market-based approach evaluates the value of a firm on the basis of prices already quoted on the stock exchange; that is, the current quoted price at which investors buy or sell shares of a company or a bond at a given time often referred to as market capitalization (Akinlo & Iredele, 2014). Market value is often different from book value, in that market-based approach values a company based on quoted price on the stock exchange. The market value is usually different from the book value because market value factors in future earnings and market sentiments (Okwy, 2018). Bowerman and Sharma (2016) revealed that the market-based measures were more influential in managerial decision making of the US firms. Also, Caeseria and Basuki (2017) reported that sustainability reporting as a whole and its aggregate elements (environmental, social, and economic) have more positive relation with market value (TQ) than ROE. Accounting-based measures are not only subject to management discretion and manipulation but also reflect past events and performance with no idea of the future. A market measure like Tobin's Q (TQ) uses current market price which reflects actual market performance of each stock on the market and is, therefore, used as market measure in this study.

Theoretical Framework

Accountability Theory

This is an ethical theory that emphasizes the ethical responsibility which accounts reckon the various actions for which a manager is held responsible Accountability at an organization's level is fulfilled when companies are transparent, responsive to organizational commitments , by complying with appropriate rules; and by engaging and accounting to various stakeholders on how it fared in the last period. SIGMA Project (2003); Frink and Klimosk (2004) considered accountability from two themes. First, is in terms of context which talks about who and what the concern isl and the second is evaluation and feedback transmission. This emphasizes that the first person is the agent whose action is to mediate between management and owners while the other is the principal who have reason to observe and evaluate the action of the agent. Accountability theory defines and helps to explain the nature of this relationship that exists not only between managers and agents but the rest of society. This necessitates the reason for companies to report on their environmental, social, and economic performance, not just financial performance (Popa, Blidisel & Bogdan, 2009; Wilson, 2003).

Political Economy Theory

The political economy theory, according to Deegan (2007), is the social, political and economic framework within which dictates the reason for human life. Political economy theory emphasizes the recognition of the power conflict in existence in the society and the various struggles that are inherent among the various groups in the society. The main thrust of this theory is that society, politics and economics cannot be separated and that economic issues cannot be monitored and evaluated when there is no consideration for the political, social and institutional framework in which the economic activity occur. It has been argued that by considering the political economy, researchers will be in a better position to consider wider societal issues which affect the way organizations operate and the kind of information it chooses to disclose. Following from this, Deegan (2007) explained the relevance of accounting within a political economy perspective by stating that accounting reports are seen political economy perspective as a socio-political and economic document; that an accounting report serves as a tool for the construction, sustenance, and making legitimate, economic and political arrangements, institutions and ideological themes which contribute to the organization's private goal. This theory recognizes the struggle amongst the various stakeholders in a company and assumes that the struggles and conflict of interests cannot be separated.

Stakeholder Theory

The stakeholder theory which was propounded by Freeman (1984) is concerned with the conviction that when the relationship between company and its various stakeholders is strong, it can easily achieve its stated objectives. Stakeholder theory can contribute to sustainability concept by trying to bring the supplementary business arguments relating to why companies should work toward sustainable development. Also, Perrini and Tencati (2006) opined that sustainability of a firm depends on how it is able to be sustainable to its stakeholder, a relationships the company must consider and engage not only shareholders, employees and clients, but also suppliers, public authorities, local community and civil society in general, financial partners and so on. Today, the quality of sustainability of stakeholder relationships has to be the guiding principle for the managerial decision making process and the pillar of a more comprehensive corporate strategy. Companies that undertake sustainability performance account for their activities by presenting them to the investing public thereby playing politics with the society and disclosing the economic gains that are derivable from their activities. All these are geared towards informing the various stakeholders how they are accountable and transparent in reporting the various spheres of their responsibilities as good corporate citizens. This shows the inter-relationship that exists among the various theories discussed in this work and how one complements the other towards the achievement of sustainable development goals. This study is closely related to the stakeholder theory because it conceptualises sustainability reporting as reporting to the stakeholders what the organisation has achieved not only the financial but other non-financial information relevant to diverse stakeholders. This information is useful and vital because it helps in generating more profit, maintaining the planet and serving the society in what is known as the 3Ps-profit, planet and people.

Empirical Studies

This review takes into account the research variables (social, environmental, and economic) as well as the way researches are conducted in this area. It is divided into, social reporting studies (including CSR), environmental reporting studies and sustainability reporting studies.

Social Reporting Studies

Moore (2019) investigated the effect of companies that change their level of reporting of CSR levels on change in financial performance in the EU and reported that increase in CSR increases ROE while it decreases total revenues. It also showed that increase in ROE was more prominent when correlated with diversity factors. Zhang (2017) looked at the impact CSR has on stock returns among public traded firms in the US, that make up the S&P Composite 1500 Index, for a period of fifteen years from 2000-2014 using stock performances during the period of the study. It applied a cross-sectional regression analysis with lagged data set. With KLD STATS database, environmental, corporate governance and social performance variables were used to depict CSR. The results of the study showed a negative, strong but insignificant impact between social and corporate governance performance scores and stock returns. This led to the conclusion that CSR has a negative effect on both stock returns and overall development of a firm. Bowerman and Sharma (2016) examined the association between CSR disclosure and market values of UK and Japanese firms using the modified Jones model of 1995. The study findings revealed that UK investors consider CSR information as addition to the financial information that helps them in taking investment decisions; whereas, their Japanese counterparts do not find it useful in valuing their firms. It concluded that the findings have far-reaching implications for both regulators and investors in the control and corporate governance of their firms.

Hirigoyen and Poulain-Rehm (2015) examined the relation between CSR variables represented by human resources, human rights in the work place, market behaviour, social commitment respect for the environment and corporate governance and financial performance variables represented by ROE, ROA and MTB. It used control variables such as financial variables, shareholders structure, size and sector of the firm, as well as Vigeo’s database which complies with ISO 26000 guidelines for CSR, with data obtained among 329 companies listed in the US, Europe and Asia-Pacific regions for two years from 2009-2010. The results of the linear regression and Granger causality tests revealed that CSR was negatively affected by all the three performance indicators particularly in 2010. Ahlen and Ahlen (2012) investigated how the announcement of CSR rating affects stock prices of listed companies on the Stockholm Stock Exchange (Nasdaq OMX Stockholm) and sought to ascertain whether any potential impact differ across industries. An event study design was used to measure the impact of release of the Folksam Index of CSR on stock prices. It divided the companies into 3: 20 companies with the highest rating, 20 with the lowest rating, and 5 without rating; each selected for the 5 years (2006-2009 and 2011), the years the index was released. Also, highly-ranked and lowly-ranked firms for 9 industries were analysed. Abnormal returns (cumulative) were calculated after the release so as to ascertain if stock prices were affected by the publication of the rating. The result revealed that lowly-rated companies had negative impact on company's share price, while highly rated firms have no effect, and that the effect differed amongst industries.

Environmental Reporting Studies

Egberioyinemi, Oyedokun and Tonademukaila (2019) looked at environmental accounting effect on firm value of selected industrial goods firms in Nigeria from 2006-2012 using non-financial indicators, financial indicators and performance indicators to depict environmental disclosure, while the firm value was measured by Tobin's Q. The regression results indicated that non-financial indicators had positive significant effect on Tobin's Q; financial indicators had no significant effect on Tobin's Q; while performance indicators had negative effect on Tobin's Q. Onipe (2018) studied the influence of environmental accounting on profitability of listed environmentally-sensitive firms in Nigeria using ROA as a profitability proxy; while green reporting index was used for environmental accounting. The regression result showed that environmental reporting had significant positive effect on financial performance. Manrique and Marti-Ballester (2017) carried out a study on the relationship between corporate environmental performance and financial performance during the global financial meltdown, using data obtained from a sample of 2982 big firms for a period of eight years from 2008-2015. Applying the Petersen's Method, which adjusts for standard errors, the result showed that environmental performance has positive and significant effect on corporate financial performance, but was stronger among developing countries than their developed counterparts.

Ezejiofor, John-Akamelu and Chigbo (2016) investigated the effect of sustainable environmental reporting on financial performance of corporate organizations in Nigerian using *Ex post facto* research design. Time series data were sourced from the annual reports and accounts of two manufacturing companies in Nigeria for five years (2009-2013). The dependent variable was environmental costs, with revenue and profit as independent variables. The study findings revealed that cost of maintaining environment positively affected profit obtained by the sampled firms, implying that changes in environmental cost may not affect the profit generated by these companies negatively. The study concluded amongst others that companies can reduce their negative environmental impacts when they implement environmental policies and strategies that will reduce environmental costs. Chang (2015) studied environmental performance and propensity disclosure and how they affect financial performance. Using a 2008-2012 unbalanced panel data of 142 heavy-pollution industries in China and applying stationary variables particularly the unit root and co-integration tests, the results showed that environmental performance has a significant negative relation with Tobin's Q (TQ) while environmental propensity related significantly and positively with TQ. Control variables - Size, leverage and ROA were also positive and significant with TQ.

Sustainability Reporting Studies

Mihai, Leontina, Mihai-Bogdan and Iuliana (2019) studied how sustainability reporting can impact on growth of firms listed on the Bucharest Stock Exchange for 2012 to 2017. Sustainability had economic, social, and environmental disclosure information as proxy, while firm growth was represented by price to book value, sales growth and cost of capital. The correlation analysis results showed that sustainability reporting has low power to explain variations in company growth and this remained consistent even after the introduction of firm characteristics such as size, age and increase in investment. Emeka-Nwokeji and Osisioma (2019) looked at the impact of sustainability reporting and its various sub-sets on Tobin' Q of 93 selected non-financial firms listed on the NSE for a period 2006 to 2015, using pooled regression and OLS as analysis techniques. The results showed that sustainability reporting had positive impact on firm value; environmental disclosure had positive significant impact while social reporting was negative and insignificant to firm value (Tobin's Q). Alshehhi, Nobanee and Khare (2018) examined prior studies using content analysis of 132 papers from high impact journals and found that 78% of the studies report positive relation between sustainability reporting and financial performance. However, the study noted that variations in the results amongst the sampled studies could be attributed to differences in methodologies as well as measurement of variables among different researchers. Ndukwe and Nwakanma (2018) studied the relation between corporate sustainability reporting and profitability of some listed Nigerian companies between 2011 and 2015 using *Ex-post Facto* research design. Data were sourced from the annual reports and accounts of the sampled firms. The results of the multiple regression analysis revealed a negative relation between sustainability reporting and ROE while no significance was found between sustainability reporting and EPS. Caeseria and Basuki (2017) studied sustainability reporting disclosure (economic, social, and environmental) and their effect on market performance (TQ). Observations of listed 44 Indonesian companies were used and data obtained from the GRI-G4 guidelines. The results revealed that all sustainability variables were significantly and positively related to TQ.

