Corporate Governance Mechanisms and Financial Performance of Listed Commercial Banks: Empirical Evidence from Nigeria

Sunday Oseiweh Ogbeide, Ph.D
Department of Accounting and Finance, Faculty of Social and Management Sciences,
Elizade University, Ilara-Mokin, Ondo State, Nigeria
E-mail: sunnyogbeide2017@gmail.com

&

Ass. Professor, Peter Ego Ayunku, Ph.D
Department of Banking, Finance and Insurance, Niger Delta University, Wilberforce Island, Bayelsa State, Nigeria.
Email peterayunku@yahoo.com

Abstract
This study examined corporate governance mechanisms and financial performance of Nigerian listed commercial banks. The population of the study consists of all the twenty five commercial banks in Nigeria. A sample of fourteen (14) commercial banks was selected and data were collected over the period 2010 to 2017. Inferential statistics consisting of Panel Estimation Least Square (EGLS) with fixed effect and the General Method of Moment were used for the data analysis. The results obtained reveal that corporate governance mechanisms exerted significant impact on commercial banks financial performance in Nigeria. Specifically, ownership concentration and managerial ownership were positive and significantly impact the financial performance of commercial banks in Nigeria whereas board size positively and significantly impact financial performance of banks over the reference period. Board gender diversity and board independence were significant and exert negative influence on financial performance of the commercial banks in Nigeria. The study recommended that there has to be a designed framework to efficiently and effectively monitor the interaction between corporate governance and commercial bank financial performance. This will drastically minimized the tendency for them to engage in rent seeking behaviour.

Keywords: Corporate governance mechanisms, Board size, Board Independence, Board Gender, Managerial Ownership, Ownership concentration, Financial Performance.

Introduction
There is no doubt several events have been responsible for the heightened interest in corporate governance researches both in developed and developing countries. For instance, the banking sector in Nigeria in the past used to have 89 active players before the consolidation exercise whose overall performance led to the sagging of customers' confidence in 2005/2006. There was lingering distress in the industry, the supervisory structures were inadequate and there were cases of official recklessness amongst the managers and directors, while the industry was notorious for ethical abuses (Akpan, 2007). Weak corporate governance mechanisms was observed as one of the major factors in virtually all known instances of bank distress in the country then. Weakness of the corporate governance mechanisms was seen manifesting inform of weak internal control systems, excessive risk taking, over-ride of internal control measures, non-adherence to limits of

authority, disregard for cannons of prudent lending, absence of risk management processes, insider abuses and fraudulent practices remain a worrisome feature of the banking system (Osamwonyi & Ogbeide, 2015).

Similarly, the subject of corporate governance took the attention of the global business limelight from relative obscurity after a string of collapses of high profile companies like Enron, the Houston, Texas based energy giant and WorldCom the telecom behemoth which shocked the business world with both the scale and age of their unethical and illegal operations (Uwuigbe, 2011). Since then, there has been much concern on how corporate governance influences every aspect of corporate management in financial and non- financial sectors of both developed and developing countries. There is no doubt corporate governance occupies the heart of every company and also takes a center stage in its affairs. The financial performance of firms and realization of shareholders wealth depend majorly on the quality of corporate governance mechanisms. Effective corporate governance mechanisms are a necessary factor to promoting efficient management of the affairs of a firm and realization of its set goals and objectives. Efficient management implies reduction of costs of operations like administrative expenses, expansion of the business product lines and customer base as well as tax cost reduction whether in the banking or non- banking sector of an economy (Osamwonyi & Ogbeide, 2015).

Banks, particularly commercial banks are generally into the business of financial intermediation. They connect the surplus and deficit units together for investment purposes with a view to promoting investment and boosting the economy. However, over the years, the commercial banks in Nigeria have continued to suffer big financial losses annually due to mismanagement by the board of directors thus leading to non- performing loan and consequently impact negatively on the wealth of the resources owners. The unethical cases observed in the Nigerian banking industry specifically in 2009 in some commercial banks like Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank no doubt were related to weakness of the corporate governance mechanisms. These weaknesses manifested in the form of lack of vigilant oversight functions by the board of directors, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders (Uadiale, 2010). There was absolute compromise by both the executive and non-executive directors of the commercial banks. The boards of directors were grossly engaged in unhealthy financial practices to the extent that they intentionally influenced the external auditors to express a fake report of the financial performance of the bank. The sharp and unhealthy practices of the mechanisms of the corporate governance contribute largely to high non-performing loans and consequently poor performances of the affected banks. It affected investor confidence and adversely resulted to suddenly withdrawal of resources by the concerned shareholders of the commercial banks. As part of measures to strengthen the corporate governance of banks in the banking sector in Nigeria, the Central Bank of Nigeria had to come up with corporate governance reforms with the objective of ensuring changes are made on the board of directors in terms of its composition, size, structure, enhance transparency and timely disclosure of information and other relevant aspects of the operation of banks.

Some prior researchers like Osamwonyi & Ogbeide, 2015; Uwuigbe, 2011, Klein, 2018) have examined the impact of corporate governance mechanisms on banks performance and reported inconclusive results. The researches of persons like Osamwonyi and Ogbeide (2015); Uwuigbe

(2011); Klein (2018)revealed negative impact of corporate governance indicators like board size, board gender, ownership concentration managerial ownership and board independence on banks financial performance while the outcome of the research of Faccio and Lasfer (2000), Inam (2009), Haniffa and Hudaib (2006).showed that corporate governance indicators positively impact of commercial banks financial performance both in developed and developing countries. Similarly, a critical examination of the prior studies indicates that they have always relied on the panel least square despite its short fall in accounting for endogeneity effects like omitted variables, measurement errors and simultaneity. Moreover, critical evaluations of some past researches like Oyeleke, Erin and Emeni. (2016), Boussaidi and Hamed (2015), Aliani and Zarai (2012) and others showed that board gender diversity as a component of corporate governance has always been empirically measured as the relationship between numbers of women on the corporate board to the aggregate board number of directors on the board. There has been less reliance on the use of BLAU (1977) index method in a heterogeneous board by these prior researches particularly in the developing countries like Nigeria to measure diversity of the board in terms of gender diversity in firm. This conventional measurement of gender diversity to be specific is imbued with measurement error and empirical weakness (BLAU, 1977). This constitutes a gap which this study seeks to bridge by applying the index method. Apart from the introductory section, section is literature review, section is methodology, and section four is empirical analysis and reporting while section five dwells on conclusion and recommendations. These observed gaps prompt the need to re-examine the subject matter using recent data for inference purpose. Apart from the introductory section, section two concerns literature review, section is methodology, section four is data analysis while section five is conclusion and recommendations.

LITERATURE REVIEW

Conceptual Review

The Central Bank of Nigeria (CBN) code of corporate governance for banks and other financial institutions in Nigeria (2006) defines corporate governance as the process by which the business activity of an institution are directed and managed. In the context of this study, corporate governance may be defined as a transparent system and action framework designed to promote effective and efficient management of a firm/institution. The ultimate goal of the designed transparent system and action framework in the firm/institution is to ensure judicious management of scarce resources and adequate accountability with a view to engendering the economic progress in the interest of all stakeholders. In firm/institution, mechanism of corporate governance may be seen as a system of parts that are interrelated towards performing a particular function in the attainment of expected optimal results (Osamwonyi & Ogbeide, 2015).In this study, corporate governance mechanisms may be regarded as a system put in place for a smooth operation of a business and in achieving desired results in a firm/institution. This assertion is so given the fact that firm/institution is a living thing, though artificial in nature.

Corporate governance mechanisms are both internal and external (Osamwonyi & Ogbeide, 2015).The internal corporate governance mechanisms appear to be directly used in the day to day smooth operation of the business. They engage in vital decision making as regard effective daily management of the firm. Examples of some internal corporate governance mechanisms include board size, though this is dichotomous in nature, managerial ownership, and audit committee size, ownership concentration and gender diversity. External corporate governance mechanisms are controlled by those outside an organization and serve the objectives of entities such as shareholders, regulators, governments, trade unions and financial institutions. Examples of some external corporate governance mechanisms include institutional ownership, board independence, external audit quality, foreign ownership, and government ownership, among others. Board size is commonly measured by the logarithm of the total number of directors sitting on the board (Aliani, 2013). According to Oyeleke et al. (2016), the board is responsible for monitoring, and evaluating management to act in the best interest of the shareholders and other stakeholders. Jensen (1993) noted that the effectiveness of the board depends on its size. The size of the board is concerned with the number of directors that make up the board. Board independence refers to non-executive directors. Non – executive directors are always viewed as a balancing force in the board. Independent directors otherwise referred to as non-executive directors include any non-employees board members as well as members who are not considered gray and they could be consultants, lawyers, accountants, amongst others. Board independence is an aspect of corporate board composition whose responsibility includes playing over sight and monitoring functions. Board independence is the percentage of outside directors on a corporate board. Their presence on the corporate board increase the capacity of the board to monitor management effectively in situations characterized by agency problems which arise from the separation of ownership, control and thus help to expenses (Zemzem & Flouhi, 2013).

In the views of Walt and Ingley (2003), diversity in the context of corporate governance is the composition of the board and the combination of the different qualities, characteristics and expertise of the individual members in relation to decision – making and other processes within the board. There are two fundamental approaches to evaluating diversity. These are the demographic and the cognitive approaches. Demographic approach basically concentrates on variables like gender, age, ethnicity and nationality. It basically focuses on measureable attributes of individuals, while the cognitive approach concentrates on measuring attitudinal and normative differences between individuals (Aliani & Zarai, 2012). The cognitive approach is purely concentrated on non – observable variables like attitudes, values and beliefs. In finance and accounting literature, attitudes and beliefs are postulated to critically of individuals, but they are quite difficult to empirically measure quantitatively. Ownership concentration is simply concerned with the degree of ownership in a business based on the level of investment resources. It is worthy of note that ownership structure can be divided into equity concentration and managerial ownership. Further, ownership structure can be segmented into family business, government ownership, board of director ownership and foreign ownership structure. In research, each of them can be investigated separately to determine their effect on a defined specific endogenous variable. Ownership or equity concentration is a way of solving the problem of agency between managers and shareholders; however it creates another type of conflict between minority shareholders and block-holders (Desai & Dharmapala, 2008).

Empirical Review

Ayorinde, Toyin and Leye (2012) studied the effect of corporate governance on the performance of the Nigerian banking sector. The judgmental sampling technique was used in selecting the 15 listed banks out of 24 banks that met the consolidation date line of 2005. A positive correlation was observed between the level of corporate governance items disclosed by the banks and return on equity which is the proxy for performance. This means that banks who disclose more on corporate governance issues are more likely to do better than those that disclose less. More so, a positive correlation was observed between the directors' equity interest and corporate governance disclosure index. This indicates that individuals who form part of management of banks in which they also have equity ownership have a compelling business interest to run them well. This invariably is expected to improve the performance. But board size has strong negative correlation with return on equity. This implies that how large the size of a board is does not have a positive effect on the level of financial performance of commercial banks in Nigeria but a negative effect.

Uwuigbe (2011), researches on corporate governance and financial performance of banks in Nigeria. This study made use of secondary data in establishing the relationship between corporate governance and financial performance of the 21 banks listed in the Nigerian Stock Exchange. A panel data regression analysis method was adopted in analyzing the relationship that exists between corporate governance and the financial performance of the studied banks. The Pearson correlation was used to measure the degree of association between variables under consolidation. From the analysis,an inverse correlation between board size and ROE was seen. This indicates a significant negative effect of board size on the financial performance of the listed banks. Outside directors do have significant but negative impact upon bank performance as measured in terms of ROE. The finding showed that more banks' equity owned by the directors, the better the banks' financial performance. Intuitively it implies banks who disclose more on corporate governance issues are more likely to do better than those that disclose less.

Ahmad and Mensur (2012) examined corporate governance and financial performance of banks in the post-consolidation era in Nigeria. Data were sought from sixty annual reports of 12 banks for the period of 2006 – 2010. The independent samples t-test was employed to analyze data gathered for the study. Multiple regressions were used to further analyze the data. Findings revealed that Dispersed equity holding does have an impact on the earnings and dividend of banks. Also, board size does not have an impact on profitability of banks. The study recommends the practice of restrictive equity holding in banks, be upheld. Secondly, the need to strengthen managerial policies so that financial performance can be improved is important as the stress test conducted by CBN and NDIC revealed only a positive operational performance. Against this backdrop, this research hypothesizes that corporate governance does not have significant effect on the financial performance of commercial banks.

METHODOLOGY

Method of Data Analysis and Model Specification

The longitudinal research design was used in this study. The population for this study consists of all the 25commercialbanks in Nigeria in the period 2008 to 2017. The sample size of 14 banks was determined using simple random sampling technique. This represents one hundred and forty (140) annual observations. The study used secondary data derived from the audited financial statements of the sample banks in Nigeria in the period under reference. The descriptive and inferential statistics methods were used to carry out the data analysis. The descriptive statistics encompass the correlation analysis. The inferential statistic used is basically the multivariate panel estimation method and the dynamic panel data regression method.

ISSN: 1599-8051

Model Specification

The models used in this study adapt to the framework of Boussaidi and Hamed (2015) and Uwuigbe (2011). The model principally relate to corporate governance and banks performance. The mathematical and stochastic form of the models is stated algorithm as follows:

Firm Performance = f (Corporate governance)……………… …………………………………1

This is stated in econometric form as:

$ROE_{\ it} = \alpha_i + ROE_{it} - 1 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 Owncont_{it} + \beta_4 Mgo_{it} + \beta_5 BGEND_{it} + \varepsilon_{it}$……………………………………………………………………………….2

The subscripts i and t refer to individual banks and time period (2008-2017) respectively. ROE represents return equity of the sampled banks., Y, β_1 to $\beta_5$are slopes to be estimated and ε is the error term. The coefficient of lagged dependent variable; Y is expected to be positive. The inclusion of the lagged dependent variable $ROE_{it} - 1$ is meant to take care of potential endogeneity of the independent variables which included likelihood of omitted variables, simultaneity and variable measurement error in the context of dynamic panel data method.

Variables Description

ROE= Return on equity

BSIZE= Board size

BIND= Board Independence

OWNCONT= Ownership concentration

MGO= Managerial Ownership concentration

BGEND= Board gender diversity

ε = error term

Measurement of Variables

Table 3.1: Procedures used to measure the variables in the construct

S/N	Variables	Type of variable	Measurement	Sources
1.	Financial Performance	Dependent variable	Return on equity	Osamwonyi & Ogbeide (2017)
2.	Return on equity	Dependent variable	Profit after tax divided by shareholder equity	Uwuigbe (2011)
3.	Board size	Independent variable	Total number of directors on the corporate board	Oyeleke & Emeni 2016, Boussaidi & Hamed

5.	Managerial ownership	Independent variable	Percentage of capital held by the managers divided by the total share outstanding in the company	Boussaidi & Hamed (2015)
6.	Director Ownership concentration	Independent	The cumulative percentage of share held by the directors divided the total outstanding shares in the company	Boussaidi & Hamed (2015; Osamwonyi & Ogbeide, 2015)
7.	Board independence	Independent	Proportion of non-executive directors divided by the total board of directors	Hairul et al., 2014

Source: Researcher's compilation, 2018.

EMPIRICAL ANALYSIS AND REPORTING

Table 1: Correlation Matrix

Variables	1	2	3	4	5	6
ROE	1					
BSIZE	-0.005	1				
BIND	0.011	-0.117	1			
MGO	-0.027	0.098	-0.090	1		
OWNCONT	0.068	0.005	-0.072	-0.076	1	
BLAU	0.091	0.473	0.027	0.025	0.113	1

Source: Researcher's Computation from E-Views 8.0 Version

The above table shows the Pearson correlation coefficients of return on equity (ROE) and corporate governance indicators. Table I result shows that board size and managerial ownership are negatively associated with return on equity (r = -0.005, r = -0.027). This suggests that the size of the board and managers ownership in firm contribute to return on equity. This finding is consistent with the agency theory. The finding is consistent with Inam (2009) study. The finding is also related to Ribeiro (2015). Board independence (BIND), ownership concentration (OWNCONT) and gender diversity (BLAU) are positively associated towards influencing return on equity (r = 0.011, r = 0.068), (r = 0.091). The non-executive directors do play oversight function at monitoring the activities of the executive directors and managers. Some of these activities include payment for large expense, with intention to reduce agency cost, among others. The aim is to increase the wealth of the shareholders. Board size (Bsize) is negatively related with BIND (r = -0.117); meaning the board do not have enough independent members. This apparently shows that corporate board is concentrated by way of ownership and managers tend to positively influence return on equity. BSIZE is positively associated with MGO; BSIZE is positively correlated with OWNCONT (r = 0.005), while BSIZE is positive with gender diversity (r = 0.473). BIND is weak and negatively associated with MGO (r = -0.090); BIND is weak and negatively correlated with OWNCONT (r = -0.072); while BIND is positively related with BLAU, i.e gender diversity (r = 0.027); MGO is negatively associated with OWNCONT (r = -0.076); MGO is weak and positively related with BLAU (r = 0.025); while OWNCONT is weak but positively related with BLAU (r = 0.113). These suggest that ownership by managers and structure do not have more female in the sampled firms. The Associations do not in any way show signs of multicollinearity among the variables in the model. It is a pointer that the corporate governance indicators mutually reinforce at influencing the financial performance of commercial banks in Nigeria. The weakness may not be unconnected to the smallness of the sampled period used in the study.

Presentation of Hausman Test Result

Table 2: Correlated Random Effects – Hausman Test

Test Summary	Chi-square statistic	Chi-square prob
Cross section random	0.977	0.96

Source: The Researchers' Computation 2018 from E-view 8.0 version

From the table above, the Hausman test chi-square statistics is 0.977 with probability value of 0.96 suggesting the acceptance of the null hypothesis and conclude that the random effect is preferable in this study.

Table 3: Presentation of Regression Result
Dependent variable: ROE

Variables	Panel OLS (A)	Random effect (B)	Pooled Regression (C)	GMM (D)
BLAU	9.326 [0.047]**	4.013 [0.626]*	9.326 [0.000]*	-19.996 [0.006]**
BSIZE	-1.958 [0.295]***	-0.885 [0.801] ***	-1.958 [0.005]**	-47.505 [0.05]**
BIND	0.173 [0.589]***	0.104 [0.798]***	0.173 [0.150]***	-27.169 [0.002]**
MGO	0.082 [0.660]***	0.414 [0.455]***	0.082 [0.241]***	5.37 [0.024]**
OWNCONT	-0.243 [0.279]***	-0.031 [0.973]***	-0.243 [0.003]**	-21.572 [0.002]**
	(1)	(3)	(4)	(5)
ROE (-1)	-	-	-	0.069 [0.946]
R-squared	0.725	0.805	0.715	-
Adjusted R-squared	0.68	0.683	0.673	-
F-statistics	1.224	0.895	8.682	-
Prob (f-statistic)	0.001	0.000	0.000	0.000
Durbin-watson stat	1.654	1.628	2.046	2.090
J- Statistics	-	-	-	8.640

Source: The Researchers' Computation 2018 from E-view 8.0 version

Table 3 is concerned with the regression estimations methods of the model. Significance levels are reported in three forms. * p< 0.000 is statistically significant at 1% level. ** p< 0.05 is statistically significant at 5% level. ** p> 0.05 is statistically not significant at 1% or 5% level. The [ ] represents the probability value (p – value)

From the table, it can be observed that using the panel OLS estimation (panel A) which is the baseline, the R^2 is 0.725 which suggests a 72.5% explanatory ability of the model for the systematic variations in the dependent variable (ROE) with an adjusted R^2 value of 0.68 (68%). The F-statistics is 1.224 and p-value is (0.001). The Durbin- Watson statistic is 1.654, an

ISSN: 1599-8051

indication of the absence of serial correlation of the residuals in the model. In random effect panel regression estimation (panel B), the R^2 is 0.805, an indication that the model explained about80.5% systematic variation in return on equity (ROE), leaving less 20% unexplained due to the observable presence of error term. The adjusted R^2 value is 0.711 (71.1%). The F – statistic is 1.513 with p – value of 0.000. The D.W statistic is 1.628. This shows the removal of serial correlation problem in the regression result. The result of the pooled data regression result (panel C) shows that the R^2 is 0.715 which implies that the corporate governance indicators explained about 71.5% systematic variation in performance of the listed commercial banks in the Nigerian financial sector. The adjusted R^2, being the coefficient of determination stood at 0.673 (67.3%). The F – statistic is 8.682 with p – value of 0.000. The Durbin-Watson statistic is 2.090, meaning the presence of serial correlation in the regression result is unlikely. Using the GMM to estimate the baseline (panel D), for the effect of endogeneity, it can be observed that the Hansen J – statistic test (8.640) of over – identifying restrictions accepts the joint null hypothesis that the instruments were uncorrelated with the error term and that excluded instruments are correctly excluded from the estimation equation. Judging by the results of the R^2, J – statistic, the F– statistic and Durbin-Watson statistic, it can be deduced that the corporate governance contribute significantly to the financial performance of listed commercial banks in the Nigerian financial sector, thus, making the result acceptable for policy prescription.

Commenting on the effects of each of the corporate governance indicators on return on equity, it can be observe that BSIZE has a negative sign (- 1.958) in panel A, (- 0.885) in panel B, (- 1.958) in panel C and (- 47.505) in panel D on financial performance. It was statistically significant in panel C and D only. The result is an indication that a small board size contributes to the financial performance of commercial banks in Nigeria for firms. BLAU (female gender) is observed to have a positive effects (9.326) in panel A, (4.013) in panel B, (9.326) in panel C and a negative (-19.996) in panel D on commercial banks financial performance in the financial sector. It was statistically significant at 5% only in panels C and D. Female board members contribute to banks financial performance if they are in a high proportion on the a firm board. Otherwise they contribute very poorly to financial performance since they are a token on the corporate board. Managerial ownership (MGO) appears to have positive effect (0.082) in panel A, (0.414) in panel B, (0.082) in panel C and (5.437) in panel D on bank financial performance. It was statistically significant only in panel D (p = 0.02) at 5% level. It points to the fact that a specific proportion of ownership by managers contributes positively and higher to financial performance the commercial banks. This finding aligns with Florackis (2008) argument that an adequate level of managerial ownership reduces manager's incentives for perk consumption and engagement in non – maximizing activities. But if there is a high level of managerial ownership, managers have more opportunities to extract own benefits and to intensify the entrenchment effect. Director ownership concentration (OWNCONT) is observe to have negative effect (-0.243) in panel A, (-0.031) in panel B, (-0.243) in panel C and (-21.572) in panel D on return on equity in the period under reference. It was statistically significant (p = 0.003, p = 0.002) at 5% levels in panels C and D only. This translates to the evidential effect that of OWNCONT at influencing financial performance. A high percentage of director ownership is presumed to reduce agency problem, information asymmetry and promote effective operation of the firm, including employment of aggressive strategies to enhance performance. Board independence (BIND) has a positive effects (0.173) in panel A, (0.104) in panel B, (0.173) in panel C and a negative sign (-27.169) on financial performance in Nigeria.

Discussion of Findings

This section robustly discusses the impact of corporate governance mechanisms on commercial performance in Nigeria. The result reveals that corporate governance mechanisms contribute significantly to the financial performance of commercial in Nigeria in the period under reference. The finding is consistent with the assertion of Abrahman (2011) who posits that corporate governance mechanism in the firm is the assurance investors have that return on their investment is guaranteed. That corporate governance determine the commercial banks financial performance as found in the empirical estimation points to the fact that the board of directors / managers of the firm have expense management proficiency through the instrumentality of professional, accountants and other skilled person on the corporate board. Similarly, it could also be said that since corporate governance indicators contributed significantly to the commercial banks financial performance; it is an indication there is minimal agency problems/conflicts in the banks to a large extent. Prior studies like Desai and Dharmapala (2006); Hanlon and Slemrod (2009); Lanis and Richardson (2007) have also reported that corporate governance indicators impact positively and significantly on firm performance; while studies such as Chen, Chen and Shervlin (2010); Aliani and Zarai (2012) established a contrary result. Estimations of the individual corporate governance indicators revealed that board size is negative and exerts significant impact on financial performance. Literarily the finding is somewhat consistent with the postulation of Jensen (1993) that the impact of the board depends on its size. The result obtained in this regard is not surprising! Generally, small board size smoothen decision making unlike large board size which promote managerial opportunisms and squabbles. The finding is in line with Minnick and Noga (2010); Lanis and Richardson (2007); Mahenthiran and Kasipilai (2012) who found that small board size is significant and negatively impact on firm financial performance. Particularly, Minnick and Noga (2010) reported that small board of directors strengthens the good performance while large boards do prove ineffective because of the difficulties in decision – making certain policy. Boussaidi and Hamed (2015) in their finding reported that the smaller corporate board is likely to increase the decision – making and regulatory compliance and thereby improving firm performance. The study finding did not agree with the findings of prior researchers like Aliani and Zarai (2012); Koanantachai (2013); Zemzam and Flouhi (2013) which found an insignificant and positive relationship between board size and bank performance. Board gender diversity was found to be significant and negatively related with financial performance of the sampled commercial banks in Nigeria. This affirms the women risk aversion theory. The finding agrees with that of Adams and Funk (2012); Boussaidi and Hamed (2015), Chen et al. (2010). The finding is however contrary to other studies like Aliani and Zarai (2012); Oyeleke et al. (2016), which reported positive and non – significant relationship between board gender and bank performance. The non significant effect of board gender on performance may not be unconnected with the marginalization of women on the corporate board in Nigeria, even in the commercial banks. In Nigeria for example, there appears to be high level of politics and biasness on the corporate board. The selection and composition of board members is conspicuously skewed in favour of the male folks. Yes, there are women who have the requisite experience, managerial prowess, emotional strength and political clout to turn the wheel of progress in the right direction in quoted firms. Yet they are not considered for appointment into the corporate board, let alone putting them on significant position in the company board. Most unfortunate enough is the fact that they are even seen as a set of human creatures, whose duties should be to attend to the domestic needs of the family. This is never the less of the fact that women are more diligent in the attendance of board meeting than the male counter parts and more likely to join committee that monitor performance, inclusive of the level of tax aggressiveness.

Board independence is significant and exerts a negative influence on financial performance of firms, including commercial banks in Nigeria. Board independence does play oversight and monitoring function towards enhancing the performance of firms. They monitor the attitude of top management in the context of key strategic decisions that affect stakeholders as a whole. The finding of this study agrees with Yeung (2010) position that increased in board independence affects bank performance. This study finding fails to agree with other studies like Zemzem and Flouhi (2013) and Ying (2011), which establish that board independence has a positive and no significant effect on bank performance. Ownership concentration is positive and significantly impact on commercial bank performance. It is a common knowledge in literature that the concentration of ownership is another way agency problems can be minimized. This is a correlate to Florackis (2008) who noted that shareholders with small participation a have little incentives to monitor management; but if they own a significant stake of shares, they will have the interest and intention to actively and effectively monitor management. Sometimes, major shareholders could have some incentives to induce managers to influence performance since their benefits by way of high earnings outweigh the minority resources owners. The finding is consistent with Chen et al. (2010), Desai and Dharmapala (2006), Ying (2011), Christensen and Murphy (2004) and Koanantachai (2013). It fails to agree with the finding of Boussaidi and Hamed (2015); and Grubert et al. (1993). The result differential may be due to country specific data, sample size / period and method of data estimation differentials. Managerial ownership exerts positive and significant impact on firm performance in the Nigerian financial sector. The finding is in tandem with Ying (2011); Chen et al. (2010), Ribeiro (2015). It is however not in consonance with the finding of Boussaidi and Hamed (2015), Chen et al. (2010), Konstantinos (2016), and Florackis (2008). For instance, Florackis (2008) argues that and adequate level of managerial ownership reduces manager's incentive for perk consumption and engagement in non – maximizing activities; but on the other hand, if there is a high level of managerial ownership, managers have more opportunities to extract own benefits and to intensify the entrenchment effect.

Conclusion and Recommendations

The study has empirically examined the relationship between corporate governance mechanisms and financial performance of Nigerian Commercial banks. The study conclude that a positive relationship exist between corporate governance mechanisms and commercial bank financial performance in Nigeria. Board gender as measured using the BLAU (1977) index method did not contribute to the commercial banks financial performance. Board size, board independence, ownership concentration and managerial ownership were observed to positively influence the sampled commercial banks in Nigeria. Flowing from this, this study recommends that the corporate governance code of best practices in the Nigerian banking sector should restructure to include a certain quota of female gender and adequate disclosure should made mandatory by commercial banks from time to time. Regulatory authorities should not compel banks to increase the number of non-executive directors in their board as this negatively affects the profitability of banks.

References

Abraham, N.N.B. (2011). Corporate governance and tax aggressiveness: evidence from Malaysia. Research report in partial fulfillment of the requirements for the degree of MBA. University Sains Malaysia.

Adams, R.B & Funk, P.C. (2012).Beyond the glass ceiling: Does gender matter?.*Management Science*, 58(2), 219- 235.

Adhikari, A., Derashid, C., & Zhang, H.(2006). Political policy, political connections, and effective tax rates: longitudinal evidence from Malaysia. *Journal of Accounting and Public Policy* 25: 574-595.

Aliani, K. (2013). Does corporate governance affect tax planning? Evidence from American companies. *International Journal of Advanced Research*, 1(10), 864 – 873.

Aliani, K., & Zarai, A. (2012).The board of directors and the corporate tax planning: empirical evidence from Tunisia. *International Journal of Accounting and Financial Reporting*, 2(2), 142 -156.

Bhagat, S., & Bolton, B., (2008). Corporate governance and firm performance. *Journal of Corporate Finance*, 14,257-273.

Blau, P.M. (1977). Inequality and heterogeneity; New York, NY: Free press.