Backstrom and Karlsson (2015) researched on the nexus between corporate sustainability reporting and financial performance in Sweden using a deductive approach, where multivariate regression analysis was conducted. Firm size, debt ratio and board size were used as control variables. The results were that sustainability reporting was positively related to financial performance. Maletic, Maletic, Daghlgaard, Daghlgaard-Park and Gomiscek (2015) investigated sustainability practices and their effects on financial and market performance. Questionnaire was administered in Germany, Serbia, Spain and Poland among 247 companies. Quality, environmental, social and innovation performances were regressed as potential mediators. Findings of the study showed that there was no statistically significant effect between sustainability practices and financial and market performance using mediators. Hussain (2015) studied sustainability performance measured along social, environmental and economic aspects and how they impact on financial performance (TQ). Content analysis was used to obtain the data among 44 Global Fortune N100 firms from 2007-2011. The results from fixed effect regression indicated that economic information was immaterial while environmental and social aspects were relevant and significant in explaining variations in financial performance. Eccles, Ioannou and Serafeim (2014), in their investigation of corporate sustainability reporting and organizational processes and performance, applied a matched sample of 180 high sustainability reporting firms against low sustainability reporting companies in the US. Their results showed that firm size and assets turnover load were positive and significant in the logit regression result while MTB was weakly positive but significant. Meanwhile, leverage and ROA were both insignificant. Maletic, Maletic, Daghlgaard and Daghlgaard-Park (2014) sought to establish the relation between sustainability-oriented innovation practices and organizational performance among Slovenian firms using a survey of 116 non-financial and service industries. Descriptive statistics and factor analysis were applied. The results showed that sustainability-oriented innovation practices had significant effect on organizational performance.

Nugroho and Arjowo (2014) conducted a study on the effect of sustainability reporting disclosure and company performance using 2010 annual reports of 33 non-financial companies listed on the Indonesian Stock Exchange. The results revealed that sustainability disclosure was positive and significant with ROA and was bigger in the year following the release of sustainability reports. Aggarwal (2013) studied to find out whether sustainable companies generate more profit by using the average data for the period of two firm years of 2010-2011 and 2011-2012 and applied cross-sectional analysis. ROA, ROE, ROCE, PBIT and growth to total assets (GTA) were regressed against sustainability variables, governance, environmental, community, performance ratings and overall sustainability rating. The results indicated that there was no significant effect of sustainability variables on firm performance indicators. However, it influenced ROA, PBIT and GTA positively while it negatively related with ROE and ROCE. Burham and RAhmanti (2012) studied the effect of sustainability as a whole and its individual aspects on company performance using a sample of 32 listed companies on the Indonesian Stock Exchange from 2006-2009. Sustainability reporting, social, economic and environmental disclosure indices were regressed against ROA and the result revealed that all the variables have influence on ROA but social disclosure had more influence on ROA. Barlett (2012) sought to establish a relation between sustainability reporting and firm valuation in the USA during the great recession and how this changes from year to year. Data were obtained from Roberts Environmental Centre at Claremont McKenna College from which the Pacific Scoring Index system was used. The results showed that superior corporate sustainability reporting had positive correlation with increased firm value and that recession had caused a great drop in the degree of the impact of corporate sustainability reporting and firm value. Reddy and Gordon (2010) carried out an investigation of 68 listed firms in New Zealand and Australia to find out the effect of sustainability reporting on financial performance using an event study method. Abnormal returns that were estimated at 31 day event window were found to be statistically and significantly influenced by sustainability reporting.

Methodology

This work adopted a descriptive type of *ex-post facto* research design, which is undertaken after the events have taken place and the data are already in existence. A sample of 65 listed non-financial firms was used for the study. Data were obtained from the annual reports and accounts of these sampled firms through content analysis. Multiple regression analysis was applied to examine the impact of sustainability reporting on the market. Content analysis was used to pick the items reported in annual reports. If an item of interest is found, 1 is recorded and 0 if otherwise. Quality of reporting was coded as 2 for qualitative reporting of an item and 3 for quantitative reporting of the item. An index was calculated by dividing total reporting quality by total occurrence of an item. This represented the independent variables while Tobin's Q (calculated as the market value of equity+ book value of liabilities less book values of total assets) was used as an indicator of market performance. Size and Leverage were used as control variables. The multiple regression model was built as follows:

$$TQ_{it} = \beta_0 + \beta_1 ENV_{it} + \beta_2 SOC_{it} + \beta_3 ECO_{it} + \beta_4 SIZE_{it} - \beta_5 LEV_{it} + e$$

Where:

TQ = Tobin's Q

ENV = Environmental reporting

SOC = Social reporting

ECO = Economic reporting

SIZE = Logarithm of total revenue

LEV = Leverage

β_0 =the constant;

β_1, β_2, β_3, β_4 = the regression coefficients;

it = firm i at time t

e =the error term used in the regression model.

Data Analysis and Results

The analysis of data and results of the study are presented thus:

Table 1: Regression Results of Sustainability Reporting and Tobin's Q

R	.261			
R^2	.068			
R^2 adj	.053			
P-value	.000			
Variable	**Coefficient**	**t-value**	**P-value**	**VIF**
Constant	8.868	2.520	.012	
ENV	1.422	1.539	.125	1.441
ECO	.818	.708	.480	1.407
SOC	-3.208	-2.788	.006	1.316
SIZE	-.272	-3.772	.000	1.041
LEV	1.188	1.785	.075	1.017

Source: Analytical Computations**.**

From Table 1, there is a weak relationship between sustainability variables and performance (Tobin's Q) at a value of 26.1%. It also indicates that sustainability reporting accounts for only 5.3 % of variation in Tobin's Q while 94.7% is accounted by factors outside this study. The difference between R^2 and R^2 adjusted is 1.5% (6.8% - 5.3%) and shows that the result has not deviated significantly from that which the entire may be taken. The table also indicates that a unit increase in environmental and economic reporting will insignificantly increase Tobin's Q by 1.42% and 0.82% respectively while a unit in social reporting will significantly reduce Tobin's Q by 3.20%. Also, a unit increase in Size will significantly decrease Tobin's Q by 0.27% and an increase in leverage by 1 unit will insignificantly increase Tobin's Q by 1.19%. This means that environmental and economic reporting quality insignificantly increases Tobin's Q while social reporting significantly reduces Tobin's Q.

Test of Hypotheses

The research hypotheses stated earlier are tested below:

Hypothesis 1

HO_1: Environmental reporting does not have significant effect on market value of listed non-financial firms in Nigeria.

The null hypothesis is accepted since p-value is greater than 0.05 (0.125 > 0.05).

Hypothesis 2

HO_2: Social reporting has not significantly affected the market value of listed non-financial firms in Nigeria.

The null hypothesis is accepted since p-value is greater than 0.05 (0.480 > 0.05.

Hypothesis 3

HO_3: Economic reporting has no significant effect on the market value of listed non-financial companies in Nigeria.

The null hypothesis is rejected since p-value is less than 0.05 (0.006 < 0.05).

Discussion of Findings

From the model summary, the outcome is in line with studies such as, Shaukat and Thuryan (2016), Maletic, Maletic, Dahlgaard, Dahlgaard-Park and Gomiscak (2015), Nag and Bhattacharyya (2015), Mohammed (2014), Aggrawal (2013), Qiu, Burhan and Rahmanti (2012), and Otlizky, Schmidt and Rynes (2003), who reported a weak to no relationship between social and environmental reporting and financial/market performance. From the studies so far, none has reported strong association between sustainability reporting and performance. This could be attributed to the nature of reporting on sustainability issues, as companies are at liberty to report what they feel like reporting and how to report it. This is because there is no accounting framework that can serve as a guide to preparers of this non-financial information, hence, reporting in this area is voluntary. From the direction and nature of the correlation between the variables found in the regression coefficients, the results show that environmental reporting has slight but positive relation with Tobin's Q. This result is in line with the studies of Quea, Lia and Zhang (2017), John-Akamelu and Chigbo (2016), Nwobu (2015), Peiyuan (2015), Friedel, Busch and Bassen (2015), Barlett (2012), Backstrom and Karlsen (2015), as well as Eccles, Ioannou and Serafeim (2014), who reported positive association between environmental reporting and performance. However, studies like Chang (2015); Nag and Bhattacharyya (2015) reported negative relationship. Since human health is very vital and the life expectancy rate of all human is on a continuous decline, a positive relation between environmental reporting and market performance signifies a right step in the right direction. Importance is attached to environmental reporting in order to show that companies are environmentally friendly, and this is shown in the result of this study.