Boussaidi, A., & Hamed, M. S. (2015). The impact of governance mechanisms on tax Aggressiveness: Empirical evidence from Tunisian context. *Journal of Asian Business Strategy*, 5(1), 1-12, 2015

Chen, S., Chen, X., Cheng, Q. & Shevlin, T (2010), Are family firms more tax aggressive than non-family firms? *Journal of Financial Economics*,95 (1), 41 -61.

Desai, M. & Dharmapala, D. (2006).Corporate tax avoidance and high-powered incentives. *Journal of Financial Economics*, 79, 145-179.

Desai, M., & Dharmapala, D. (2007).Corporate tax avoidance and firm value, Working Paper, Harvard University and University of Connecticut.

Faccio, M, and Lasfer, M. A (2000). Managerial ownership and firm value: The UK Evidence. *Working Paper. 364-2000. City University Business School*

Florackis, D. (2008).The joint effect of investor protection and big 4 audits on earnings quality around the world. *Contemporary Accounting Research*, 25, 1 – 39.

Fraile, M.M., & Fradejas, S.O. (2014). Are financial and tax reporting aggressiveness reflective of broader corporate policies? *The Accounting Review*, 84(2), 467 – 496.

Haniffa, R. & Hudaib, M. (2006). Governance Structure and Firm Performance of Malaysian Listed Companies, *Journal of Business, Finance and Accounting*, 33(7). .1034–1052

Hausman, J. A. (1978).Specification Tests in Econometrics. *Econotmtrica*, 46(6), 1251-1271

Inam, W. (2009). Regulatory and institutional challenges of corporate governance in Nigeria post banking consolidation. *Nigerian Economic Summit Group, Economic Indicators*; 12 (2), 114-129.

Klein, E (2018).Firm Performance and Board Committee Structure, *Journal of Law and Economics*, 41 (2), 275- 293.

Lawrence, J., & Stapledon, G.P. (1999). Do Independent Directors Add Value? CCLR. Melbourne, University of Melbourne**:** 1-64.

Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management? *Journal of Corporate Finance*, 16, 703-718., http://dx.doi.0rg/10.1016 /j.jcorpfm.2010.08.005.

Ogbechie, C (2016): *Corporate Governance A Challenge For Nigerian Banks.* Retrieved from www.Businessdayonline.com on 7/8/2017

Osamwonyi, I. O., & Ogbeide, S. O (2015). Corporate governance and movement of stock price in Nigerian quoted firms. *Management Sciences Review*, 6(1&2), 147- 174.

Oyeleke, O.E.O., Erin. O., & Emeni, F. (2016).Female directors and tax aggressiveness of listed banks in Nigeria. 3rd International conference on African development issues covenant university press, 293 – 299.

Ribeiro, A.S.M. (2015). The determinants of effective rates: firms characteristics and corporate governance Faculdade De Economia. Universidade Do Porto.

Yamane, T. (1967). Statistics: an introductory analysis. A harper international edition. University of Michigan.

ISSN: 1599-8051

The Impact of Direct Foreign Investments, Export Earnings and the Exchange Rate on Nigeria's Balance of Payment (BOP) (1981- 2018)

Onoh, Uloma Adonye , Ph.D & Sunday Daniel Uche
Department of Banking & Finance, College of Management and Social Sciences
Michael Okpara University of Agriculture,Umudike.
e-mail:uloadonoh@gmail.com

Abstract
The impacts of Direct Foreign Investment(DFI), Export Earnings (ExE) and the Exchange Rate (ExR) on Nigeria's balance of payment(BOP) cannot be over emphasized. For the purpose of this study DFI was split into Foreign Real Investment (FRI) and Foreign Portfolio Investment (FPI).This study therefore examined the implications to Nigeria's balance of payment of the following critical determinants of foreign exchange inflow for sustaining the balance of payment. The critical determinants which constitute the baseline explanatory variables of the model were export earnings, foreign real investment, foreign portfolio investment and the exchange rate. Balance of payment is the dependent variable of the model. The period covered by the study is between 1981 and 2018. Econometric techniques of ADF, ARDL(OLS), ARDL bound Co-integration Test and ECM were deployed for the analysis. The E-view10.0.system processed the results. All the five variables were stationary. Four were stationary of Order 1(1) and a variable was stationary of the Order 1(0). A long-run co-integration relationship between the dependent and the independent variables of the model was confirmed by the result of the ARDL bound test. The coefficient of determination indicates that 58% of the variations in the balance of payment was attributed to changes in the explanatory variables of the model while 42% was caused by factors outside the model. From the ARDL(OLS) short-run results ExE, FRI and ExR behaved in accordance with a priori expectations. The three variables contributed positively to the improvement in the balance of payment in the period. On the contrary FPI was negatively signed and contributed to the deterioration in the balance of payments. There is an absence of auto correlation as indicated by the DW stat. test result of 1.955125. The study strongly recommended that the Federal Government of Nigeria creates a more conducive economic environment to attract more foreign investors to enhance industrial capacity, to increase the supply of foreign exchange to strengthen the domestic currency and to enhance the naira exchange rate. The economy should also be diversified to increase real GDP and employment.

Key Words: Foreign Real Investment, Foreign Portfolio Investment, Export Earnings and Exchange Rate

Introduction

Until the mid1960s Nigeria was basically an agricultural economy. Her main exports were cash crops such as groundnut, cocoa, palm produce and timber. The imports consisted mainly of manufactured goods such as textile materials, shoes and other types of leather materials, machines and tools, vehicles and building materials. What was earned from exports were applied to finance imports. The Nigerian currency was backed hundred percent by the British pound sterling and was at par with it at the ratio of 1:1. The Nigerian currency was stable and the country did not experience any serious balance of payment problems. The Nigerian economy was dominated by the export of raw materials and the import of manufactured goods. Shortly before the Nigeria- Biafra war started in July 1967 Nigeria began to export limited quantities of crude oil after many years of exploration. At the time the oil wells were about to yield more crude oil for export the war broke out. Crude oil production was put on hold as the war was fought mainly in the eastern part of the country, where most of the oil drilling activities were going on. As the war progressed the export of raw materials and crude oil dwindled making the financing of imports difficult. Pressure on the balance of payments began to manifest. Deficit in the balance of payment began to show for the first time. This was worsened as the Nigerian Military government had to deep hands into the meager foreign exchange reserves to pay for arms imports for prosecuting the war. At the early part of 1967, a few months before the war started in July 1967 Nigeria's external reserves stood at a comfortable level of 184.6 million Nigerian pounds. At the end of the war in January,1970 the country's external reserve position had dropped to 114.5 Nigerian pounds, within two and half years of fighting. For the first time the country experienced balance of payments problems since the attainment of independence on the 1st of October, 1960.

By the end of the war in January 1970 the economy was in shambles, the currency was weakened and hardly in a position to maintain the par value with sterling. The breakdown in 1971 of the 1945 Bretton Wood's narrow fixed exchange corridor of 1% on either side of par worsened the world currency crisis. The 1971 wider Smithsonian exchange rate corridor of $2_{1/2}$% on either side of par, which replaced the narrow band of 1945 broke down in the same year because it was still too tight for the over bloated dollar (Onoh,1983). The dollar began to float and the regime of float started. Meanwhile Nigerian had moved virtually all her sterling assets to dollar assets. The Nigerian authorities accustomed to fixed exchange rate were confused by the regime of float. To be on the 'safe side' Nigeria decided to 'turn and bend' with the dollar. In February 1973 the dollar caved in to West European pressures and was officially devalued. Within days of the US devaluation the Federal Government of Nigeria (FGN) devalued the naira currency. The intention was to realign the naira with the dollar, the currency of Nigeria's main trading partner. The devaluation further weakened the naira and sent the naira exchange rate cascading. Although demand and supply of a currency in a market driven economy finally determine its exchange rate but the roles export and import activities of a country play in setting up the platform for a country's foreign exchange market cannot be ignored (CBN,2018).With the devaluation of the naira in 1973 both imported and domestic goods became expensive. The embers of inflation began to rage. To compensate workers for the rising prices the salaries of workers were in some cases doubled by the Udo-orji's Salaries and Wages Commission set up by the Military government in 1973. The new salaries and wages coupled with about a year's arrears of salaries and wages sent money supply statistics sky rocketing. With the drop in imports, and virtually most of the country's needs were imported, prices rose and inflation raged and has continued to rage unabated till date. The absence of massive domestic savings for capital investment in the real sector, the yawning technological gap, the virtual absence of managerial skills and direct foreign real and portfolio investments left a huge void in the economy, which foreign investors began to fill with the abolition of the obnoxious Indigenization Act of 1972 by the Abacha Military Government in 1995. The foreign exchange brought by investors from their home countries helped to fill the gaps in the productive and financial sectors of the economy (Obi-Nwosu, Ogbonna & Ibenta, 2018). The foreign capital inflow was expected in the long run to improve the BOP position of Nigeria and to accelerate economic growth. Foreign real and portfolio inflows, export earnings and fluctuating exchange rate are invariably the key determinants of the BOP position of a country. A volatile exchange rate can induce undesirable swings in the balance of payment of a country. Because of the ongoing oil-price war between Saudi Arabia and Russia the naira exchange rate was indirectly affected. By March, 2020 the naira depreciated against the US$. The naira which exchanged at the rate of N360 to 1US$ plummeted to N365 to the dollar and quickly crashed further to N387. At the parallel market naira exchanged at the rate of N412 to 1US$ and rising. A volatile exchange rate can induce adverse swings in the balance of payment of a country. For example the current US- China trade-tariff crisis, the ongoing oil-price war between Saudi Arabia and Russia and the current economic crisis induced by the government had weakened the naira exchange rate further. Strong fluctuations in the naira- dollar exchange rate invariably impact adversely on Nigeria's BOP.

Export earnings can impact on the BOP position of a country positively or adversely. The greater the increase in export earnings the more the chances of a country achieving a balance in the BOP, or a surplus or narrowing the deficits of previous years.. For example the statistical chart of Nigeria's export earnings from oil and non-oil exports rose from N8,835 billion in 2016 to N19,280 billion in 2018. The DFI, an aggregation of real and portfolio investments rose from N602.1 billion in 2015 to N1,069 billion by 2017 (CBN,2019). These positive trends if sustained were capable of long-term positive impacts on Nigeria's BOP. A strong bond exists between Nigeria's Balance of Payments (BOP) and the key foreign exchange supply macroeconomic determinants of Export Earnings, Foreign Real and Portfolio Investments, and the Exchange Rate. The impacts of the above determinants on Nigeria's BOP for the period,1981-2018 is the objective of this study.

Review of Related Literature

Different theories on the balance of payment abound. However, for the purpose of this study the monetary approach for the balance of payments analysis advocated by Crockett (1977) will apply. The monetary approach examines the current and capital accounts of the balance of payments from two contexts. The first is in the context of the quantity of goods and services demanded and supplied. The second is in the context of demand and supply of money for settling BOP transactions. For example the monetary approach considers devaluation as one of the long-term measures for generating money to improve the balance of payments position of a country. Devaluation is a distortionary intervention measure, a necessary evil sometimes imposed reluctantly by a country on herself to promote cheap exports and in the process generate additional financial flows for equilibrating a balance in the current account position. Devaluation can also be 'enforced' on a country if her trading partners discover that her currency was overvalued, A country with an overvalued currency purchases more goods and services from her trading partners at a cheaper price while the trading partners purchase from the overvalued currency country at relatively higher prices. In order words the overvalued currency purchases more goods and services than it is entitled to by its true market worth. Such a situation promotes favourable balance of payments for the country with overvalued currency to the detriment of the balance of payments of her trading partners. IMF's advisories are often times discreetly sought by the disputants to resolve the matter. All the explanatory variables of the model of this study are money supply generating and conform with the demands of the monetary approach to balance of payment analysis by Crockett (1977).

Most studies on the balance of payments of Nigeria focused more on how balance of payments impact on other key macroeconomic and financial aggregates of the economy but not on how other aggregates influence the components of the balance of payments or the overall BOP position. More studies on how money (foreign exchange inflow) can be generated on the supply side for the settling of current and capital accounts transactions and thereby reduce pressures on the overall country's balance of payments position are still to be conducted. One of the few studies available is that of Oladipupo and Onotaniyohuwo (2011) which is on the impact of exchange rate on the balance of payment in Nigeria between 1970 and 2008.The result of the study showed that exchange rate had a significant impact on Nigeria's balance of payments position. One can argue that the endless depreciation in the value of the naira since the deregulation of the exchange rate market in 1987 is the secret to the improvement in Nigeria's balance of payment as confirmed by the study of Oladipupo and Onotaniyohuwo. Exchange rate depreciation encourages exports and has positive impact on the balance of payment. Depreciations of a country's exchange rate has a long-term positive impacts on exports and the balance of payments in the same way as devaluation. Oladipopo and Onotaniyohuwo further posited that improper allocation and misuse of domestic credit, fiscal indiscipline, and lack of appropriate expenditure control policies due to centralization of power in government are some of the causes of persistent balance of payments deficits in Nigeria. In another short study Okeke (2018) analysed the impacts of imports and exports on the balance of trade of Nigeria. between 2007 and 2016 and found that import had positive and significant impact on Nigeria's balance of payment position while export and trade openness had positive but insignificant influence on the Nigerian balance of payment.

In another study Muzurura, Sikwila and Nesongano (2014) investigated the impact of foreign direct investment (FDI) on the export of Zimbabwe between 1980 and 2011. The findings were that current period FDI, one year lagged FDI, trade openness and one year lagged exports were significant and had a positive impact on export growth.

An empirical study on Pakistan by Siddiqui, Ahmad, and Asim (2013) examined the causal relationship between foreign direct investment (DFI) and the current account(CA) balance of Pakistan. The study revealed a reliable long-run equilibrium relationship between FDI and CA. However, the Granger pair-wise causality test findings revealed a uni-directional causality relationship running from FDI to CA only. There was no short run causality running from CA to FDI. The study concluded that FDI inflows may cause deterioration of the balance of payments in the long run. FDIs are normally treated as exports (earnings) in the balance of payments table and carries the plus sign(+) in the year the FDI is imported. Cumulatively FDI could have adverse impact on the balance of payment in the long run especially if repatriations should occur. In another study on Pakistan Muhammad and Bilal (2012) investigated the impact of foreign direct investment on the balance of payments of Pakistan. FDI inflows was found to have a positive impact on the imports, on the exports and the overall BOP of Pakistan. Another study on Pakistan by Nawaz, Rizwan, Imamuddin, Rana and Unaib (2014) on the impact of exchange rate on the balance of payment in Pakistan showed that there was a positive and significant relationship between Exchange rate and BOP.