The results also show that social reporting is negatively related with Tobin's Q. This is in line with the findings of Lopez, Garcia and Rodriguez (2007); Hirigoyen and Pourlain-Rehm (2015) who reported negative relationship between social reporting and performance. The result is contrary to the outcome of studies such as Qiu, Shaukat and Tharyan (2016), Charlo, Moya and Mufloz (2015), Najah and Jaboui (2013), Servaes and Tamayo (2013), and Tsoutsoura (2004), who reported positive association between social reporting and performance. This result underrates social issues as a basis for ensuring that companies behave socially responsible. This shows that the level of reporting on CSR is adequate and so there is no need to intensify and stress increased reporting quality, as doing this will negatively affect performance. For economic reporting, a positive relationship was found for the Tobin's Q. The result is in line with the study of Caeseria and Basuki (2017). This shows that the current level of reporting is inadequate and so there is need to intensify efforts towards increased economic reporting. In times of series of economic meltdowns and recessions world over, stakeholders in the information sector in particular, and the capital market in general, are interested in the kind of disclosure that companies project such information to them. This has the potentials of motivating accelerated economic reporting and boosts the thrust and confidence stakeholders have in sustainability reports, especially the economic aspect.

Conclusion and Recommendations

From the findings of this study, the following conclusions are advanced: environmental reporting has the potentials of enhancing market performance using Tobin's Q. This is because an increase in environmental reporting could lead to increased market performance, though not significant. Increased social reporting is by this study not capable of decreasing market performance, using Tobin's Q. This confirms the position by Freeman (1974) that corporate sustainability reporting is mere waste of Shareholders' value in the short run; that economic reporting should be encouraged as increase in its reporting could lead to increase in market performance; and that statistically, sustainability reporting is not a major determinant of market performance. This is because it is weakly correlated with Tobin's Q and also found to be statistically insignificant. The study recommends that companies should intensify environmental reporting as this could lead to increased market performance and that local communities where these companies operate and other stakeholders like employees and social and environmental non-governmental organizations should demand sustainability reporting to meet their information needs and help them hold companies to account for not only economic performance but also environmental and social performance as its affect them.

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Appendix

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.261[a]	.068	.053	3.10941	.068	4.649	5	319	.000	1.659

a. Predictors: (Constant), LEV, SIZE, ENV, SOC, ECO
b. Dependent Variable: TOBINSQ

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.868	3.519		2.520	.012		
	ENV	1.422	.924	.100	1.539	.125	.694	1.441
	ECO	.818	1.156	.045	.708	.480	.711	1.407
	SOC	-3.208	1.151	-.173	-2.788	.006	.760	1.316
	SIZE	-.272	.072	-.208	-3.772	.000	.960	1.041
	LEV	1.188	.666	.097	1.785	.075	.983	1.017

a. Dependent Variable: TOBINSQ

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International Organizations and Third World Countries: Analysis of Perspective from the West and South

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Abstract

One of the major developments of the twentieth century in interstate relations has been the proliferation of international organizations. The role of International Organisations is becoming increasingly significant and, sometimes, ultimate for international policy-making; the process coming along with the globalisation of world politics. Some international organizations seem to function solely as a medium for the coordination of state actor interests; others seem to have emerged as actors of their own. This paper is a probe into international organizations and third world countries: perspective from the South. Secondary source of data are prominent in the research; relating to various sections such as Dissection of Concepts of International Organizations and Third World, Theoretical Frame Work, Historical Antecedents of International Organizations, International Organizations and Third World Countries by taken into cognizance perspective from the west and perspective from the south and responds from the Third World countries. The paper argues that international organizations though motivated by the quest for integration and cooperation among nation-states, however, the Third World countries view them as tool for manipulation in the hand of the economically, politically, and technologically advanced countries.

Keywords: *International organizations, Third World, West and South Perspectives*

Introduction

The world system is essentially a human system and the decisions which govern its interaction are decisions of statesmen, political leaders, bureaucrats, technocrats, and other decision-makers who are human but who decide through the instrumentality of the state, Non-governmental organizations (NGOs), Inter-governmental organizations (IGOs) and other actors in the system (Ofoegbu, 1980). One of the promising developments of the twentieth century in interstate relations has been the proliferation of international organizations. These treaties of the past have gain ascendancy in the 21st century. The term *International Organization* is defined as *any cooperative arrangement instituted among states, usually by a basic arrangement, to perform some mutually advantageous functions implemented through periodic meetings and staff activities* (Parmer, 2007). The dynamic nature of international relations in the contemporary world where states are considered as the major actors, states' activities is presented in the form of international organizations. Thus, the role of International Organisations is becoming increasingly significant and, sometimes, ultimate for international policy-making, the process coming along with the globalisation of world politics. There are 1,963 International Organizations in the world today and they deal extensively both with global challenges and country-specific issues. The number of International Organizations is constantly growing, as well as their impact on world matters. The major and most significant International Organizations are those of the UN system, but there are also key intercontinental and regional organisations. It will be true to say that today the independent behaviour of state actors is becoming more limited because of their obligations to international and regional agreements, regimes, and institutions (IO, 2007). International organizations have increasingly gained importance for inter-state cooperation and international politics. Whereas some international organizations seem to function solely as a medium for the coordination of state actor interests, others seem to have emerged as actors of their own. It is on this plate form that this paper is looking at International Organizations and Third World countries.

Dissection of Concepts

International Organizations

International organizations being a fermentable force in international politics are conceived as inclusive intergovernmental organizations (Samuel, 2006). This position sees international organizations basically as government affairs. MacKenzie (2010) opines that States created international organizations to do things that they could not do on their own or to prevent from happening things that were not in the state's interests. International intergovernmental organizations did not create themselves or exist on their own; they were designed, supported, and operated by the countries that created them (MacKenzie, 2010). This definition appears somewhat normative and rather uncritical; furthermore, it also only includes IGOs and NGOs and no other forms of an international organization such as epistemic communities and transnational networks. Conversely, international organizations are cooperative ventures between, among others, governments, peoples, businesses, scientists, organized labour, and professionals; they are involved in virtually all aspects of human life from politics, culture, and business to the environment, human rights, and disarmament; and they are found almost everywhere; in the developed and the developing world among the rich and the poor, and across the political and ideological spectrum. They can act, make a difference, and change states', people, and institutions' behaviour (MacKenzie, 2010). Here, MacKenzie moves from the limited perception of an international organization to a broader conception, involving all aspects of human life. Alexander (1999) conceived it as formal institutional organizations and in a more general sense of order creation. Furthermore, the international organization includes not only interstate arrangements but, increasingly, arrangements among non-governmental and transnational actors. Thus, the landscape of international organizations (IOs) includes both inter-governmental organizations (IGOs) and international non-governmental organizations (INGOs). An international organization is a very broad concept, which has evolved with the practice of various forms of international governance. According to Plano and Olton (1988), cited in Akinboye and Ottoh (2009), an international organization is perceived as a 'formal arrangement transcending national interest boundaries that provide for the establishment of institutional mechanisms to facilitate cooperation among members in security, economic, social, or related field. It is seen as a formal institution that has a structure established by arrangement among sovereign states to pursue the common interest of the members. Thus, this paper conceived international organizations as all forms of relations among states at the international arena leading to cooperation either governmental or non-governmental toward achieving an aim.

Third World

There are a lot of debates among scholars and students of political economy on the term *Third World.* The argument, however, is that many feel that the term Third World is too kind for a member of countries that are, by every comparable standard, really underdeveloped. The term, *Third World* (*Tiers Monde*) was for the first time used by the French economist, Alfred Sauvy in an article, in the French magazine, *L'Observateur* in 1952 to refer to the masses before the French revolution (Holm, 1990:2). The term represented signs of political weakness, economic poverty, and social marginalization, as parallels among the pre-revolution masses and the poor states in the world system, in terms of their exploitation by others, were highlighted (Tabah, 1991 in Irem, 2012). The term seems to gain more pre-eminence and dominancy during and after the Second World War through the Cold War period. Post-Second World War, international relations not only did witness the bifurcation of the globe into two rival camps, each headed by two former allies, the Soviet Union and the United States but also the emergence of a new group of states, the Third World countries. They were mostly the countries belonging to the South, Asia, Africa, and Latin America (Peu, 2009). The post-Second World War is an action undertaken by states usher in a new trend in the international arena. CH (2002) observed thus, *Third World* (a Cold War term) is the outgrowth of income and wealth inequalities – the famous *development gap* – that were shaped most decisively in the last quarter of the nineteenth century when the great non-European peasantries were initially integrated into the world economy. The *Third World* – the division of humanity into haves and have-nots – was shaped by fatal interactions between world climate and the world economy at the end of the nine-tenth century.

In the view of Young (2003) Third World is the post-colonial world, illustrated by a picture of *children assembling at a school, standing barefoot on the stones*. This definition is descriptive in nature fall to give basic tenants but passively descript a situation. Ingerson (1991) aver thus, *Third World is coin to represent a positive alternative for non-aligned nations*. In conformity to the non-aligned school of thought, Berger (1994) opine that in the late 1950s, the term was used to refer to a growing number of non-aligned nation-states, which were reluctant to take sides in the Cold War. Through the non-alignment movement, these states tried to maintain a distance from both *First World* capitalist states and 'Second World' socialist states, in an attempt to emphasize that they belonged to neither of them. However, Macfarlane (1999) converse on the five conceptualisation of the Third World; the process of colonisation and decolonisation; geography; peripherally in the world capitalist economy; the strength of the state and the relationship between the state and society; and psychological association, with a membership of the Third World associated with self-identification.

Theoretical Framework

This paper adopts Integration theory and Realist theory as a framework of analysis.

Integration Theory

The major exponent of this theory is Karl Deutsch (1963), Leon Lindberg and Haas Ernest. The assumption of this theory is simply turning previous separate units into a component of a coherent system. The rationale behind this postulation is predicated on the fact that the togetherness of diverse national entities to create a central unit in which to *relinquish* their sovereignty has thus tipped the creation of the supranational entity. In Mitrany's view, cited in Akinboye (2009), the supranational entity would influence collaboration efforts leading to a functional international community and the basic rationale for the existence of any given political community in Mitrany's concept regarded as welfare and security. This theory is significant in this work such that, it stressed the need for a nation-state to come together. Once nation-states come together on a collaborative arrangement, it leads to cooperation among them thus providing international peace and security which is the goal of integration. The theory debunks the practices of isolationism but upholds integration and cooperation among actors on the international or world stage.

Critique

The theory has been criticized for being too complex and full of ambiguity. It captured integration in its totality without breaking it into certain variables such as political, economic, social, and legal components. Also, in as much as it emphasizes integration and cooperation among nation-states, the theory fails to spell out the undisputed character of states, and the obvious unevenness among states. Hence, realist theory would be employed to provide an in-depth analysis of international organizations and third-world countries.

Realist Theory

Realism is an approach to the study of international politics or relations that have emerged through the work of series of analysts who have situated themselves within and thus delimited a distinctive but still diverse style or tradition of analysis. Thus, it is largely regarded as one of the most influential theories of international relations in the twentieth century and has performed a prominent role in explaining the behaviour of states and statesmen. Realism is overwhelmingly informed by a political tradition that dated back to the ancient Greek, and England finding safe harbour in Machiavelli, and Hobbes philosophies and, more recently the work of Kenneth Waltz, Morgenthau, E. H. Carr, Chanakya, A., and Carl von Clausewitz to name but a few, there understanding of realpolitik deeply influenced the political realists' perspective of looking at world politics especially from the viewpoint of human nature which they relocated in the sphere of reified states (Peu, 2009; Luard, 1992). Hence, the analysis of this work will spin around the works of the twentieth-century contemporary realist scholars mentioned. Realism has been the most dominant school of thought in post-World War II international relations and continues to have relevance in the present international relations scenario. The principal line of thinking of the realist school is in terms of power its exercises by states. In other words, it is chiefly concerned with realpolitik (Peu, 2009). According to Waltz (2000), realism means that the state`s interest provides the spring of action, the necessities of this action arise from the unregulated competition of states. This calculation according to him was based on these necessities that can discover the policies that best serve a state interest. He further explains that success is the ultimate test policy, and success is defined as preserving and strengthening the state. Morgenthau (1967) defines realism as governed by objective laws that have their roots in human nature which is unchanging. The main signpost that helps realism find its way through the landscape of international politics is the concept of interest defined in terms of power. From Morgenthau`s definition of realism, one can rightly attribute that power and interest are variable in content. And universal moral principles cannot be applied to the actions of states in pursuit of power and safeguarding state interest. The basic assumptions of realism are: the international system or realm is anarchic and consists of independent political units called states; sovereign states are the principal actors in the international system; states are rational unitary actors, each acting under the consideration of its national interest; national security and survival are the primaries 'national interest' of each state; in pursuit of national security, state strive to increase national power; national power and capabilities determine the relations among states; national interest, defined in terms of national power, guides the actions of the states in international relations (Peu, 2009).

The central idea of realist theory in international politics is all about the power struggle. The realist views the international arena as a competitive ground for power over available resources. The realist traditions believed that nations act only out of self-interest (national interest) and also claimed that leaders of nations use their powers to advance the interest of their nations with little or no regard for morality or friendship. Additionally, construing from the realist view national interest is the prime determinant of state behaviour in the international arena or world stage. National interest guide becomes the guiding light and the navigating tool for states in the conduct of their international relations. Realism opines that mankind is not inherently benevolent but rather selfcantered and competitive. Indeed, Morgenthau concord that international politics is defined by objective universal laws predicted on national interest and expressed in terms of power (Goldstein, 2003 in Abubakar, 2008). The adoption of the realist view became very imperative because of its significance to international relations and its usefulness in explaining the behaviour of states as well as statesmen (Luard.1992). The justification of this theory is premised on the fact that the goal of the state will be determined by the decision-maker with regards to his perception of the international system and how he reacts to it in favour of his country. It is against this backdrop that this paper centred on international organizations and Third World countries' perspectives from the south.

Historical Antecedents of International Organizations

The signing of the Peace of Westphalia in 1648, reinforced by the Treaty of Utrecht in 1713, established the principle of national sovereignty, thereby placing the states of Europe on an equal legal footing. This notion of sovereign equality - endowing each state with territorial integrity and the right to conduct domestic and foreign affairs without outside intervention - represents the first real ordering principle among states. After Westphalia, *decentralized control by sovereign states* (Falk, 1969, p. 69) provided the basis for a horizontal international order critical to the subsequent development of the international organization. However, it was not until the nineteenth century that actual international organizations began to appear in significant numbers (Falk, 1969 in Alexander, 1999). Construing from above the first serious attempt at formal international organization arose with the Congress of Vienna (1814-1815), which established diplomatic foundations for a new European security order following the devastation of the Napoleonic Wars. The principal innovation at Vienna was that representatives of states should meet at regular intervals not just in the wake of war - to discuss diplomatic issues. Accordingly, four major peacetime conferences were held between 1815 and 1822 (Schroeder, 1994). After this period, the aspirations of the Congress system gave way to a more informal regime. As characterized by a *looser association of the Great Powers continued in existence - an attenuated Congress system limited to dealing with problems as they arose, not seeking to anticipate them or to iron them out of existence* (Hinsley, 1963). This *Concert of Europe* featured sporadic gatherings throughout the century, mostly in response to wars: Paris in 1856, Vienna in 1864, Prague in 1866, Frankfurt in 1871, Berlin in 1878, Berlin in 1884-1885, and The Hague in 1899 and 1907. These last two conferences went so far as to establish panels of arbitrators to settle international disputes and produced a Convention for the Pacific Settlement of International Disputes. A new set of IOs was created to manage international economic transactions, facilitate shipping and international trade, and regulate traffic; the littoral states of the Rhine established the Central Commission for the Navigation of the Rhine in 1815 at Vienna. Similar commissions were established for the Danube (1856) and Elbe (1821) rivers. The Zollverein, a customs union of Germanic states established in 1834, was the first effort at international economic integration and governance in Europe (Adeniran, 2007).

The periods following the two World Wars saw the greatest proliferation of institutions. Heads of state and diplomats met in 1919 at the Versailles Peace Conference to create a global security IO in the League of Nations. This was the first attempt at collective security - that is, an institution operating on the notion of all against one (Claude, 1962; Kupchan & Kupchan, 1991 in Alexander, 1999). Under Article 16 of the League Covenant, all member states were required to come to the aid of a member that was the victim of military aggression. The League was overwhelmingly concerned with fostering peace, though economic and social issues did receive secondary attention. The Covenant further established the Permanent Court of International Justice, the first attempt to create a global forum of justice and predecessor to today's International Court of Justice. All members participated in the General Assembly, while a separate League Council - consisting of five permanent members (the United States, Britain, France, Japan, and Italy) and several rotating members - guided the operation of the organization (Alexander, 1999). The architects of the post-war system set out to establish an extraordinarily ambitious framework of positive international law and institutions. The most important was the United Nations, whose basic structure was decided by the US, the United Kingdom, the Soviet Union, and China at the Dumbarton Oaks meeting of 1944 and the 1945 Yalta Summit. The drafters of the Charter, signed at the San Francisco conference of founding members in June 1945, were conscious of the limits inherent in the idealism of the League of Nations. Another set of organizations was created during and following World War II, to avoid economic conflict by, especially, maintaining currency stability and free trade. The Bretton Woods monetary system established the US dollar as the central currency; other currencies would be valued according to the dollar, which in turn was pegged to gold. Two formal IOs were created as part of this system: the International Monetary Fund was charged with monitoring the balance of payments while the World Bank supervised economic development and post-war reconstruction (Roberts, 1993; Koskenniemi, 1996). International organizations (IOs) have become an increasingly common phenomenon of international life. The proliferation of international organizations, the growth in treaty arrangements among states, and the deepening of regional integration efforts in Europe and other parts of the world all represent formal expressions of the extent to which international politics has become more institutionalized over time (MacKenzie, 2010; Reinalda, 2009; Green, 2008). Thus, the place of international organizations can not undermine international politics.

International Organizations and Third World Countries

The emergence of some International organizations and institutions in the international arena predates the evolution of some states in the *Third World* countries. Third World countries were seduced and drag prematurely into the world capitalist system without capitalist sheep men to foster capitalism. However, for proper illumination, the paper at this point bisects into looking at the perspective from the West and perspective from the South which is the main anchor of the work.

Perspective from the West

The various international organizations functioning within the contemporary international system have been wielding some influences and these, to some extent, determine the pattern or direction that the organizations are likely to go. The contemporary roles of the inter-governmental international organizations and the non-governmental international organizations have been determining by the need to keep on regulating relations among nation-states not only for the sake of preventing conflict and war but for purposes of development in many areas (Adeniran, 2007). The functions, for example, now cover regulation of relations among states in such a way that there would be collaboration in the promotion of science and technology and there would be co-operation in the control of such events as selective and instrumental violence (Adeniran, 2007). International organizations do not only help nations to find a forum whereby they could discuss their problems and relate to one another but have also been helping regarding the fulfilment of the essential aspirations of people in general. These include assisting liberation movements in getting co-operation and recognition by nations, assisting minorities within the various countries all over the world who cry against the operation, discrimination or victimization within their nation-states of origin, they help the various countries that are engaged in interactions in providing legitimacy for certain policies and proposal that are made to affect one particular change (Adeniran, 2007). These institutions as usurping the role of the market and easing pressures on developing states to adopt efficient, market promoting policies, thereby facilitating development. Conventional wisdom in international and comparative Political economy has held that international institutions, like the IMF, UN, and WTO (and its predecessor, the GATT), have been largely beneficial for the countries in them (Randall, 2002). These institutions, it is believed, constrain the behaviour of the most powerful countries and provide information and monitoring capacities that enable states to cooperate, and the whole all states involved are better off with these institutions than otherwise (Ikenberr, 2001).