Still on South East Asia Muhammad (2010) estimated the impact of foreign direct investment on Bangladesh's balance of payments. The study established a high and positive correlation between FDI inflows and Bangladesh's aggregate exports and imports. The net impact of FDI on the current account balance and the balance of payments was positive. The study found Bangladesh's investment incentives and regulations for FDI to be competitive when compared with the investment incentives and regulations offered by other emerging Asian countries to attract FDIs. A similar study by Mohammed and Mahfuzul (2016) examined the link between foreign direct investment, trade, and macroeconomic stability of Bangladesh. The study revealed that trade and foreign investment variables had significant impacts on the GDP per capita. The study concluded that FDI and trade are two important variables for explaining the development of GDP of Bangladesh.

Asirvatham, Rajah, Govindamal and Navaz (2017) equally investigated the impacts of foreign direct investment, imports and tariff deregulation on the exports of ASEAN-5 comprising of the pioneer Asian members of Indonesia, Malaysia, Philippines, Singapore and Thailand. The study applied the panel data of the member countries over the period 1970 to 2015. The result showed that the policies of trade openness, increases in FDI, imports and tariff deregulations were the main stimulants of the ASEAN-5 exports.

The roles of foreign direct investments (FDIs), the current account balance of Romania as the key determinants of the Lei/Euro exchange rate between 2007 and 2011 was investigated by Iavorschi (2014) The study revealed that increases in the FDI flows as well as increases in the current account balance of the BOP contributed to the long-term stability of the leu/Euro exchange rate.

From the above empirical reviews all previous research work examined the impacts of FDI on the balance of payment at the aggregate level. This is the first study to break down FDI into Foreign Real Investment (FRI) and Foreign Portfolio Investments (FPI) to capture their individual impacts on the balance of payments of Nigeria, as well as the impacts on the balance of payment of two additional and relevant explanatory variables of export earnings (ExE) and exchange rate (ExR) fitted into the model.

Methodology

Time Series Data covering the period, 1981 to 2018, extracted from the Central Bank of Nigeria's (CBN's) ***Statistical Bulletin***, 2018 will be applied in this study. The five variables chosen for the study are the independent variables of export earnings (ExE)), foreign real investment (FRI) foreign portfolio investment (FPI), the exchange rate (ExR) and the dependent variable, the balance of payment (BOP).

Model Specification

This study is adapted from an earlier study carried out by Oladipupo and Onotaniyohuwo (2011) with the following functional relationships:

BOP = f (EXRT, MS, ROUT, PRICE, INTR, INF, DOMC)

Where;

BOP = Balance of Payment,

EXRT = Exchange Rate

MS = Money Supply,

ROUT = Real Output,

PRIC = Price Level,
INTR = Interest Rate,
INF = Inflation Rate,
DOMC = Nominal Domestic Credit.

The modified model for the present study is functionally and mathematically expressed as follows:
BOP = f(ExE FRI, FPI, ExR)

$$logBOP = \beta_0 + \beta_1 \log(ExE) + \beta_2 \log(FRI) + \beta_3 \log(FPI) + \beta_4 \log(ExR) + \varepsilon_t$$

Where
BOP = Balance of Payment
FRI = Foreign Real Investment.
FPI = Foreign Portfolio Investment
ExE = Export Earnings
ExR = Exchange Rate A priori expectations: $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_{4 > 0}$

Objective of the Study

The objective of the study is to investigate the extent to which the critical foreign exchange supply determinants of BOP, which consists of export earnings, foreign real investment, foreign portfolio investment and the exchange rate impacted on the Balance of Payment of Nigeria in the period, 1981-2018. For the study the econometric techniques of ADF, ARDL (OLS), ARDL-Bound Co-integration Test and Error Correction Model (ECM) will be applied for the analysis. Log linear methodology of analysis will be adopted for better results because some of the series data are preceded by negative signs. The log- linear model is considered superior to the linear model for econometric forecasting because the variables of the model exhibit exponential (compound) growth relationship (Pedace,2013).The log-linear model also provides a better goodness of fit, precision and robustness of estimates than the linear regression model. The coefficients of the estimated log-linear model proxy the compounded rate of growth of each of the independent variable or a percentage change in the dependent variable by a unit change in the independent variable. Compound rate of growth provides a better and accurate estimate of the impacts of each of the explanatory variables on the dependent variable of a model (Pedace,2013).The independent variables generate multiple effects on the dependent variable. Hence a unit increase of any of the independent variables generates a percentage change in the dependent variable equal to the size of the coefficient of the operating independent variable. The magnitude or the size of the coefficient of each independent variable determines the extent of the impact of that particular independent variable on the dependent variable of the model. To impact positively and significantly on the dependent variable the coefficient (**c**) of an independent variable must be positively signed (+) and must also be greater than zero (**c** > 0). A coefficient preceded by a negative sign (-) irrespective of the magnitude of the coefficient will impact adversely on the dependent variable of the model.

Presentation of Data

Five variables are involved in the study. They are the independent variables of Export Earnings (ExR), Foreign Real Investment (FRI), Foreign Portfolio Investment (FPI), Exchange Rate (ExR) and the dependent variable, the Balance of Payment (BOP). For all the years covered by the study export receipts were positively indicated. Nigeria’s export earnings are derived from the export of oil and non-oil products but driven over 80% mainly by crude oil and liquefied natural gas exports. Nigeria's real gross domestic product depends mainly on the export of oil and associated products. When there is a drop in the international oil price because of oil glut or other international crises Nigeria's economy suffers immediate shock. Government sometimes finds it difficult to carry out its obligations such as the payment of salaries of government workers, infrastructural developments and other social responsibilities when oil prices plummet at the international oil market. There have been calls for government to provide the policy framework for the economy to be diversified to provide alternative sources of revenue. The economy will continue to experience macroeconomic instability unless the economy is diversified away from oil.

Foreign real investment and foreign portfolio investment unlike the oil business are not determined by the market forces of demand and supply but by friendly economic environment, the profit calculations of the investors, security, political stability and stable economic policies of government. A serious blow was dealt to the investment enthusiasm of foreigners by the Nigerian Enterprises Promotion Decree of 1972. The punitive decree promulgated by the then Military Government forced foreigners to sell their businesses, within a short time, to indigenous Nigerians. The huge losses sustained by foreign investors who spent most of their active lives in Nigeria killed the spirit of foreign entrepreneurs in Nigeria. As can be seen from Table1 there was virtually no foreign businesses in Nigeria between 1981 and 1986. From available data preceding 1981, the starting year of this study, foreign investments had virtually dried up following the divestment of foreign assets in Nigeria as directed by the Nigerian Enterprises Promotion Decree of 1972. The data of FPI between 1981 and 1985 is instructive of the divestment which took place since the implementation of the decree. Heavy divestment took place in both the portfolio sector and the real sector. Divestment was however easier for investors who held capital market assets. The repatriation of foreign capital had its toll on the balance of payment over the years. New foreign real and portfolio investments started to trickle back to the economy with the deregulation of the economy in 1986 and with the full abrogation of the 1972 Decree in 1995 by the Abacha led Military Government. Foreign real investments spiked steadily since 1996 till date but the same could not be said of FPI as indicated on Table 1. because of domestic and external sector stock market price determinants, which influence demand and supply of capital market assets or the moving of portfolio funds to safe and more lucrative locations.

Before the deregulation of the economy in 1986 and the deregulation of the foreign exchange market in 1987 the Nigerian economy was highly regulated. Exchange rates, interest rates and certain prices were not determined by market forces of demand and supply but fixed by fiat. Before the deregulation of the exchange rate in 1987 Nigeria's key trading partners and the IMF had observed that the naira was overvalued in terms of key international currencies and was purchasing more than it was actually worth in real terms. Should the naira be subjected to the market forces of demand and supply the naira would be priced less. IMF had warned Nigeria that the regulation of the economy and the foreign exchange market was driving away foreign investors and hurting the Nigerian economy. Foreign investors operate better under market forces. Nigeria's contemporaries like Malaysia, Singapore and the Asian tigers generally were 'light' years ahead of Nigeria in economic growth because those countries permitted market forces to reign and neither regulated the economy nor the foreign exchange market. Nigeria was persuaded to deregulate both markets. The true value (exchange rate) of the naira began to manifest itself. Since 1987 the naira exchange rate has plummeted hundreds of times against the US dollar. Table 1 indicates the naira exchange trend since 1987.

Table 1: The Variables of the Model

Year	**ExE** (N'Billion)	**FPI** (N'Million)	**FRI** (N'Million)	**EXR**	**BOP** (N'Million)
1981	11.0	0	334.7	0.6100	(3,020.8)
1982	8.2	0	290.0	0.6729	(1,398.3)
1983	7.5	0	264.3	0.7241	(301.3)
1984	9.1	0	360.4	0.7649	354.9
1985	11.7	0	434.1	0.8938	(349.1)
1986	8.9	151.6	735.8	2.0206	(4,099.1)
1987	30.4	4,353.1	2,452.8	4.0179	(17,964.8)
1988	31.2	2,611.8	1,718.2	4.5367	(20,795.0)
1989	58.0	(1,618.8)	13,877.4	7.3916	(22,993.5)
1990	109.9	(435.2)	4,686.0	8.0378	(5,761.9)
1991	121.5	(594.9)	6,916.1	9.9095	(15,796.6)
1992	205.6	36,851.8	14,463.1	17.2984	(101,404.9)
1993	218.8	(377.0)	29,660.3	22.0511	(41,736.8)
1994	206.1	(205.3)	22,229.2	21.8861	(42.6)
1995	950.7	(5,785.0)	75,940.6	81.0228	(195.2)
1996	1,309.5	(12,055.2)	111,290.9	81.2528	(53.2)
1997	1,241.7	(4,785.8)	110,452.7	81.6494	1.1
1998	751.9	(673.5)	80,749.0	83.8072	(220.7)
1999	1,189.0	(1,015.7)	92,792.5	92.3428	(326.6)
2000	1,945.7	(51,079.1)	115,952.2	100.8016	314.1
2001	1,868.0	(92,518.9)	132,433.7	112.0252	24.7
2002	1,744.2	(24,789.2)	225,224.8	120.9793	(563.5)
2003	3,087.9	(23,555.5)	258,388.6	129.4323	(162.3)
2004	4,602.8	(23,541.0)	248,224.6	133.5001	1,124.2
2005	7,246.5	116,035.0	654,193.2	131.6391	(0.1)
2006	7,324.7	360,291.5	624,520.7	127.3824	-2205.6
2007	8,309.8	332,547.8	759,380.4	124.6118	1,811.90
2008	10,387.7	157,157.2	971,543.8	117.6937	2,205.60
2009	8,606.3	70,938.5	1,273,815.8	147.3958	3,927.50
2010	12,011.5	556,585.1	905,730.8	148.8127	-8.2
2011	15,236.7	792,360.2	1,360,307.9	152.3297	1,100
2012	15,139.3	2,687,232.5	1,113,510.6	155.9402	-0.6
2013	15,262.0	2,130,179.9	875,102.5	155.7537	4,352.90
2014	12,960.5	832,392.0	738,197.2	156.9828	(0.1)
2015	8,845.2	498,132.2	602,067.8	192.3016	403,942.22
2016	8,835.6	476,998.7	1,124,149.0	253.4923	447
2017	13,988.1	2,604,327.7	1,069,417.3	305.823	1,848,207.46
2018	19,280.0	3,834,526.8	610,381.7	306.142	990.49

Source: CBN statistics bulletin of various years

The balance of payment (BOP) of Nigeria as shown on Table 1 mirrors the totalities of the positive and negative impacts of the four baseline explanatory variables of the model. The extent to which each of the independent variables contributed to the poor BOP of Nigeria will be investigated. It has to be noted here that CBN too frequently adjusts and readjusts the BOP data in a manner that may tend to be distortionary to the results of any study conducted with it.

Analysis of the Data

The ADF Test

To proceed with the data analysis the time series stationary properties of the variables of the model have to be investigated first using the Augmented Dickey Fuller (ADF) test technique. ADF technique is considered superior to the Dickey Fuller (DF) and Philips Perron (PP) techniques because of its capacity to incorporate lagged changes of the residuals thereby minimizing the likelihood of serial correlation occurring. Apart from testing for the stationary characteristic of each of the variables of the model the ADF technique calculates the Order at which each of the variables of the model was individually integrated. Each variable is deemed to be stationary if it contained no unit root or stochastic trend. If the variables are stationary then the stability and suitability of the time series data of the Model for further testing and analysis are confirmed. If any of the series data contain unit root or stochastic trend then the data has to be de-trended or differenced one or two times until the data becomes stationary. If the data is differenced ones to become stationary the data is said to be stationary at the first Order of difference 1(1) or integrated of Order 1(1). If differenced twice it is stationary at the second Order of difference 1(2) or integrated of Order 1(2). Any time a data is differenced to make it stationary a degree of freedom or a year's observation is lost. The more the loss of degrees of freedom through differencing the weaker and more unreliable will be the parameter estimate or the predictor coefficient of the variable for econometric forecasting. The best Order of integration is 1(1) or 1(2). Beyond that the predictor coefficient becomes very unreliable. If all the variables of the model should be stationary at level 1(0) of Order zero (0) a long-run relationship (co-integration) between the dependent and the independent variables is ruled out. The relationship for example between the zero 1(0) stationary variables becomes of short-term nature and can only be better explained by applying the Granger pairwise test. On application of the ADF technique to the chosen time series data of the model the following results processed with the E-view 10.0 system emerged.

Table 2: ADF Unit Root (Stationary) Test Results

Variable	ADF Test	C. Values @5%	P-value	Order of Integration
Log(FRI)	-4.216834	-2.945842	0.0021	1(1)
Log(FPI)	-4.088710	-2.945842	0.0030	1(1)
Log(EXPORT)	-3.138820	-2.945842	0.0325	1(1)
Log(EXR)	-4.221835	-2.945842	0.0021	1(1)
Log(BOP)	-6.091688	-2.943427	0.0000	1(0)

Source: Summary of E-view 10.0 Output/Authors Compilation

Decision Rule: Reject H_0 if the computed ADF statistics result of a variable is greater than the critical values at 10%, 5% and 1% levels of significance in absolute terms or at most at the 5% Alpha level of significance otherwise accept H_0.

The results from Table 1 show that each of the variables of the model was stationary at the first Order of difference 1(1) at the 5% Alpha level of significance except that of BOP which was stationary at level 1(0). Thus, the null hypothesis (H_o) was rejected as all the variables, according to the decision, rule have been confirmed reliable for further statistical analysis. The next stage is to confirm if a long-run relationship exists between the dependent and the independent variables of the model. To carry out the investigation will require a co-integration analysis.

ARDL Co-integration Bound Test

The long- run equilibrium relationship between the variables of the model was also tested with the ARDL co-integration bound test which consist of the **upper bound** and the **lower bound** critical values (Ozturk and Acaravci, 2010). Integrated series of order 1(1) is associated with the upper bound and the order 1(0) series is associated with the lower bound. If the F-test statistic exceeds their respective upper critical values there is a long run co-integration relationship between the dependent and the independent variables of the model (Duasa, 2007).

The Auto Regressive Distributed Lag (ARDL) bound test is an alternative method of confirming the long-run relationship (co-integration) between the dependent and the independent variables of a model especially where the ADF order of integration of the variables are not of the same combination, for example if some the variables are individually integrated of Order 1(0) and others of Order 1(1).