The IMF primarily maintains exchange rate stability by making short-term loans to countries with international balance of payment problems because of trade deficit, heavy loan payments to buy back its currency (thus maintaining exchange rate stability by balancing supply and demand), or take another financial step. Members in the IMF are assigned *quotas* this reflects the relative economic power as a sort of credit deposit (Rouke, 2008). It is worthy of note that international organizations expand their influence in third world countries beyond economic to the political matter of good governance. The broadening of its field of application is attributable to the fact that the good governance discourse has moved beyond its strictly macro-economic core. Principles of good management, accountability, and participatory governance are now thought to apply to international organizations which, under increased pressure from public opinion in the aftermath of widely publicized scandals, could not defend the sui generis character of their system of governance any longer. Especially since the second half of the 1990s, several international organizations have carried out major governance reforms, assuming that their calls for governments to heed higher standards of good governance will be all the more credible provided that they develop a good governance standard for themselves. Indeed, the requirements of good governance are a matter of the age-old adage of (*patere legem quem ipse fecisti)* comply yourself with the laws you made (for others) (Jan, 2004). Keeping in view with the recent mandate of International organizations, the principle of good governance called to order political challenges in third world countries. A random selection from several recent documents of European and international organizations may serve to illustrate this. Michel (1997), in Jan (2004), elucidates that: Promoting good governance in all its aspects, including ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption… is an essential element of a framework within which economies can prosper.

Advancing the foregoing, Kofi Annan, the then Secretary-General of UN in his address at the Kennedy School of Government, Harvard University, (2002) deduced that: What is encouraging about recent developments in Africa is that the pressure for good governance is no longer coming from one side or the other, but from peoples and leaders alike. The spirit of democratic empowerment is challenging all leaders to live up to the ideals of independence, and to deliver the freedoms, rights, and opportunities that their peoples deserve. The UN defines governance as the traditions and institutions by which authority in a country is exercised for the common good. Governance would include the process by which those in authority are selected, monitored, and replaced the capacity of the government to effectively manage its resources and implement sound policies, and the respect of citizens and the State for the institutions that govern economic and social interactions among them (Jan, 2004). The UN addresses the issue of good governance when it attributed the African development crisis to a crisis of governance in a 1989 report. However, a perspective from the West contends that International organizations do not impose good governance conditions on their Member States, particularly developing countries. Instead, they favour the use of the word *empowerment and might* - in the context of borrowing conditions - point out that the responsibility for governance issues should lie first and foremost with the national authorities. The staff of the organizations could then build on the national authorities' willingness (Annan, 2002). Holding on this standpoint, international organizations thus encouraged liberalism which is the common and acceptable norm in the west. On the foregoing, the generic perception of view from the West anchored on the enormous benefit the third world enjoyed as a result of international organizations ranging from economic to political matters. As rightly observed above, Third World was better now than when they were isolated from international organizations.

Perspective from the South

Third World countries are those countries that were structure to at the disadvantage by their architects. They do not evolve like their counterparts in the West which were subject to theoretical explanation of state emergence. They were the product of colonial interest and quest for power pursue. Thus, they exist amidst already existing international structures with high tends of politics exhibiting itself in the forms of organizations. These organizations wield influence from political to economic and socio-cultural. Notably, after World War II, several international organizations and institutions were created to manage the world economy and prevent another Great Depression. These institutions include the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (now called the World Bank), and the General Agreement on Tariffs and Trade (GATT), which was expanded and institutionalized into the World Trade Organization (WTO) in 1995. These institutions have not only persisted for over five decades, but they have also expanded their mandates, changed their missions, and increased their membership. They have, however, become highly contested (Helen, 2005). Recently, evidence has mounted that these institutions have not been beneficial for the Third World countries as opine by the perspective from the West. Supportively, the New International Economic Order (Aloysius, 2015) was designed to restructure international economic relationships to redress the disadvantaged economic position of developing countries. Highly believed by scholars in the south these institutions were created by and for the interests of the large, rich countries. They were established at American initiative during its hegemony following World War II. American and European dominance in these organizations has been sealed by their sizable market power and their de facto control over the institutions' operations. Serving the interests of the advanced industrial nations has meant either that the interests of the Third World countries were at best neglected and worst damaged (Helen, 2005). At the root of this is the inequality in the economic power of different nations.

The industrialized countries have far higher per capita incomes, which translates into economic clout in negotiations to shape global governance. They are the source of much-needed markets, foreign investments, financial capital, and technology. The ownership and control of these vital assets give them immense economic power. This creates a built-in tendency for the process of global governance to be in the interests of powerful players, especially in rich nations. In this view, the international institutions have not helped much since they are oriented to promote the interests of the developed countries (ILO, 2004 in Helen, 2005). Empirical evidence over the years shows that international organizations have promoted the adoption of market-friendly policies. Policy recommendations to the Third World countries were given to mirror the experiences and interests of the rich countries. Trade liberalization promoted by the WTO and IMF occurred too quickly and without (enough) concern for finding alternative means for the poor countries to fund their budgets and develop social safety nets. For instance in Nigeria, Olorede (2015), in Omotoye (2017) asserts that between 1979 and 1999, the Nigeria labour movement struggled, especially between 1979 and1989, to wrestle with the puppets of the IMF that supervised the entrenchment of neo-liberal re-colonization. IMF neo-liberal policy in the Third World countries manifests in liberalizing trade, government disengagement from social services, reduction of employment in the public sector, removal of the so-called subsidies, devaluation of Nigeria's currency, and continued build-up of foreign and domestic debt. At the bottom of all these is continuing influence of the World Bank and the IMF economic policy which is also characterized by debt peonage and dependence on the directive of these Bretton Woods institutions (Omotoye, 2017). The condition of the Third World in international organizations is that of a receiver than a determinant of action, the *Big States* use the organization to their advantage to the detriment of the Third World countries. Thus, Thucydides observed that the strong will always do what they can do and the weak will always take what they can accept. Expressly, Thucydides' position depicts the state of the Third World countries in their romance with the international organizations.

In the case of the IMF, Aja (1998) contended that IMF does not exist to serve the interest of all as aforementioned. It is an instrument of the leading Western capitalist countries to strengthen, not only their domestic economies but facilitate the hegemonic of international capitalism on the global scale (Aja, 1998). Each member country is assigned a quota, which determines its voting power; how much a country would subscribe, and the number of funds it may draw from the Fund's currency pool which is determined by a country's size of income. United States, Japan, Germany, France, and Britain controlled up to 42.78 per cent of the IMF quota. The USA alone has 19.62percent of total quotations; Japan and Germany 6.1percent each, while France and the United Kingdom with 5.48percent each. The politics of quota system based on country's level of income automatically handicap the Third World countries, which are worst hit by the economic crisis, and affect their ability to obtain financial resources from the international capital market (Alkali, 2003). Despite their geometric dominance, the Third World countries have no significant influence in the international organizations. Today, third-world states are being compelled to relinquish sovereign economic, social and political space to international organizations without effectively participating in the negotiations leading to the adoption of relevant treaty regimes or, in other cases, in the decision-making afterward. An instance of the first is the negotiation and adoption of legal texts constituting the Final Act of the Uruguay Round of Multilateral Trade Negotiations that led to the establishment of the WTO. Things have not changed since, as is evidenced by the protest of a large group of third world countries, in particular African countries, which are being continually side-lined in WTO talks at the Third Ministerial Conference held in Seattle in December 1999 (Kwa, 2002). It was hoped that this protest would start a process that would inject greater democracy into the system. But these hopes have been belied. Most third-world countries remained spectators in the negotiations leading up to the adoption of the Doha Ministerial Declaration (Chimni, 2004). Only a handful of them participated effectively in the process. There was little transparency in the meetings, which were manipulated by Northern states with the assistance of the WTO Secretariat (Chimni, 2004). When individual third-world delegates/delegations were critical of the negotiation process or were seen as being in opposition to the inclusion of the Northern agenda in the Ministerial Declaration, bilateral pressures were used by Northern states to silence them (Gerster, 1993). The situation has been no different since; the recent Cancun Ministerial Conference, notwithstanding its failure, was a repeat of the Doha experience. Small groups of states have been meeting informally to discuss and reach compromises to the exclusion of a vast majority of WTO members.

In another dimension, international organizations erode the sovereign status of the Third World countries. Sovereign powers have been relocated from third world states and peoples to inter alia through the adoption of uniform global standards. Thus, for example, be in Nepal or the US or Rwanda and Japan, the same laws are to be adopted by all. In particular in the field of human rights and environment, have also been established that limit the autonomy of third world states and peoples to adopt social policies that suit their cultures and stages of development (Chimni, 2004). The UN being the key international political institution in the world today, the relationship between the state and the UN is being reconstituted by limiting the sovereignty of the third world and affecting its ability to shape the future world order. This reconstitution is a cumulative result of (a) assigning a greater role to the corporate actor within the UN; (b) redefining the principle of non-use of force by legitimizing the use of force by the Western power bloc against third world states; and (c) adopting the neo-liberal state as a model for its member states, manifested in particular in its peace-building efforts in post-conflict societies. The reconstitution of the relationship of the third world state and the UN is critical for the emergence of the imperial global state as it, among other things, confers legitimacy on a new set of ideas and actions that go to promote the interests of the organization (Chimni, 2004). Therefore, the UN assumed the medium through which the Western power bloc exercises a global monopoly over the legitimate use of force. The post-Cold War period has seen the emergence of a globalized Western state conglomerate, which has been termed 'an integrative authoritative organization of violence (Shaw, 2000). This power bloc comprises the states of North America, Western Europe, Japan, and Australasia. Shaw points out that the Western state's authoritative deployment of violence is now structurally reinforced by its increasing if problematic integration with the legitimate international world authority structure of the United Nations. Shaw (2000, p.3) holds that:

It is clear that the UN depends for both its resources and its political direction on the West, and that the united West is mostly able to mobilize the UN system for its purposes. Despite the deeply ambiguous relationship between the main component of the West (the USA) and the UN, it is difficult to conceive of either without the other. The mutual dependence of Western power and the UN system is fundamental. Major and minor exercises of Western military power have been legitimated through the UN; the UN has not authorized or undertaken any significant actions against Western interests.

The UN being the international community of states vested with the mandate of states has, however, become the instrument of the west in fostering their interest at the expense of Third World countries. Advancing the common function of international organizations is to provide an interactive arena in which member states pursue a common interest in solving problems. However, nation-states hide to pursue their national interest. This pretence is evident in the struggle within the UN and other international organizations where countries and blocs of countries wage political struggles with a vengeance (Foot & Mastanudo, 2003 in John, 2005). The trends and pattern of relationships in the UN General Assembly indicated that its principal dimension of conflict is between the dominant Wests led by the United States (Voeten, 2000 in John, 2005). The manoeuvring in the UN Security Council in 2003 over the war with Iraq and its post-war rebuilding, out rightly validate the dominance of the West over the Third World countries. In an affirmative statement, French President Jacque Chirac commented at the time, *France considers itself one of the friends of the Americans, not necessarily one of its sycophants* (John, 2005). The use of international organizations for national advantage is contradictory to the purpose of these supposed cooperative organizations. International organizations have becomes a stage for struggle and manipulation rather than utilizing them as platforms to enhance cooperation. Moreover, the UN Security Council (UNSC) has 15 members, ten are chosen by United Nations General Assembly (UNGA) for limited terms, but five are permanent members. These five (China, France, Russia, the United Kingdom, and the United States) were the leading victorious powers. They have served continuously since 1945 as permanent members of the Security Council; more than half of the other 186 members have never served on the council (John, 2005). This practice violet the principle of sovereign equality of states as enshrine in international law and its portrait geographic and demographic imbalance.

Europe and North America have four of five permanent seats, and those four permanent members are also countries of predominantly Euro-white and Christian heritage (John, 2005). The Third World countries thus, concord with the position of Zambia president that the council *can no longer be maintained like a sanctuary of the Holy of Holies with only the original members acting as high priest, deciding on issues for the rest of the world who cannot be admitted*. The place Third World countries in international organizations in today's world reflect that of servant and Lord, the relationship that can best be described as the modification of the feudal era which can now be referred to as neo-feudalism of 21st century.

Leadership positions in international organizations posed a serious challenge to the Third World countries. The selection of Boutros-Ghali (1992-1996) in the UN began with African discontent that no one from that continent had yet been secretary-general. However, the selection of Boutros-Ghali though an African but so much tied to his western affiliation in terms of faith, education, and marriage. Similarly, his successor, Kofi Annan of Ghana is a Christian, married to a Swedish woman (John, 2005). Reflecting soberly on the foregoing, it is trouble-free to see the international organizations in the spectacle of Ake (1978): *the world constitutes a capitalist system, and the actors are countries- some of which are analogous to individual entrepreneurs-these are refer to as bourgeois countries and others of which are analogous to the workers-these as proletarian countries* (Ake, 1978). International organizations in the perspective of the south portrait nothing more than class divisions within countries where the strong eat the weak vie the instrumentality of manipulation, advantage over wealth, and technology.

Response from the Third World Countries

It is generally believed that necessity begot invention. Earlier noted, international organizations evolved out challenges that are endemic in human society. Owe to the fact that capacity and natural endowment are uneven, nation-states in their quest to collectively solve their problems decided to come together based on a treaty to relate. This relationship over the years has created another challenge among states. The ill-treatment of the Third World countries has prompted a response from the axis. The general and immediate demand hang on call for a new international order started as a result of the failure of the various international organizations to bring about transparency. The demand for a new international economic order took the form of demands by the representatives of the south for national control, economic sovereignty, retribution, and redistribution of the world's resources. The calls were also for greater market access in the industrial countries for the manufactured products of the South’s goods, stable and higher prices for their agricultural and other commodities, greater access at less cost to existing technology; also, restraint on the activities of the multinational corporations and re-negotiations of their growing external obligations. They also wanted adjustments and restructuring of existing international decision-making procedures (Adeniran, 2008). On the economic front, the struggle has been particularly intense. The Third World countries have concentrated mainly on joining together to manipulate market forces. The most dramatic manifestation of this strategy is the formation of the Organization of Petroleum Exporting Countries (OPEC) and other cartels such as; the International Tin Agreement (ITA) members include; Bolivia, Malaysia, and Thailand, the International Council of Copper Exporting Countries (CIPEC) the members are Zaire, Zambia, Chile, and Peru, the Association of Natural Rubber Producing Countries, consisting of Indonesia, Sri Lanka, Singapore, Vietnam, Malaysia and Thailand (Ake, 1978). In Africa, the gallant step taken in countering the dominancy of the white in international organizations is the formation of a common voice to speak for the Africans. As observes by Ake (2001) this they did collectively under the auspices of the Organization of African Unity (OAU). The first conference of the heads of states of independent Africa on May 22-25, 1963, adopted a resolution called Areas of cooperation in Economic problem (Ake, 2001). The formation of international organizations in the Third World countries was majorly on the ground of respond to the treatment and manipulations experienced in relating with the European countries.

Conclusion

One of the promising developments of the twentieth century in interstate relations has been the proliferation of international organizations. These treaties of the past have gain ascendancy in the 21st century through the proliferation of international organizations. The perspective from the west contained that International organizations do not only help nations to find a forum whereby they could discuss their problems and relate to one another but have also been helping regarding the fulfilment of the essential aspirations of people in general. Contrary to the myopic position of the west about international organizations, the current trend in international organizations buttress that international organization is the conglomeration of the strong states against the weak states often refer to as Third World countries that were disadvantaged by the making of the strong states; and consequently, revolutionary moves by the Third World countries.

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Relationship between Manpower Enhancement and Organizational Performance: A Study of Selected Deposit Money Banks in Umuahia, Abia State

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Abstract

This study focused on the relationship between manpower enhancement and organizational performance of selected Deposit Money Banks (DMBs) in Abia State, Nigeria. The study sought to: determine the relationship between manpower enhancement and organizational performance of the selected DMBs. The methodology of the study employed a survey research design. This research project used primary data and secondary data to gather information from the respondents in the selected banks. The study targeted two (2) DMBs, namely, Access Bank and Ecobank. Thus, the population of this study was 200 respondents. The sample size of 133 respondents was derived using Taro Yamane formula. Thus, 133 copies of questionnaire were distributed to the respondents in the study area. Out of this number twenty seven (27) were lost, while 106 were returned, which constitute 79.7%, and that formed basis of this study. The study adopted correlation analysis in treating the data so collected. The results indicated rho = 0.82 with p-value = 0.000 at 0.05 level of significance. This establishes that there is a strong positive and significant relationship between manpower enhancement and organizational performance of the selected DMBs in Umuahia, Abia state. The study recommends that organizations should adopt more effective general policies, orientations communication and employee education as important dimensions of human resource employee development to further boost organizational performance.

Keywords: *Manpower Enhancement, Organizational Performance, Coaching and Training*

Introduction

The success of any organization in the contemporary business world depends on the quality of employee available to it to initiate and implement its policies. Manpower enhancement is essential to the success of every organization. Manpower enhancement enables employees to develop skills and competence necessary to enhance bottom-line results for their organizations. Manpower enhancement seeks to improve the performance of work units, departments, and the whole organization. It looks in depth at where an organization stands in comparison to where it hopes to be in the future, and develops the skills and resources to get there. The ultimate goal of Manpower enhancement is to enable the organization to survive and grow stronger in achieving its purpose and mission (Agarwal, Angst & Magni, 2006). Moreover, the increasing complexity of technology, the multiplicity and requirements of organizational roles and pressure of social needs and problem has heightened the desire for effective employee in the modern world today. Manpower enhancement is very vital to job productivity and organization performance since the formal educational system does not adequately provide specific job skills for a position in a particular organization. While, few individuals may have the requisite skills, knowledge, abilities and competencies needed to fit into a specific job function, some others may require extensive training to acquire the necessary skills to be able to fit in a specific job function and also make significant contribution to the organization's performance (Akinpeju, 1997). The human capital theory provides evidence which indicates that Manpower enhancement raises the productivity of workers by imparting useful knowledge and skills, hence raising workers' future income by increasing their lifetime earnings. Enhancement should embrace all employees in the organization and aimed at challenging all to growth and self-development. Similarly, manpower enhancement improves the knowledge base of organizations' members, a precursor of organizational performance. However, Ewuim, & Ubochi, (2007) stated that one of the leading challenges in management has been implementing effective manpower enhancement programmes to enhance performance through effective organizational policies. Manpower enhancement is the systematic acquisition of the knowledge, skills, and attitudes required by employees to adequately perform a task or job or to improve performance in the job environment. This implies that for any organization to succeed in achieving the objectives of its training program, the design and implementation must be planned and systematic, tailored towards enhancing organizational performance. Based on the foregoing, this research attempted to examine the impact of manpower enhancement on organization performance.

Despite the importance of Manpower enhancement in employee productivity towards organizational survival, training and development programs are not sufficiently supported by organizations in Nigeria. These organizations consider the money they will spend on their training programs as waste rather than investment. They fail to foresee the desirability of continuous training and development of their employees in order to promote the efficiency and effectiveness of their organizations. Those that attempt to conduct trainings for their employees do so in an ad- hoc and haphazard manner, and as such, training in those organizations is more or less unplanned. This view is corroborated by Olaniyan and Ojo (2008) who argued that many employees have failed in organizations because of lack of basic training. It is appalling to note that managers in Nigeria have paid little or no attention on staff training programmes often manifest tripartite problems of incompetence, inefficiency and ineffectiveness. Recently, some DMBs have failed to address skills, training, motivation, dedication, welfare, management policies, fringe benefits, salary and packages, promotion and communication which are responsible to encourage the people to work sincerely and give their best output. Managers are not competent enough to identify employee skills, abilities, values, strengths and weaknesses before sending such employee out for coaching and training, most of the employees are trained outside the field of their specialization and this has affected their performance in the organization. Oku (2003), asserted that organizations has failed to increase productivity, improves the quality of work, improves skills, knowledge, understanding and attitude; enhance the use of tools and machine; reduces waste, accidents, turnover, lateness, absenteeism and other overhead costs, eliminates obsolesce in skills, technologies, methods, products and capital management towards the organizational survival and growth. The study further revealed that despite all the training and skill acquisition programmes most employees acquired in the organizations, few of the employees find it very difficult to unleash the knowledge, skills, and attitudes required to adequately perform a task or job or to improve performance in the job environment. Against this backdrop, this study tends to examine the impact of manpower enhancement on organization performance. The main objective of this study is to examine the relationship between manpower enhancement and organization performance of selected DMBs in Umuahia, Abia State. The research hypothesis is:

Ho_1: There is no positive relationship between manpower enhancement and organization performance in the selected DMBs in Umuahia, Abia State.