Table 3: ARDL Co-integration Bound Test Result.

		Null Hypothesis: No levels relationship		
F-Bounds Test				
Test Statistic	Value	Signif.	I(0)	I(1)
		Asymptotic: n=1000		
F-statistic	21.83998	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37
		Finite Sample: n=40		
Actual Sample Size	36			
		10%	2.427	3.395
		5%	2.893	4
		1%	3.967	5.455
		Finite Sample: n=35		
		10%	2.46	3.46
		5%	2.947	4.088
		1%	4.093	5.532

Source: Summary of E-view 10.0 Output/Authors Compilation

The result of Table 3 shows that the value of the F- statistic lies above the upper critical bound (21.83998> 2.56) at the 5% Alpha level of significance.

The Null Hypothesis is rejected and co-integration and long- run relationship between the dependent variable and the independent variables of the model confirmed.

Error Correction Model (ECM)

Error Correction Model is regarded as an **additional variable** to the associated model and constitutes a time series regression model of its own. It has also come to be associated with the behavioural relationship of two or more co-integrated time series which exhibit combined short and long-run equilibrium behaviors.. ECM's coefficient (**c**) is normally preceded by a negative sign ECM(-). It captures the short run dynamics between the co-integrating series in the model. Error Correction Model (**ECM**) is a simple (single) equation model while the Vector Error Correction Model (**VECM**) is a multiple equation model designed for series that are not stationary(non- stationary series), but are known to be co-integrated and the deviations from the long-run equilibrium is gradually corrected through a series of partial short-run adjustments determined by the coefficient of VECM.

From the result on Table 4, the ECM is correctly signed (negative) and statistically significant.

Table 4: ECM Result

Variable	**Coefficient**	**T-statistics**	**Probability**
ECM(-1)	-0.460866	-2.595593	0.0145

Source: Summary of E-view 10.0 Output/Authors Compilation

Tables 4 and 5 show that both long- run and short- run relationships exist between the dependent variable and the independent variables. This is in line with the findings of Iavorschi (2014) that short and long-run relationships exist between foreign direct investment and balance of payment in Romania. The ECM coefficient of -0.460866 assists in the calculation of the number of periods it will take to adjust the short-run equilibrium relationships to a long-run equilibrium relationship. The data used for the study being annual data. Each period would have the length of one year. The probability value (pv) 0.0145 rejects the null hypothesis of no long relationship between the dependent and independent variables. The t-statistics of -2.595593 is greater than the critical t-statistics of -2.04 at the 5% level of significance which is an indication that the coefficient of the ECM variable is significant and a reliable determinant of how many periods it will take to adjust from short-run equilibrium to a long-run equilibrium.

ARDL Short Run Regression

The short-run regression analysis conducted with the ARDL technique has a number of advantages. The first advantage is that the short run regression coefficients of the independent variables impact more precisely with multiplier effects on the dependent variable or according to (Pedace,2013) the independent variables of the model exhibit exponential (compound) growth relationship that impact with multiplier effects on the dependent variable. The second advantage is that the short- run model quickly converts the short-run disequilibrium caused by macroeconomic shocks to long- run equilibrium. The third advantage is that the short- run results resolve the problem of spurious regression by incorporating lagged ECM and thereby eliminating trends from the model. According to (Gujarati, 2004) the error term in the short-run model is a stationary variable.

Table 5: ARDL Short Run Result: Dependent Variable BOP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FRI)	-0.301203	0.220082	-1.368593	0.1813
D(FPI)	0.183842	0.091527	2.008610	0.0537
D(ExE)	24.16636	27.87061	0.867091	0.3928
D(ExR)	9284.313	2479.171	3.744927	0.0008
C	-44490.33	43544.65	-1.021717	0.3151

Source: Summary of E-view 10.0 Output/Authors Compilation

The short-run results show that a unit increase in foreign real investment (FRI) leads to a deterioration in the balance of payment by -0.3012 units while a similar unit increase in foreign portfolio investment (FPI) improves balance of payment by 0.1838 units. Also, a unit increase in export earnings improves balance of payment by 24.1664 units. However a unit increase in the exchange rate (which in the present context is interpreted to mean a further depreciation in the naira exchange rate) will improve balance of payment astronomically by 9284.313 units. Depreciation in the value of a domestic currency enhances exports of a country. Depreciation of the naira exchange rate over the thirty seven years covered by this study probably enhanced the non-oil export earnings of Nigeria, which is an integral part of the export earnings variable (ExE) of the model. Non-oil exports may have improved non-oil earnings but at the same time the naira depreciation increased the costs of imports many folds. The prohibitive costs of imports wiped off the little gains from non- oil exports. Nigeria's export earnings consist of the earnings from the exports of both crude oil/gas and non-oil products. Crude-oil prices and production quota are fixed by OPEC. Oil earnings are not affected by the depreciation of the naira exchange rate. The naira exchange rate is a major bane of Nigeria's balance of payment position. In 1981 the start year of this study 0.6100 naira (61kobo) exchanged for US1$. By 2018, the termination year for this study N360 exchanged for US1$. At the parallel market naira exchanges at the rate of over N400 to US1$. Between 1981 and 2018 the naira had depreciated by almost 600% unofficially by over 1,000%. The heavy deterioration in Nigeria's balance of payment is mainly caused by the endless depreciations of the naira exchange rate.

Finally, if the independent variables of ExE, FRI, FPI and ExR are held constant BOP deteriorates by -44490.33 units. Nigeria's BOP was characterized by deficits for most of the years covered by the study.

Summary of Findings, Conclusion and Recommendation

The OLS results as shown on Table 5 confirm the existence of short run relationships between the dependent and the baseline independent variables of the model applied for the study. Direct foreign investment (DFI) in Nigeria was decomposed into foreign real investment (FRI) and foreign portfolio investment (FPI) for a better appreciation of their individual impact on the balance of payment of Nigeria during the period covered by the study. Three variables of the model: ExE, FPI and ExR impacted positively on the balance of payment. The coefficient of FRI was on the contrary negatively signed. FRI contributed to the deterioration of the balance of payment position in the period of study, though not significantly.

The findings of this study with respect to FRI and FPI corroborate to a large extent the findings of similar but earlier studies conducted in Pakistan by Siddiqui, Ahmad and Asim (2013). The conclusion is that the explanatory variables of the model of this study are key determinants of the balance of payment position of Nigeria can not be over-emphasized. It is strongly recommended that the Federal Government of Nigeria takes all necessary measures to create a more conducive environment for foreign real and portfolio investments to flow more freely into the country. Real investment is the bedrock for rapid industrialization, higher GDP and higher level of employment. The Nigerian economy is a one legged economy which relies on the export of crude oil and associated liquefied gas as the main exports of the economy and are subject to international price fluctuations as is the case now as a result of the oil price war between Saudi Arabia and Russia, which sent the price of oil which had stabilized at about US$55.00 per barrel by the end of 2018 plummeting to about US$30 as time goes on. This calls for immediate urgent short and long-term policy measures to diversify the Nigerian economy and to broaden the export base beyond the current oil and gas export.

References

Asirvatham, J., Rajah, R., Govindamal, T. & Navaz, N. (2017). Impact of foreign direct investment, imports and tariff deregulation on exports among pioneering Asian members: panel data analysis. *International Journal of Business and Society*, 18(1), 1-12.

CBN (2018). Central Bank of Nigeria Annual Statistical Bulletin

Chukwu, J.O. (2009). Internal and external deficits in Nigeria: evidence from low and high frequency series. *Nigerian journal of social sciences 5(1).*

Crockett (1977) in Oladipupo, A. O. & Onotaniyohuwo, F. O. (2011). Impact of Exchange Rate on Balance of Payment in Nigeria. *An International Multidisciplinary Journal, Ethiopia*, *5 (4), 21(73-88).*

Duasa, J. (2007). Determinants of Malaysian Trade Balance,in *Global Economic Review*, Taylor and Francis.

Gujarati, D. N., Porter D. C. & Gunasekar S. (Ed.) (2012). *Basic econometrics 5th edition.* New Delhi, India: Tata McGraw Hill Education Private Limited.

Iavorschi, M. (2014). The Influence of Foreign Direct Investments and the Current Account of the Balance of Payments on the Evolution of the Lei/Euro Exchange Rate in Romania. *Procedia Economics and Finance*, 16, 448 – 457.

Mohammed, E. H. 1, & Mahfuzul, H. (2016). Foreign Direct Investment, Trade, and Economic Growth: An Empirical Analysis of Bangladesh. *Economics*, 6(7), 1-14.

Muhammad, A. & Bilal, M. (2012). Foreign direct investment and balance of payments in Pakistan: time series evidence. *Actual problem of Economics*, 10(136), 299-304. Retrieved from: https://www.researchgate.net/publication/282860931

Muhammad, A. H. (2010). Impact of foreign direct investment on Bangladesh's balance of payments: Some Policy Implications. 1-9. PN 0805.

Muzurura, J., Sikwila, M. & Nesongano, T. (2014). The impact of foreign direct investment (FDI) on export growth: Evidence from Zimbabwe-1980 to 2011. *Research in Business and Economics Journal*, 12, 1-17.

Nawaz, A., Rizwan, R. A., Imamuddin, K., Rana I. P. & Unaib, R (2014). Impact of Exchange Rate on Balance of Payment: An Investigation from Pakistan. *Research Journal of Finance and Accounting*, 5(13), 32-42.

Nkoro, E. & Uko A. K. (2016). Autoregressive distributed lag (ARDL) co-integration technique: application and interpretation. *Journal of statistical and econometric methods 5(4).*

Obi-nwosu, V. O., Ogbonna, K. S. & Ibenta, S. N. (2018). Foreign Direct Investment Inflow and Manufacturing Capacity in Nigeria: 1984-2017. *Zik Journal of Multidisciplinary Research*, 2, 31-45.

Okeke, C. C. (2018). Effect of Imports and Exports on Balance of Foreign Trade in Nigeria (GDP). *International Journal of Economics and Financial Research*, 4(11), 349-353.

Oladipupo, A. O. & Onotaniyohuwo, F. O. (2011). Impact of Exchange Rate on Balance of Payment in Nigeria. *An International Multidisciplinary Journal*, *Ethiopia, 5 (4), 21(73-88).*

Onoh, J. K. (1983) *Money and Banking in Africa*, London & New York, Longman Group.

Ozturk, I & Acaravci, A.(2010), The Causal Relationship Between Energy Consumption and GDP in Albania, Bulgaria, Hungary and Romania: Evidence from ARDL Bound Testing Approach, in *Applied Energy*, Elsevier Holland.

Pedace Roberto, (2013). *Econometrics for Dummies,* New York, Jhn Wiley.

Pesaran, M. H., Smith, R. J. & Shin Y. (1996). Testing for the existence of a long run relationship. *DAE working paper* 9622, department of applied economics, University of Cambridge.

Siddiqui, D. A., Ahmad, M. H. & Asim, M. (2013). The causal relationship between Foreign Direct Investment and Current Account: an empirical investigation for Pakistan economy. *Theoretical and Applied Economics, 8(585), 93-106.*

Tran, T. A., Thanh, T. & Dinh, B. (2014). FDI inflows and trade imbalances: evidence from developing Asia. *The European Journal of Comparative Economics,* 11(1), 147-169.

CORPORATE SOCIAL RESPONSIBILITY AND FIRMS' FINANCIAL PERFORMANCE IN THE NIGERIAN HOSPITALITY INDUSTRY

Esther Ikavbo Evbayiro-Osagie (Ph.D)
Department of Banking and Finance, Faculty of Management Sciences,
University of Benin, Benin City
estherasein@yahoo.com; esther.evbayiro-osagie@uniben.edu

Abstract
Corporate Social Responsibility (CSR) has become the rhetoric of every business organization, without exception to the hospitality industry. This study examines the relationship and interaction between CRS and financial and marketing performance of firms in the hospitality industry in Nigeria. Data were obtained from secondary sources (audited financial reports) on community social responsibility (CSR), social donations (SD), return on asset (ROA), return on equity (ROE) and Tobin Q for the period 2006 to 2016. The data was analyzed using unbalanced panel least square (PLS) regression with fixed effect specification. The results show that community social responsibility and social donation have positive impact on ROA performance of firms, although, they were not significant. Also the effect of community social responsibility on Tobin Q was positive and significant. The study therefore recommended that the hospitality industry should pay more attention to immediate community social responsibility has it could have positive effect on their marketing performance.

Key words: Financial performance, Marketing performance, community social responsibility, social donation

Introduction
A firm can be describe as an open system, that is, one that interacts with its environment by exchanging resources with the aim of renewal, performance and growth. One element of the firm's environment is the public or community, which is the society wherein the firm operates. It is expected that firms (businesses) be responsible as a social and corporate entity in relating with the society. The society expects business not only to achieve economic goal (profit) but to also achieve social goal. The social goals are the expectations that society has about a business enterprise or what socially responsible business should have toward society. The intersection or relationship between the business and society evolve the concept of corporate social responsibility (Mackey, Mackey & Barney, 2005; Ogunrin, 2015).

Corporate social responsibility (CSR) has been termed variously by different authors. It has been referred to as social responsibility, corporate citizenship, strategic philanthropy, business and society amongst others. It is believed that the CSR view is an extension of the universally accepted doctrine that individual (either in single or group) should weight the impact of their action on other (Glautier & Underdown, 2002). One of the predominant paradigms fundamental to CRS is centred on the idea of creating 'shared value'. The goal of business is to yield value to its stakeholders and at the same time yield value to the society. As at today, the Nigerian society is placing more demand on business organizations (especially big organizations) for involvement in solving social problems (Oghojafor, 2000).

Although, the Nigeria Companies and Allied Matter Act did not statutorily state philanthropic responsibilities (such as social donations, building of schools) as CRS expected of business organization, however it is morally expected that business has positive impact on its immediate environment. Zadek, Prazan and Evans, (1997) assert that the type of corporate responsibility done by business organization is driven by basic drivers of CRS in contemporary business environment which include value for social and environmental goals, strategic development and public pressures. Hence, CSR has become a persuasive duty of an organization to be socially and legally responsible to its direct environment for peaceable co-existence. CSR is a concept that connotes firms' commitment to the improvement of their environmental and social performance beyond legal obligation (World Business Council for Sustainable Development, 2001). Also it can be describe as the commitment to improve the lives of the public by means of discretionary practices and deployment of corporate resources.

Corporate social responsibility (CSR) has been acknowledged as one of the key to business success globally ( ). Meaning, a business that is socially responsible (with good social goal) is expected to achieve better performance (some economic goal). This implies that a business that is socially responsible will simply be profitable especially in the long term. Subsequently the work of Ohiokha, Odion and Akhalumeh (2016) using listed firms in Nigeria, shows that CSR has little or no impact on firms' profitability in the short-run. Therefore having corporate virtue is good for profit in the long-run. A failure by firm to perform in society's interest is viewed as failure to perform in financial matters by some investor. Ogunrin (2015) says that social problems can become opportunities or can lead to profits if the business enterprise takes care of them at the appropriate time.

A consideration of CSR activities in the Nigerian society shows that firms have not done enough to improve the well being of the immediate environment. The study of Umoren, Isiavwe-Ogbari and Atolagbe (2016) reveal that disclosure of CSR was 44% by listed firms in Nigeria. CSR involves huge cost and critics argue that this will affect performance, therefore the link between CSR and performance need to established. In addition, there exist dearth of empirical studies on corporate social responsibility and performance in the hospitality industry in Nigeria. Majority of studies on CSR and performance has considered financial performance using accounting performance (ROA) only not accounting and marketing performance (ROA, ROE and Tobin Q), which this study will do. Hence the main objective of this research is to provide empirical study on CSR and financial (accounting and marketing) performance in the hospitality sub-sector. Specific objectives of the study are: to (1) examine the impact of social donations on performance in the industry; and (2) investigate the effect of community social responsibility on performance. However, the study is limited to the hospitality industry in Nigeria and the philanthropy social responsibility.

Literature Review

Financial (accounting and marketing) performances of firms are basic to their success and long-term survival. Therefore, firms are concern with variables or factors or their activities that can affect performance. Hence this section reviews literatures on firm performance and CSR conceptually, theoretically and empirically.

Firm Performance: a wide variety of definitions of firm performance have been proposed in the literature. Business performance entails engaging actions aimed at establishing the firm's goals, monitoring progress toward the goals and marking modifications to realize those goals effectively and efficiently (Umoren, Isiavwe-Ogbari & Atolagbe, 2016). From literature, both accounting and marketing definition have been used to study the relationship between corporate social responsibility and firm performance (Mackey, Mackey & Barney, 2005). In this study, the functional attributes of firm financial performance are accounting performance (such as return of assets [ROA] and return on equity [ROE]) and marketing performance (such as Tobin Q).

Conceptualization of Corporate Social Responsibility: CSR is a concept that has gained importance in business reporting and many organizations have written policy in it as well as produce annual report detailing its activities (Crowther & Aras, 2008). The concept is gaining increasing attention based on its capacity to influence firm performance by providing incremental gains such as purchase intentions, increased sales, enhanced firms' image, amongst others (Mackey, Mackey & Barney, 2005). The concept of CSR has been defined by various authors, so there is no single universally accepted definition of the concept. CSR has been describe by World Business Council for Sustainable Development (2001) to connote the 'continual commitment by firm to act ethnically and contribute to economic growth' and development while improving the 'value of life of the labour force' as well as of the local community and the public at large. Branco and Rodrigues (2006) delineate CSR as firms voluntarily integrating social and environmental concerns in their relations and interactions with stakeholders. Sanusi (2008) refers to CSR as business organization sets of policies and practices that are predicted on the values of the organizations' key stakeholders and aims at contributing to the sustainable development of the host community. It is also seen as a mean whereby firms decide voluntarily to contribute to a healthier society and a better environment (Azinge & Azinge, 2014). Thus, Anele (2014:) says that CSR connotes "an ethnical term that refers to the impacts of enterprises on society and the environment for sustainable economy". Therefore CSR refers to the impact of the activities of firms on stakeholders as well as the voluntary and philanthropic contribution by firms to the society and environment for sustainable development. Similarly, CSR is a derivative of sustainable development which is concerned with cooperate behaviour and how environmental management strategies are used as tools for building a company's image and progressive effect on their environment, as well as their returns (Global Reporting Initiative, 2010).

In order to understand CSR, Carroll (1991) provided dimension of the concept as: philanthropic, ethical, legal and economic responsibilities. The philanthropic dimension of CSR describes the firm as good corporate citizen that contribute resources to the community and improve the quality of life of the society (Ogunrin, 2015; Igbinoba & Umemezia, 2017). In 2003, Carroll further merges the philanthropic dimension with the ethical dimension and helps eradicate the intrinsic assumption of a hierarchical relationship among the dimensions (Carroll & Schwartz, 2003). In the United States, it was the common practice to define CSR in terms of philanthropy by which organization make their profits unconstrained (Carroll & Schwartz, 2003). Thus this study examines variables of philanthropic CSR such as social donations and community social responsibility. In Nigeria, most of the indigenous companies like the hospitality sector are small and so the practice of CSR is quite low and discretionary. And also tailored within the socio-economic conditions in which these organizations operate. The variables of CSR used in the

ISSN: 1599-8051

study confirm to a large extend that the CSR practice in Nigeria has been within the confines of philanthropic activities that include cash donations, scholarships, among others.

CSR and Performance: the opportunity given to organizations to operate in the society arises from the fact that the society believed that there is a shared interdependency existing between them (that is the organization and the society). CSR is “not a zero-sum game where one party win and the other party lose but a win-win situation where all the parties involve are supposed to win” (Igbinoba & Umemezia, 2017:92). Therefore, a business with social responsibility is expected to achieve better performance. This implies that a business that is socially responsible will simply be profitable especially in the long term. Therefore having corporate virtue is good for profit. Umobong and Agburuga (2018) posit that firms owe certain obligation to the society which can also impact on the firm’s profitability and returns. A failure by firm to perform in society’s interest is viewed as failure to perform in financial matters by some investor (Ogunrin, 2015).

The relationship and influence of CSR on performance of firms is controversial in literature. There are many debates that CRS is either positively or negatively related to performance. The proponent of negative relationship between CSR and performance opines that increased CSR produce cost resulting in an economic disadvantage to the firm when compared to other less socially responsible firms (Bragdon & Marlin, 1985). The empirical work by Babalola (2012) reported a negative relationship between CSR instruments and profitability of firm. The positive proponent of CSR and performance argues that it led to better marketing of product and services, creation of unforeseen opportunities, ease of access to capital and increase in firm value. Oghojafor and Sulaimon (2009) reveal in their study that CSR affect performance of SMEs significantly and that socially responsible SMEs out-performing those that are not socially responsible in Nigeria. Oni and Kabir (2010) study of Swaziland companies show that most companies disclose CSR information voluntarily. Similarly, Igbinoba & Umemezia (2017) study CSR variables in Nigeria using Guinness Nigeria Plc and found that philanthropic and ethical CSR has positive and significant relationship and impact on their performance. Correspondently, Abdullahi and Bala (2015); Jibril, Dahiru and Mukta (2016) and Okegbe and Egbunike (2016) report that CSR and CSR disclosure has positive and significant impact on ROA and ROE performance. However, the research of Barde and Tela (2015); Nyongesa (2017) reported a positive but not significant relationship and impact of CSR (philanthropy CSR) on financial performance. They concluded that the discharge of philanthropic CSR does not increase profitability and that it is more or less a charitable activity than an investment strategy.

On the control variables (firm size, firm age and leverage), the literature established that firm size, firm age and leverage affect performance positively. The work of Umobong and Agburuga (2018) reported that firm size and leverage are positively related to return on asset and return on equity.

Theoretical Framework: the work draws from some theories that explain business and society such as the social contract theory, stakeholder theory and corporate citizenship. The Social Contract Theory (SCT) by Hobbes, Locke and Rousseau (1712-1778) states that an implicit social agreement exists between business and society that determines the social nature of the corporation, identifies its duties and rights, and is considered to evolve as social values evolve. It also states that business should be given opportunity to solve some social problems in the society, as they possess the expertise (in its managers and executives) to develop plans to overcome social problems, and the outcome benefits the organization (.Ogunrin, 2015). Similarly, the stakeholder theory in the normative base stipulate what should happen based on moral value.

Methodology

The study used secondary data obtained from the firms' audited financial reports for various years in the firms' official web site. In this study, firms' financial performance was measured by accounting measures such as return on asset (ROA) and return on equity (ROE) as well as marketing measure (Tobin Q).

*The ROA is given as [Net Income after Interest and Tax/Total Asset]*100*
*The ROE is given as [Net Income after Interest and Tax/Total Equity]*100*
Tobin Q is given as ratio [MVE + PS +DEBT/TA] where MVE is market value of equity; PS is preference stock; DEBT is Long-term debt + working capital and TA is total asset. Tobin Q ratio expresses the relationship between market value of a firm and the cost of replacing the asset.

Corporate social responsibility was proxy by cash donation (CD) and community/corporate social responsibility (CCS). Firm size (LOGTA), firm age (FAGE) and leverage (DTA) were used as control variables. The study used a total number of 8 listed companies in the hospitality sector with a period of 11 years (2007-2017). The models for the study are specified as follow:

$PER_{it} = CSR_{it} + et_{it} \dots\dots\dots\dots\dots\dots\dots\dots.(1)$

Model 1:

$ROA_{it} = \alpha_{it} + \beta_1 SD_{it} + \beta_2 CCS_{it} + \beta_3 logTA_{it} + \beta_4 FAGE_{it} + \beta_5 DTA_{it} + et_{it} \dots\dots.(2)$

Model 2: $TQ_{it} = \alpha_{it} + \beta_1 SD_{it} + \beta_2 CCS_{it} + \beta_3 logTA_{it} + \beta_4 FAGE_{it} + \beta_5 DTA_{it} + et_{it} \dots\dots.\dots.(3)$

Where, PER = performance; CSR = corporate social responsibility; ROA = return on asset; TQ = Tobin Q; SD = social donations; CCS = community/Corporate social Responsibility; logTA = log of Total Asset; FAGE = fire age; DTA; $\alpha = constant$; $\beta_{1-5} = coefficients$; $et = error\ term$; $i = no\ of\ firms$; $t = periods$

SD was measured as the total money donated for CSR; while CCS variable was captured by dummy variable. Where a firm reports effort to development immediate community, '1' is assigned and where otherwise, it is assigned '0'. Firm size, logTA is measured by the log of total asset; Fage is the number of listed years and leverage, DTA is the ratio of total debt to net asset value.

In testing for the formulated hypotheses in this study, the panel least square regression was used as the most suitable techniques for analyzing the relationship between variables because the fixed and random effect cross section are of interest in the estimation of our model. The preliminary pre-regression analysis such as descriptive statistics and correlation matrix was performed. The results are presented and analysed below.

Data Presentation and Analysis

Descriptive Analysis: This section examines the descriptive statistics for both the independent and dependent variables of interest. Each variable is examined based on the mean, median, minimum and maximum values. Table 1 displays the descriptive statistics for the study.

The table shows that the mean values for ROA, ROE and Tobin Q among the sampled firms were 3.34, 6.56 and 1.03 respectively. This implies that ROE performance is higher that ROA and Tobin Q performance. The median values of ROA, ROE and Tobin Q for the sampled companies were 3.48, 12.41 and 1.04 respectively. This shows that many values were above the mean value for ROE. The maximum values for the study were 89.54, 183.6 and 3.88 while the minimum values were -52.6, -560.9 and 0.58 respectively. This therefore means that companies with higher or equal to the median values of 3.48, 12.41 and 1.04 are better performing firms. While companies with the value below 3.48, 12.41 and 1.04 are low performing firms.

Table 1: Descriptive Statistics

Variables	ROA	ROE	TQ	SD	CCS	LOGTA	FAGE	DTA
Mean	3.34	6.56	1.30	2021.53	0.35	6.82	6.37	62.48
Median	3.48	12.41	1.04	690.00	0.00	6.81	6.00	59.05
Maximum	89.54	183.69	3.88	15127.00	1.00	7.29	14.00	166.24
Minimum	-52.60	-560.95	0.58	0.00	0.00	6.35	1.00	10.46

Source: E-view 8.0 Output, 2018

For the independent variables, the results for the endogenous (main) variables indicate that the mean values for social donation (SD) and corporate community/social responsibility (CCS) are -2021.53 and 0.35 respectively. The SD average value stood at 2021 million which means firms above 2021 million did good social donation. It is also observed that the averaged CCS for the sampled firms was 0.35. The CCS average value of 0.35 means that many of the firms studied did not carry out corporate community responsibility. In the case of firm size, the average value was 6.82 which means company above 6.82 are considered as large firms. Similarly, the mean values for firm listing age (FAGE) and debt to total asset (DTA) are 6.37 and 62.48 respectively.

Correlation Analysis: In examining the association among the variables, we employed the Pearson correlation coefficient and the results are presented in table 2 below.

Table 2: Pearson Correlation Statistics

Variables	ROA	ROE	TQ	SD	CCS	LOGTA	FAGE	DTA
ROA	1.00							
ROE	0.18	1.00						
TQ	-0.14	0.01	1.00					
SD	-0.01	-0.00	-0.28	1.00				
CCS	0.21	0.08	0.00	-0.02	1.00			
LOGTA	-0.24	-0.03	0.00	-0.15	0.03	1.00		
FAGE	-0.45	0.03	-0.28	0.35	-0.02	0.09	1.00	
DTA	-0.56	-0.05	0.38	-0.12	-0.23	0.55	0.43	1.00

Source: E-view 8.0 Output, 2018

In the results above, we observed that ROA, ROE and Tobin Q performances were negatively and weakly associated with social donations (ROA/SD=-0.01; ROE/SD=-0.00; TQ/SD=-0.28). Also ROA, ROE and Tobin Q performances were positively and weakly associated with corporate community social responsibility (ROA/CCS=0.21; ROE/CCS=0.08; TQ/CCS=0.00). The ROA performance was negatively and weakly/moderately associated with the control variables - firm size, firm age and leverage (ROA/LOGTA=-0.24; ROA/FAGE=-0.45; ROA/DTA=-0.56). The control variables – LOGTA, DTA and FAGE have weak and moderate negative and positive associations with the ROE performance from the coefficient which are -0.0351, -0.0523 and 0.0396. Similarly, the control variables – LOGTA, DTA and FAGE have weak and moderate negative and positive associations with the dependent variable (TQ) from the coefficient which are --0.0042, 0.3884 and -0.2874 respectively. In the table, there exist a negative and weak relationship between social donation and community / social corporate responsibility (SD/CCS=-0.02)

Panel Regression Results: However, to examine the cause-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, we used a panel least square regression analysis since the data had both time series (2007 to 2017) and cross-sectional properties (8 quoted companies). The panel data regression results obtained is presented and discussed below.

Corporate Social Responsibility and Financial Performance: This section discusses the relationship and impact of corporate social responsibility on financial performance as measured by return on asset (ROA) and return on equity (ROE).