Literature Review

Manpower Enhancement

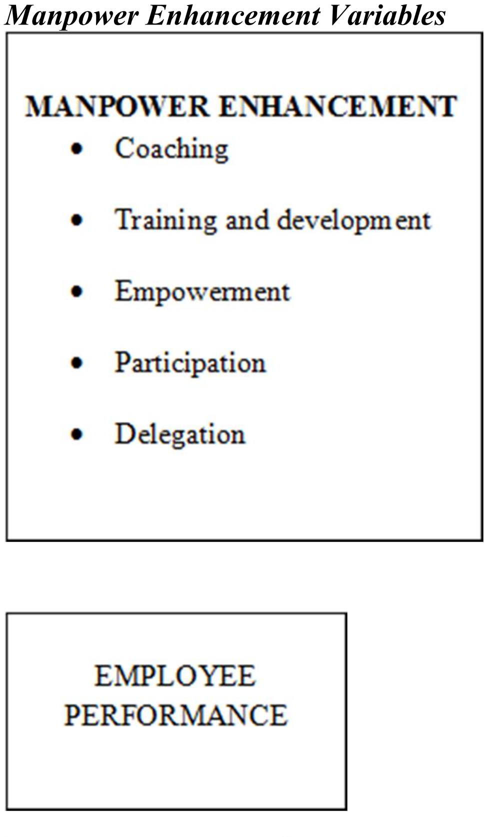
The link between manpower enhancement and organizational performance is based on two theoretical strands. The first is the resource-based view of the firm. The second is the expectancy theory of motivation developed by Vroom (1999) which is composed of three elements: the valence or value attached to rewards; the instrumentality, or the belief that the employee will receive the reward upon reaching a certain level of performance; and the expectancy, the belief that the employee can actually achieve the performance level required. The authors stated that human resource management practices that encourage high skills and abilities, e.g. careful selection and high investment in training can be specified to establish the link between manpower enhancement and performance (Vroom, 1999). The importance of manpower enhancement in organization has been extensively discussed in literature and a general conclusion has been reached by scholars all over the world. This informed position that it is human resources, not capital, not income, nor material resources that constitute the ultimate basis of the wealth of nation. Proponents of organizational growth are of the view that firm and corporate organizations are becoming increasingly aware that increasing organizational profit is not only due to new technology or combination of factors of production only but also the development of its employee resources. Employee development has both qualitative and quantitative dimension, that is to say, human capital formation includes not only expenditure on training but also the development of right attitudes towards productive processes. The human capital component of the factor of production is a first order condition for organizational growth. When there is difference or gap between actual performance and the organizations set objectives, productivity suffers; training can reduce it, if it does not completely eliminate the gap. Raymond (1996) posit that this can be achieved through behavioural change of individuals by giving the employee whatever additional specific knowledge, skill or attitude they need to perform up to standard. This involves investment in man and his development as a creative and productive resource. Raymond (1996), argue that organizational survival depends on the employee performance because human resource capital of the organization plays an important role in the growth and the organizational performance. The fundamental question emanating from this analogy is: *how can an employee improve his/her job productivity and enhance the performance of the organization?* The answer to this question is not far-fetched. There are many factors which improves the work of the employee and overall performance of the organization. Such factors include motivation, promotion, flexible scheduling, welfare package, and training (Raymond, 1996).

Lots of time training is confused with development, both are different in certain respects yet components of the same system. Enhancement implies opportunities created to help employees grow. It is more of long term or futuristic in nature as opposed to training, which focus on the current job. It also is not limited to the job avenues in the current organisation but may focus on other development aspects also. At most organizations, for example, employees are expected to mandatorily attend training program on presentation skills however they are also free to choose a course on *perspectives in leadership through literature*. Whereas the presentation skills program helps them on job, the literature based program may or may not help them directly. Similarly many organisations choose certain employees preferentially for programs to develop them for future positions. This is done on the basis of existing attitude, skills and abilities, knowledge and performance of the employee. Most of the leadership programs tend to be of this nature with a vision of creating and nurturing leaders for tomorrow. The major difference between training and development therefore is that while training focuses often on the current employee needs or competency gaps, development concerns itself with preparing people for future assignments and responsibilities. Development focuses on building the knowledge and skills of organizational members so that they will be prepared to take on new responsibilities and challenges. Staff development involves the training, education and career development of staff members. The purpose of training and development has been identified to include: creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organization; enhancing the company's ability to adopt and use advances in technology because of a sufficiently knowledgeable staff; building a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employee morale; and ensuring adequate human resources for expansion into new programs. The purpose of employee development is to improve knowledge and skills and to change attitude (Mullins, 1999). Mullins argues further that manpower development is capable of producing the following benefits:

- Increase the confidence, motivation and commitment of staff;
- Provide recognition, enhanced responsibility, and the possibility of increased pay and promotion;
- Give feeling of personal satisfaction and achievement, and broaden opportunities for career progression; and
- Help to improve the availability and quality of staff.

Training facilitates employee development and consequently his performance. Manpower training and employee development are two interrelated processes whose importance cannot be overemphasized in any decision of strategic human resource management. They are related through series of activities, which an enterprise would embark upon to improve the quality of its managerial capacity (Mullins, 1999). Manpower enhancement refers broadly to the nature and direction of change induced in the employees as a result of educating and training programmes. Mullins (1999) describes development as managerial in nature and career focused. To distinguish training and development, He asserted that *unlike the training, the workers which improve technical and mechanical skills, development techniques are designed for work behaviour modification*. According to him, development is an educational process, utilizing a systematic organizational procedure by which a worker learns the conceptual and theoretical knowledge for effective pursuance of their responsibilities.

Manpower Enhancement Variables



Sources: Abdul and Aamer (2011); Kirkpatrick (2006);

The main manpower enhancement variables include the following:

Coaching: Individuals are allowed to take the responsibility. They are treated as a partner to achieve personal and organizational goals. As goals are achieved, the performance is enhanced.

Training and Development: Training is the permanent change in behavior. Employee should be taught how to do a particular task. Development is a long term process (Leibowitz, 1981).

Empowerment: Empowerment means to increase the capacity of the employee and also provide freedom of work which will build the confidence among the employees.

Participation: By letting employees participating in organizations policies or decision making can lead the employee to enhance the performance. They will be able to make more smart decisions.

Delegation: If managers delegate authority to the employees to perform the task, what they want can also lead to enhance performance. Employees will do those activities which they can perform more easily. This will lead to achieve organizational goals and thus enhance organizational performance (effectiveness).

Methods of Manpower Enhancement

Olaniyan and Ojo (2008) listed the following as methods of training and development. For training, they are:

- On the job training/coaching. This means increasing a workers knowledge skill and experience while on job.
- Induction/orientation. This is strictly designed for new entrants to make them acquainted with the overall corporate requirement of the organization such as norms, ethics, goals, rules and regulations etc.
- Apprenticeship – This is strictly a situation where an unskilled person receives training from his/her master.
- Demonstration. This means teaching by example especially by the skilled person while the unskilled observes.
- Vestibule: This is mainly through industrial attachment where there is skill and technology transfer.
- Formal Training: This type of training is done within or outside an organization. It is also referred to as in-house or off-house training in professional zones, like, universities, polytechnics, training institutes/centres etc.

For enhancement, the variables include:

- Under-studying – This is very necessary where an officer will succeed another officer that leaves an organization or neglects his duty. That is developing other workers to be able to fit into any position in the organization.
- Job rotation – This means moving workers from one position to another within the organization such that each worker is competent in all the jobs within.
- Self-Development: This is when employees go outside the organization to provide themselves with more knowledge and skills.

Benefits of Manpower Enhancement

The following have been identified as benefits of manpower development:

- It increases job satisfaction.
- It increases employee motivation.
- It increases efficiency in processes resulting in financial gain.
- It reduces employee turnover.
- It increases capacity to adopt new technologies and methods.
- It improves risk management such as sexual harassment in organizations, safety at work place etc.

From the above, it is very obvious that when manpower is trained and developed, operational efficiency will be achieved (Mcnamara, 2008).

Challenges of Manpower Enhancement

Manpower enhancement depends upon the individual employee, whether the employee is willing to participate or not. Employee development also depends on the organization culture, attitude of top management, and limited opportunities of promotion (Elena, 2000; Antonacopoulou, 1996).

Organization Culture: If organization culture supports employees, it will encourage employees to participate in decision making then employees would more develop and performance would increase.

Attitude of Top Management: Top Management attitude is another important factor that influences on employee developmental activities. It depends on the sincerity and commitment of the top management.

Limited Opportunities of Promotion: If opportunities of promotion are limited then employees would not participate in the employee developmental activities.

Developmental Activities

Coaching: This is an important activity for the employee development. Coaching is not formal. It involves treating employees as a personal partner in achieving both personal and organizational goals. Therefore, we can solve personal problems of the employees by providing coaching (Agarwal, 2006). When problems are resolved, this lead to increase in organizational performance as employees would be able to achieve organizational goals.

360 Degree Feedback and Developmental Centres: These are pre-planned and are based on prior defined assessment criteria. Developmental centres are present in the organization and many are outside the organization; which are very important, as they provide training to the individual employee. How to be developed and employees can only be realized if they have a desire or motivation to be developed.

Developmental Appraisal: This is an on-going process for the employee development during the whole year. Basically, it is a compulsory part of the Performance management. This appraisal will determine the weak area of employee where employee development is required in order to improve the employee performance.