Model 1

Table 3: Panel Regression Result for model 1

	ROA Fixed Effect	ROA Random Effect	ROE Fixed Effect	ROE Random Effect
SD	-0.00 {0.56}	0.00 {0.85}	-0.00 {0.66}	-0.00 {0.82}
CCS	2.88 {0.69}	4.24 {0.37}	-5.58 {0.92}	15.47 {0.69}
LOGTA	60.30 {0.08}	1.12 {0.32}	-68.30 {0.80)	-6.09 {0.95)
FAGE	-2.57 {0.03}*	-1.45 {0.17}	10.55 {0.27}	2.57 {0.69}
DTA	-0.51 {0.00}**	-0.27 {0.58}	0.88 {0.51}	-0.26 {0.78}
F-statistics	3.57{0.00}**	4.18(0.00)	0.38 {0.94}	0.09 {0.99}

HAUSMAN TESTProb>chi2 = 0.0510 0.8997

Note: (1) bracket { } are p-values

(2) **, * implies statistical significance at 1% and 5% respectively

In testing for 'the cause-effect relationship between the dependent and independent variables in model 1, the two widely used panel least square data regression estimation techniques (fixed effect and random effect)' were adopted. For ROA, the F-statistic values are 3.57(0.00) and 4.18(0.00) for fixed and random effect models respectively. This shows that both models are valid for drawing inference because they are both statistically significant at 1%. Table 3 presents the two panel least square data estimation techniques results. In selecting from the two panel least square regression estimation results, the Hausman test was conducted and 'the test is based on the null hypotheses that the random effect model is preferred to fixed effect model'. A look at the p-value of the Hausman test at (0.05), implies that the null hypothesis should be rejected and the alternative hypothesis be accepted at 5% level of significance. This implies that the fixed effect results tend to be more appealing statistically when compared to the random effect and the result should be used in drawing conclusion and recommendations.

From the above result, it becomes imperative to discuss the fixed effect results. The coefficient of determination {R^{2}} has a value of 0.560 with return on asset (ROA) which suggests about 56 percent of the systematic variations in ROA were accounted for by the independent variables while the remaining 44percent were unaccounted for therefore captured by the error term. Similarly, adjusted R^2 value of 0.403 implies the explanatory ability of the model, signifying that about 40% of the changes in the performance variable – ROA were explained. The coefficients and t-values of socials and donations (SD), corporate community/social responsibility (CCS) on performance (ROA) of hospitality firms in Nigeria are however not statistically significant at 5% level, suggesting that they are weak determinants of ROA performance in these firms. The other control variables, firm size (LOGTA), firm age (FAGE) and debt to asset ratio (DTA) impact ROA performance of hospitality firms in Nigeria and are statistically significant at 5% level, suggesting that they significantly explain ROA performance in the hospitality sector.

Using return on equity [ROE] as measure of performance, the F-statistic values of 0.38(0.94) and 0.09(0.99) for fixed and random effect models respectively show that both models are not valid for drawing inference since they are both not statistically significant at 10%. Therefore, corporate social responsibility does not explain return on equity performance.

Corporate Social Responsibility and Marketing Performance: This section discusses the relationship and impact of corporate social responsibility on marketing performance as measured by Tobin Q (TQ).

Model 2

Table 3: Panel Regression Result for model 2

	TQ FIXED Effect)	TQ RANDOM Effect)
SD	**-0.00 {0.89}**	**-0.00 {0.99}**
CCS	**0.56 {0.05}***	**0.36 {0.05}***
LOGTA	**-0.80 {0.53}**	**-1.61 {0.00}****
FAGE	**-0.14 {0.00}****	**-0.13 {0.00}****
DTA	**0.02 {0.00}****	**0.02 {0.00}****
F-statistics	**4.66{0.00}****	**9.35(0.00)**

HAUSMAN TEST Prob>chi2 = 0.7180

Note: (1) bracket { } are p-values

(2) **, * implies statistical significance at 1% and 5% respectively

The F-statistic value of 4.66(0.00) and 9.35(0.00) for fixed and random effect models respectively shows that both models are valid for drawing inference since they are both statistically significant at 1%. A look at the p-value of the Hausman test at (0.7180) implies that we should accept the null hypothesis at 5% level of significance. This implies that we should adopt the random effect panel least square regression results in drawing our conclusion and recommendations. The coefficient of determination R^2 stood at a value of 0.58 with marketing performance (TQ) which suggests about 58% of the systematic variations in the dependent variable [marketing performance (TQ)] were accounted for by the independent variables while the remaining 42% were unaccounted for hence captured by the error term.

coefficients and t-value of corporate community/social responsibility (CCS) on marketing performance (TQ) of hospitality firms in Nigeria was statistically significant at 5% while social donations (SD) was however not statistically significant at 5% level. The control variables: firm size (LOGTA), firm age (FAGE) and debt to asset ratio (DTA) impact marketing performance (TQ) of hospitality firms significantly at 1% levels.

Discussion of Findings

In testing our hypotheses we provide the specific analysis for each of the independent variables using the fixed effect regression for financial performance and the random effect regression for the marketing performance.

Socials Donations and Performance: [*fixed effect*=-0.00(0.56)] social donations as an independent variable to return on asset (ROA) appears to have a negative and insignificant influence on return on asset performance at 5% level. Similarly, socials donations (SD) *[random effect*=-0.00(0.99)] as an independent variable to Tobin Q (TQ) appears to have a negative and insignificant influence on Tobin Q performance at 5% level. This therefore means that the hypothesis social donations do not have significant impact on financial performance be accepted. It consequently suggests that social donation is a weak determinant of financial performance in hospitality firms in Nigeria. This result agrees with prior empirical results (Babalola, 2012) which show that social donation is not a major driver of financial performance. It could be explained that increase in CSR produce cost resulting in an economic disadvantage to the firm.

Corporate Community/Social Responsibility (CCS) and Performance: (*fixed effect* =2.88(0.69) as an independent variable to accounting performance (ROA) appears to have a positive and insignificant influence on accounting performance at 5% level. This therefore means we should accept the null hypothesis that corporate community/social responsibility does not have significant impact on accounting performance. Similarly, Corporate community/social responsibility (CCS) *[random effect*=0.36(0.05)] as an independent variable to Tobin Q (TQ) appears to have a positive and significant influence on Tobin Q performance at 5% level. This therefore means that the hypothesis that corporate community/social responsibility does not have significant impact on marketing performance be rejected. It then suggests that corporate community/social responsibility has positive influence on marketing performance (TQ) in hospitality firms in Nigeria. It implies that firms with corporate community/social responsibility will have upward movement in marketing performance (TQ) in hospitality firms in Nigeria. This result agrees with prior empirical results which show that CSR is a major driver of financial performance (Abdullahi & Bala, 2015; Jibril, *et al,* 2016 and Okegbe & Egbunike, 2016) Most specifically, the results also tally with previous findings of various researchers that report a significant impact of CSR on financial performance (Barde & Tela, 2015; and Nyongesa, 2017)

Conclusion and Recommendations

It is the conclusion of the study that CSR impacts on financial performance of firms. This impact is significant and positive on marketing performance but not significant for accounting performance. CSR for hospitality firms could lead to increase market value through better marketing of their services and creation of unforeseen opportunities for them in the long run. As stated earlier, corporate social responsibility and firm financial performance should be viewed as a long term matter rather than a short term matter.

The study recommends that CSR should be made mandatory not voluntary activities required of firms. Importantly, firms should include CSR in their business plan. This is necessary because the current trend in CSR worldwide calls for Nigerian firms and specifically hospitality companies to practice more of CSR. Principally, the study recommends that based on the empirical evidence provided, there is the need for hospitality firms to incorporate corporate social responsibility issues in their models with a view to evaluating their moderate or long term performance. In particular, the paper recommends that hospitality firms needs to do community/corporate social responsibility than cash donations as their CSR because community/corporate social responsibility can impact their marketing performance.

Furthermore, an observed limitation in the study is the period under consideration and number of firms used as sample. So, the study recommends that further research in this area should investigate corporate social responsibility and firms' financial performance using more recent data and a larger sample size.

References

Abdullahi, M. & Bala, H. (2015). Corporate social responsibility and financial preference of listed deposit money banks in Nigeria. *Journal of Accounting Research and Practice, 4*(1), 107-116

Anele, K. K. (2014). Corporate social responsibility as a tool for curbing maritime insecurity in Nigeria. In Azinge, E. & Azinge, N. (Ed). *Law, Entrepreneurship and Corporate Social Responsibility*, Abuja: Azinge Entrepreneurship Foundation.

Azinge, E. & Azinge, N. (2014). *Law, Entrepreneurship and Corporate Social Responsibility*, Abuja: Azinge Entrepreneurship Foundation.

Babalola, Y. A. (2012). The impact of CSR on firms' profitability in Nigeria. *European Journal of Economic, Finance and Administration Sciences, 45(7)*, 39-50

Barde, I. M. & Tela, G. (2015). Corporate social responsibility and financial performance in the Nigerian construction industry. *International Conference on Humanities, Literature and Management*, Jan 9th -11th, Dubai (UAE), 87-92

Bradgon, J. H. & Marlin, J. (1972). Is pollution profitable? *Risk Management*, 19(4), 9-11

Branco, M. C. & Rodrigues, L. L. (2006). Corporate social responsibility and resource based perspectives. *Journal of Business Ethics,* 69, 111-132

Carroll, A. B. (1991). Corporate social responsibility – evaluating of definitional construct. *Business and Society, 38* (3)

Fioro, G., Donato, F. & Izzo, M. F. (2018). Corporate social responsibility and firm performance: An analysis on Italian listed companies. A Ph.d seminar paper submitted to Luiss Guido Carli University, Italy. Retrieved from http://ssm.com/abstract on 31/12/18

Glautier, M. W. & Underdown, B. (2002). Social accounting, accounting theory and practice, 6th edition. Financial times and Pitman, London, 364-368.

Global Reporting Initiative (2010). Sustainability reporting guidelines, Amsterdam, retrieve from http://www.globalreporting .org on Novermber, 2016

Igbinoba, C. O. & Umemezia, E. (2017). Corporate social responsibility: performance evaluation of a Brewery in Nigeria. *Federal University Otuoke Journal of Management Sciences, 1* (2) 91-106

Jibril, R. S., Dahiru, A. Y., Mukta, J. & Bello, M. M. (2016). Corporate social responsibility and firm performance of quoted deposit money banks in Nigeria. *Research Journal of Finance and Accounting, 7*(13), 37-48

Mackey, A., Mackey, T. B. & Barney, J. B. (2005). Corporate social responsibility and firm performance: Investor preferences and corporate strategies. *Academy of Management Review, 32*(3), 23-37

Nyongesa, W. R. (2017). Corporate social responsibility and firm performance: The case of Safaricom Ltd. *International Journal of Finance and Accounting, 6*(6), 167-171

Oghojafor, A. (2000). *Strategic Management,* Lagos, Malthouse Press Limited.

Oghojagor, B.E.A. & Sulaimon, A.A. (2009). Corporate social responsibility and the performance of small and medium scale enterprises. *Nigerian Academy of Management Journal, 3(1)* 19-34

Ogunrin, F. (2015).

Ohiokha, F. I., Odion, O. A. & Akhalumeh, A. (2016). Corporate social responsibility and corporate financial performance: The Nigerian experience. *International Journal of Accounting and Finance, 2*(10), 1-12

Okegbe, T. O. & Egbunike, F. C. (2016). Corporate social responsibility and financial preference of selected quoted companies in Nigeria. *Nigerian Journal of Social Development, 5* (4) 12-23

Okwemba, E. M., Chitiavi, M. S. Egessa, R., Musiega, D. & Musiega, M. G. (2014). Effect of corporate social responsibility on organization performance: banking industrykenya, Kakamega County. *International Journal of Business and Management Invention,* 3(4), 37-51

Oni, F. A. & Kabir, H. (2010). Corporate responsibility and accounting information disclosure among companies in Swaziland. *Nigerian Academy of Management Journal, 4* (2) 98-114

Sanusi, I. (2008). Corporate social responsibility: A challenge to Nigerian banks. *Journal of Chartered Institute of Bankers of Nigeria, 19-29.*

Schwartz, R. & Carroll, A. B. (2003). Corporate social responsibility, a three domain approach. *Business Ethics Quarterly, 13* (4) 503-530.

Umobong, A. A. & Agburuga, U. T. (2018). Financial performance and corporate social responsibility of quoted firms in Nigeria. *International Journal of Innovative Social Sciences and Humanities Research, 6* (1), 14-30

Umoren, A. O., Isiavwe-Ogbari, M. E. & Atolagbe, T. M. (2016). Corporate social responsibility and firm performance: A study of listed firms in Nigeria. *A Paper presented at ICAN 2nd*

Annual International Academic Conference on Accounting and Finance, Lagos Airport Hotel on 18th to 20th May.

World Business Council for Sustainable Development, (2001). European Commission (2003), Mapping instruments for corporate social responsibility. Luxembury.

Zadek, S. Prazan, P. & Evans, R. (1997). *Building Corporate Accountability: Emerging Practices in Social and Ethnical Accounting, Auditing and Reporting.* London, Earthcom

TRADE – GROWTH NEXUS IN NIGERIA

Dr. Ogunbiyi, Samuel. S.
Finance & Banking Department, Faculty of Management Science
University of Port Harcourt, Port Harcourt
e-mail: Samuel.ogunbiyi@uniport.edu.ng. Phone: +234 803 711 3809

And

Monogbe, Tunde G.
e-mail:Olatundebusayo19@gmail.com
Department of Finance and Banking, Faculty of Management Sciences,
University of Port Harcourt Nigeria

Abstract
Important and controversial is the nature of interrelationships between the operations of foreign trade and its possible effects on growth of less developed countries especially Nigeria. This study examine the trade-growth nexus, using time series data between the periods 1981 to 2018 where Aggregate import and export were proxies for trade while gross domestic product was proxy for growth. The study employed the descriptive methodology, unit root test and granger causality test. From the unit root test, we found that all variables became stationary at first difference. The granger causality test results provide compelling evidence to assert that irrespective of the prevailing long run relationship established between trade (total import and export) and gross domestic product in Nigeria, causality flows from both side. The economic implication of this is that the intensiveness of economic growth determines the export capacity of a nation with credence to Nigeria. That is, increase in economic growth is capable of promoting exportation. The study thus conclude that trade is a major player in the growth process of a nation as such, we recommend that trade policy in favour of export should be improved upon as this will help in promoting growth.

Key Words: Export, Import, Granger, Spurious, Trade

Introduction
Foreign trade play a considerable role in economic growth process of any nation. To achieve the sustainable level of economic growth, the neoclassical and classical economists ascribe much credence to international trade such that it is describe as the engine room for growth. The opposite view as led by Heckscher (1919), Myint, Nurkse, Perbisch, Singer, Lewis and Myrdal holds a notion that historical foreign trade has led to international inequality whereby the rich countries have become richer at the expense of the poor countries. Foreign trade possesses great importance especially for the LDcs. However, Haberler (1959) opines that international trade has contributed to the growth of less developing countries in a tremendous manner since 19th and 20th centuries and its capable of making an equal contribution in the future.

Trade has been describe as an engine room for growth especially in the LDC's stating from the local, foreign and international trade. Trade is a basic economic concept that involve transfer, exchange or movement of goods, valuables and services for a worth called price between two or more parties. The primary medium of exchange for trading activities is money (currency). Apart from money, another medium of exchange through which trading activities can be carried out is barter or virtual currency, the most popular of which is bitcoin. In the Nigerian context however, trade gain prominent with the advent of the colonial rule that brought their wears and make Nigeria the middle man, Nicks (2008). Before then, all forms of trading activities have being in place starting from the barter days, exchange of goods for cowries, to the sub Saharan merchant trade and so on.