Investment in Perceived Developmental Activities of the Employees: The investment in perceived developmental activities of the employee is important in order to increase the employee performance. As investment in perceived developmental activities also provide the organization as a competitive advantage (Chay, 2003).

Competitive Advantage: Most of the organizations do not consider the employee developmental activities of much value. They only focus on achieving the goals of the organization. They do not care about the development of employees. So, if organizations would focus on employee developmental activities, this would help in enhancing the skills of the employees (Chay, 2003). As skills enhanced, they would be able to develop career their own realistic career plan and thus lead to increase the organizational effectiveness. Other challenges of employee development in Nigeria are as follows:

i. Colonial Experience: There have been several arguments regarding the distortions in employee development of national growth in Nigeria as a result of colonialism which was fashioned towards economic exploitation. It could be recalled that the advent of colonialism led to the integration of the Nigerian economy into the World Capitalist System thereby placing minimum premium on labour when compared to other factors of production. This poor performance of indigenous labour by the colonial government no doubt has persisted in the post-colonial Nigerian State. As a result, this problem account for the lack of adequate attention given to labour as a critical part of the production process in Nigeria.

ii. Poor Political Leadership: Closely related to the problem of colonial experience as a problem of employee development in Nigeria is poor political leadership which is further deepening the problem of employee development in Nigeria. This factor has manifested itself in poor funding of education over the years, disparity or class in manpower development between children of the rich and the poor.

iii. Poor Manpower Planning: This problem is associated with the poor data base that is needed for manpower planning in Nigeria both in the rural and urban centers. These problems no doubt constitute a major hindrance on effective manpower development in Nigeria (Oku, 2003).

Theoretical Framework

Human Capital Theory

Human Capital theory was proposed by Schultz (1961) and developed extensively by Becker (1964); who classified expenditures on human capital as investment rather than consumption. Human capital can be defined as knowledge, skills, attitudes, aptitudes, and other acquired traits contributing to production. Human capital theory suggests that education or training raises the productivity of workers by imparting useful knowledge and skills, hence raising workers' future income by increasing their lifetime earnings (Becker, 1964). In Becker's view, human capital is similar to *physical means of production*, e.g., factories and machines: one can invest in human capital (via education, training) and one's outputs depend partly on the rate of return on the human capital one owns. Thus, human capital is a means of production, into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labour, or fixed capital (Becker, 1964).

Empirical Studies

Ugoji (2001) studied on the effect of training and development on organizational performance. The study used secondary data. Four hypotheses were developed to see the impact of all the independent variables on the overall Organizational Performance. The results show that training and development, on the job training, training design and delivery style have positive significant effect on organizational performance. He further presented a report on the impact of training (and vocational education) investments on company productivity and other performance indicators using a metal analysis. The result shows that investment in training have a positive and significant impact on company performance indicators. This result confirms the key role attributed to the investment in skills in the European strategy for smart and sustainable growth, Europe 2020, and the initiative agenda for new skills and jobs. Therefore, he provided advance understanding of the effects of training on organizational-level outcomes by reviewing the results of previous studies that have investigated the relationship between training and human resource, performance, and financial outcomes. The results of meta-analysis from 67 studies suggest that training is positively related to human resource outcomes and organizational performance but is only very weakly related to financial outcomes. Furthermore, training appears to be more strongly related to organizational outcomes when it is matched with key contextual factors such as organization capital intensity and business strategy. Further, training is related independently to organizational outcomes in support of the universalistic perspective of strategic human resource management rather than a configurationally perspective.

Jonathan (2013) carried out a study impact of training and capacity building for their employees so as to enhance productivity and overall performance of the organizations. This is due to the recognition of the important role of training and manpower development in attainment of organizational goals. Consequently, this study investigated the effects of training and manpower development on employees' productivity and organizational performance in Nigeria, using First Bank of Nigeria PLC as a case study. The study applied structured questionnaires to a sample size of 75 drawn by simple random sampling. The data generated was analysed using descriptive statistics. The findings of the study show that majority (70%) of the respondents agreed that training and manpower development has enhanced their efficiency and job productivity. Secondly, majority (80%) of the respondents overwhelming agreed that training and manpower development enhanced organizational performance. The study recommends that organizations should conduct training needs assessment to ensure that the right training is given; ensure that their training programmes should be on a continuous basis; and motivate staff who performed exceptionally well during training sessions so that other staff will in turn aspire to excel. The study employed the use of survey design, survey research designed is use to describe people who takes part in the study conducted. Survey research design also shows in detail the plan of how the researcher would approach the study according to the research questions and hypotheses in other to achieve the research objectives. Primary data were obtained through questionnaire administered on employees of the banks.

Methodology

The study targeted two (2) DMBs in Umuahia, Abia state, since it would not be convenient for the researcher to study the entire banks in the State. The population of this study comprises both employees and management staff of the DMBs in Umuahia, Abia State. Thus, the population of this study was 200 respondents.

Table 1: Population Table

Banks	Number of Employees
Access Bank Plc	110
Ecobank Plc	90
Total	**200**

Source: Human Resource Departments.

This study was limited to Access Bank and Ecobank Bank Plc in Umuahia. The sample size was derived statistically by using Taro Yamane formula as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where:
n = Sample
N = Population
e = Error of tolerance (at 95% confidence level)
I = Statistical constant

$$n = \frac{200}{1+200\,(0.05)^2}$$

$$= \frac{200}{1+200\,(0.0025)}$$

$$= \frac{200}{1+0.5}$$

$$= \frac{200}{1+0.5}$$

$$= \frac{200}{1.5}$$

$$= 133$$

The data collection instrument used was a structured questionnaire. The questionnaire was specifically designed to accomplish the objectives of the study. The questionnaires were divided into several sections. The questionnaire consists of closed-ended questions, with the use of structured 5-point modified Likert scale of: Strongly Agree (5), Agree (4), Undecided (3), Disagree (2), and Strongly Disagree (1). The respondents were asked to indicate the extent to which they agree/disagree with various statements. Content validity was tested, which explains the extent to which the instrument measures the overall appearance and subject matter in line with the set objectives of the study. In other words, the items or statements made reflect the purpose of the envisage problem of the research study. In furtherance of this, a pilot verification was conducted using cross-section of the population in the study area. The Cronbach alpha (∂) was adopted to ensure that the result showed validity before the questionnaire was distributed to the various components of the sample size. The Cronbach alpha (∂) is a unique estimate of the expected correlation of one instrument with an alternative form composed of the same number of items (Okebaram, 2014).

Data Presentation and Results

Table 2: Return of Questionnaire

Bank	Number Distributed	% Distributed	Number Lost	% Lost	Number Retrieved	% Retrieved
Access Bank	70	52.6	10	7.5	60	45.1
Eco Bank	63	47.4	17	12.8	46	34.6
Total	133	100	27	20	106	79.7

Source: Field Survey.

Two (2) banks (Access Bank and Ecobank) where chosen from Umuahia, Abia state, a total one hundred and thirty three (133) questionnaires were distributed to the respondents in the study area. Out of this number twenty seven (27) were lost, and then a total of one hundred and six questionnaires (106) were returned, which constitute 79.7% that formed basis of this study.

Table 3: Responses on Relationship between Manpower Enhancement and Organizational Performance

Statement	**SA 5**	**A 4**	**UN 3**	**D 2**	**SD 1**	**Total**	**Mean**	**SD**
Learning increases employee performance	89	17	- -	- -	- -	513	4.8	.714
Training improves organizational performance	88	15	- -	3	- -	506	4.8	.708
Coaching leads to organizational survival and growth	82	12	8	4	- -	490	4.6	.841
Skills improves organizational behaviour and growth	77	22	- -	5	2	485	4.6	.838
Attitudes boost organizational effectiveness	82	14	3	7	-	489	4.6	.830

Source: Field Survey.

The Table 3 above shows the relationship between manpower enhancement and organizational performance in selected DMBs in Abia state. Majority of the respondents had mean scores of 4.8, 4.8, 4.6 4.6 and 4.6, as they strongly agreed that learning increases employee performance; training improves organizational performance; and coaching leads to organizational survival and growth. Every good manager that wishes to improve the performance of their companies, the most important area is to emphasize is the management of people. Manpower development requires acquiring of skill and knowledge required for employee to perform effectively on the job. Organizations should adopt general policies, orientations communicating and educating employees in the organization on the importance of manpower developments were made towards organizational survival.

Test of Hypothesis

Ho: There is no significance relationship between manpower enhancement and organizational performance of selected DMBs in Abia state.

Correlation coefficient analysis on manpower enhancement

Table 4: Correlations

		Organizational Performance	Manpower Enhancement
Organizational Performance	Pearson Correlation	1	.824*
	Sig. (2-tailed)		.000
	N	106	106
Manpower Enhancement	Pearson Correlation	.824*	1
	Sig. (2-tailed)	.000	
	N	106	106

Source: Field Data, 2021

*. Correlation is significant at the 0.05 level (2-tailed).

The Table 4 shows the relationship between manpower enhancement and organizational performance of selected DMBs in Abia state. The results shows rho = 82% and p-value = 0.000 at 0.05 level of significance; which indicates states that there is a strong positive relationship between manpower enhancement and organizational performance of selected DMBs in Abia State. In summary, this study focused on the relationship between manpower enhancement and organizational performance of selected DMBs in Abia State. The findings reveal that there is a strong positive relationship between manpower enhancement and organizational performance on selected DMBs in Umuahia, Abia State.

Conclusion and Recommendations

This study was carried out with the motive of ascertaining the relationship between manpower enhancement and organizational performance of selected DMBs in Abia State. After the analysis, the study concluded that there is a strong positive relationship between manpower enhancement and organizational performance of selected DMBs in Abia State; which implies that manpower enhancement boosts understanding of the job. In order to enhance the performance of the employees, it is recommended that organizations should adopt more efficient general policies, emphasize better orientation and education employees, as employee development is critical to organizational survival.

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