The importance of International trade to economic growth cannot be underestimated. Its important stem from the ability to obtain and have access to good that cannot be produced locally, having access to global market and exchange of trade ideas and most importantly, giving room for trade relationship between one country and the others (inter border trading). Since the performance of a nation in terms of growth rate and per capital income is not only based on her domestic consumption activities but also on cross border transactions, then international trade is an essential determinant of growth Olayemi (2010). For developing country like Nigeria, trade is recognize as vital catalyst for economic development. In the Nigerian context, owing to the fact that most of the important indices of growth and development like capital goods, technical know-how, raw materials for production and so on are mostly imported from foreign countries due to inadequate domestic supply or lack of resources to get them produced, the contribution of trade to gross economic growth is immense Olayemi (2010). Although, domestic trade and international trade seem to complement one another through the window of cross border transactions. Locally produced commodity is collated for export while foreign produced commodity are also imported for local consumption hence, there exist a link between domestic trade and international trade.

The controversial argument, as to the extent to which trade drives growth constitute the major concern of this study. The trade economies opines that trade precedes growth. Empirical investigation of Obiora (2009), Omoke and Ugwuanyi (2010), Iyoha and Adamu (2011), Obadan and Okojie (2010), and Safdari and Delqua-Niri (2012) support the view of the trade economies as they found that trade is a catalyst to growth. Conversely, Prebisch (1950), Singer and Myrdal (1950) opines that historically, international trade has retarded the development of the LDCs. Their argument is anchored on the fact that the rich countries have a large base of manufacturing industries with strong spread effects. By exporting their product at a cheap rate to LDCs, they have automatically crowd out the small-scale industry with low manufacturing strength. Meanwhile, the Prebisch (1950), Singer and Myrdal (1950) prediction was criticized on the basis that there is no empirical evidence to show that developed countries tend to crowd out the LDCs during foreign trade.

For the purpose of this study, granger causality estimation tools is employed to examine the extent to which trade causes economic growth in Nigeria where time series data sourced from the central bank of Nigeria statistical bulletin is be employed. Further, we shall be looking at the historical fact about trade in Nigeria and how it has affected growth in Nigeria overtime.

Literature Review

Overview of Foreign Trade and Economic Growth in Nigeria.

The level of economic performance in Nigeria in line with the volume of trade over the years is quite unimpressive compare to other countries that gain independent almost at the same year with ours. Report from the Nigerian bureau of statistics shows that, provision of social amenities and other capital project in Nigeria were funded using the proceeds generated from export of agricultural product to other countries of the world. The advent of crude in 1956 and it exploration for commercial use in 1958 led to Dutch disease. Dutch disease is a situation where attention is shifted away from the major source of financing the nation in the early 50s (agricultural export) to crude oil. Little or no credence is given to agricultural activities as crude became the major source of financing the economy in the early 60's. For instance in 1970 crude exportation accounted for about 78% of generated revenue and more than 95% of export earnings, World Bank (2008) as cited in Adesuyi and Odeloye (2013). Nigeria foreign export earning experience an upshot in 1973 due to oil boom and this was reflected in the growth rate of the nation as the government operated a debt free budget.

Since 1974 when the revenue generated from oil has being the major source of foreign exchange earnings, attention on other income generating sector like agricultural export has been shallow. This however make Nigeria to loss her position as one of the largest producer and exporter of palm oil, groundnut, cocoa and rubber, CBN report (2011). Meanwhile, agricultural product and agro-allied export constituted about 60% of the total export in Nigeria between 1960 and 1980. Before 1972, Nigerian major export were agricultural product such as cocoa, cotton, palm product and so on. From 1973 downwards, the export drives change as crude became the major exported commodity. The percentage of food importation in Nigeria starting from 1974 became alarming as attention was shifted away from agriculture due to the oil boom of 1973. The balance of trade became unfavorable due to massive importation of machineries needed to sustain industrialization and development of the country shortly after independent. Along the line, oil sector dominate export while non-oil sector dominate import. Between the periods 1974 and 1980, oil export grew by 45.6% and 55.3% respectively while Non-oil export experience a downward trend from 12.5% to 7.2%, Annual performance report of the Nigerian economy by NPC (2011).

According to report of the NPC, in 2011, slight diversification took place, where credence were given to secondary production and tertiary production activities. Primary production activities includes crude oil and its component, agricultural products and solid minerals which has been the major sources of financing the nation overtime. By contrast, secondary production activities like manufacturing, construction and building which has the potential of expanding the country development capacity recorded a share of 6.25% to GDP in 2011. Crude oil export continue to dominant the total export in Nigeria in 2018 as it accounted for about 87.7% of foreign export at the first quarter of 2018. The report estimated from the Nigerian bureau of statistic between January and March 2018 shows that agricultural export contributed about 22.86% to Nigerian GDP, Industries contributed about 23.18% while services accounted for about 53.97% of the Nigerian GDP while oil only contribute 9.1% to GDP. In aggregate, oil sector contributed about

9.1% to GDP while Non-oil sector contributed 90.09% accordingly. The most recent foreign trade data release by the Nigerian Bureau of statistic further shows that in the early quarter of 2018, #4.69 trillion equivalent to (USD11.7billion) was earn from export. Nigerian export earnings in 2018 was generated from sale of crude oil which amounted to #3.58 trillion.

To this end, one begins to wonder why the Nigerian economy growth is not progressive considered the quantum foreign trade that has taken place since independent. As such, we ask if trade has really promoted economic growth in Nigeria to a large extent.

Table 1 Nigerian Growth Composition by Sector (First Quarter of 2018)

Sector	Percentage of Contribution to GDP
Agriculture	21.65%
Construction	4.04%
Finance and insurance	3.55%
Information and communication	12.41%
Manufacturing	9.91%
Mining and Quarry	9.67%
Oil	9.61%
Professional, scientific and technical services	3.51%
Real estate services	5.63%
Trade	17.06%

Source: National Bureau of statistics 2018.

The report thus shows that agricultural sector made the highest contribution to gross domestic product in Nigeria in the first quarter of 2018 while construction sector contributed the lowest value. However, Usman (2018) a Professor of economics at Ahmadu Bello University explained the rationale behind lower contribution of oil to growth. According to him, oil contributed less than 10% to GDP because most companies in the sector aren’t Nigerian. Unlike agriculture and services, oil sector is highly dominated by companies in from other economies. In aggregate, the service sector contributed over 50% of the Nigerian GDP. To this end, services seem to be driving growth from the report of the NBS.

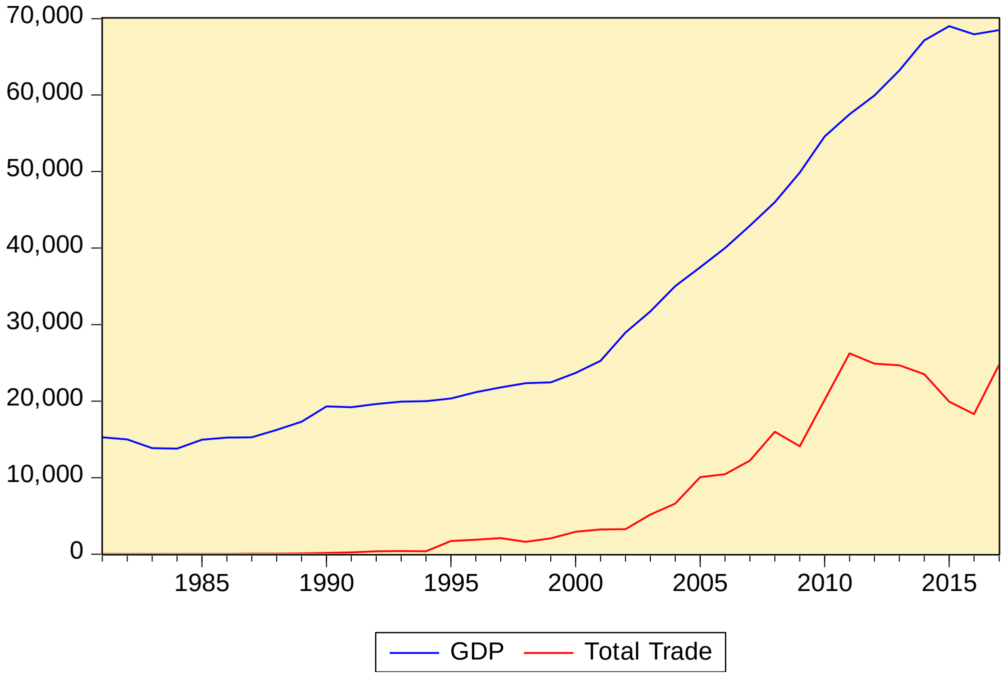

Figure 1: Descriptive Trend of Trade and Growth in Nigeria from 1981 to 2018

From the diagram above, total trade and growth moves in a parallel level from 1981 to 1992. In 1995 there was an upward shift in total trade and economic growth also moves in that direction as GDP stood at #20,353.20 billion. Between 2011 and 2016, total trade drops from #26,232.53 to #18,315.98 Billion while it latter experience a slight upshot in 2018. The drop in total trade between 2011 and 2016 could be attribute to the fall in the international oil price which reduces the demand for Nigeria major export which is crude. As such, growth during this period was crippled. Conclusively, one can infer that the direction of relationship between trade and growth is direct as the diagram shows that an upward movement in trade is followed by an equivalent upward movement in growth rate accordingly. However, the direction of causality was not identified. As such, this study will employ the granger causality methodology to ascertain the direction of causality between trade and growth in Nigeria.

Theoretical concept

Prebisch-Singer-Myrdal Thesis

Economist like Myint, Nurkse, Perbisch, Singer, Lewis and Myrdal opines that developed countries earn more benefit in the international trade transaction compare to the LDCs. These economist highlighted that there has been a disequilibrium force in the LDCs-DCs trade relationship such that more benefit are accrued to the developed countries at the expense of the less developed once. The hypothesis stressed that the secular deterioration in international term of trade agreement has been a major hindrance against the growth of the LDCs. Hence, the term of trade between the marginal LDCs and the cyclical centre DCs is in favour of the developed countries.

Assumption of the Thesis

The preposition of Prebisch-Singer-Myrdal Thesis is based on the following assumption;

i. As the income of the DC increases, the demand pattern shift away from the primary product which is the major export of the LDCs to the manufactured product.
ii. Low demand for primary product export by the LDCs
iii. Export market for LDCs product export are competitive while that of the DCs are monopolistic.
iv. Due to the weak trade union in the LDCs, wages are also low. As such, the price of primary product are low resulting to declining term of trade.
v. The demand for primary product of the LDCs diminishes dues to the availability of its substitute in the world market.
vi. Finally, the determining factor for economic growth in the LDCs is the income term of trade.

As proposed in the orthodox theories of trade, holding the comparative advantage constant, the question as to whether trade has a relevant drives on economic development is paramount.

Empirical Evidence

Arodoye and Iyoha (2014) statistically examined the direction of causality between foreign trade and economic growth in Nigeria. The study review an historical movement of foreign trade in Nigeria. The study employed the VAR methodology where export, foreign investment and exchange rate were proxies for trade while growth was proxied with real gross domestic product. It was reported within the context of the study that export promote growth in a bi-directional manner. On this note, the study recommended that expansion of across the border policy as this will further help in enhancing trade operation in Nigeria.

Olayemi (2010) empirically examined the nexus between international trade and economic growth in Nigeria. The study employed a descriptive approach into the nexus between trade and growth. Net export, trade openness and trade policy were proxies for trade while growth is proxies using domestic product. Findings thus shows that trade policy and exchange rate significantly promote growth in Nigeria. In a more recent study, Babatunde, Jonathan and Muhyideen (2017) investigated the major factor influencing economic growth through trade in Nigeria using secondary data between the periods 1981 to 2014. The study adopt the regression technique. Result shows that import and export are major driver of economic growth in Nigeria. The result thus commensurate with the classical and neo-classical view.

Adesuyi and Odeloye (2013) investigated the causal relationship between across the border transaction and economic bliss in Nigeria. The study employed a secondary data sourced from the apex bank statistical bulletin. The study disaggregate trade by looking at oil and non-oil export alongside oil and non-oil import against economic growth proxy. Result show that oil and non-oil export and non-oil import statistically influences growth in Nigeria. The study thus

ISSN: 1599-8051

concludes that trade in the Nigerian context seem to drive growth accordingly as such, they recommended that export diversification should be encouraged. Trade economies like Grossman and Helpman, (1991), Edwards, (1993) in their different perspectives beliefs that a widely open economies have a propensity of growing faster compare to closed economy, trade liberalization became more prominent. In a way of ensuring that on country enjoy the services and product made by other countries, there is a need to interact with country with comparative cost advantage.

Okah and Akinpelumi (2017) using the error correction methodology empirically examine the import substitution export growth nexus with an intension of establishing the position of the protectionist and the free trade activist in the Nigerian context. The study cover the periods of 35 years, it was reported that non-oil export and import significantly spur growth as reported by the error correction estimate. It was further reported within the scope of the study that a well stabilized economy has a potential opportunity of attracting more inter border transaction compare to an unstabilized economies. On this note, the study advices that local industrial development of ac host countries should be well structure before opening their borders for international trade.

In an attempt to experiment the efficacy of the trade protectionist and the free trade activist on development of the LDCs, Aregbeshola, (2017) adopt the generalized movement of analysis (GMM) where the scope of the study covers the BRICS nations. The protectionist uphold a motion that development starts with the local industries at the local level and that more of the locally made commodities should be exported while the free trade activates suggest massive import of foreign commodities as a yield stick for LDCs development. The paper report that leaving the local industries undeveloped with the hope of importing more commodities from abroad will cripple the pace of growth in the LDCs. Hence, the study advice that LDCs should focus on developing their local industries which is a long run project while importation of necessary commodities can be considered in the short run to balance the trade mechanism.

Greenway and Num as cited in Kankesu, (2000) opines that mono trade criterion approach is inefficient is driving an economy to a development gland. Their study reported that this is made impossible via four reasons which includes, all countries operative and leverage on her comparative cost advantage to envelope development, trade policies differs per countries. Hence specializing on single trading approach might no help in achieving the development planned of the state. Kankesu, (2000) in his study of import substitution verse export promotion concluded that single criterion strategy of import substitution is likely to reduce potential export and limited domestic market where industry unlikely to reap the benefits of economies-of-scale.

Musibau (2006) empirically investigates the influence of trade policy integration on export performance of selected ECOWAS states, between the period 1980 to 2004 using gravity model. The study reveals that if all ECOWAS member states will comply with the trade agreement and adopt reduced trade barrier strategy, export performance in the African region will be stimulated and consistent.

Ozurumba and Chigbu (2016) investigated the connection between export oriented nation and industrial capacity of a developing nation, using a set of generated data from the statistical bulletin using a structural analysis of VAR. Within the context of the study, effort was made to align open border transaction where trade openness, average tariff, exchange rate, and manufacturing export were considered. It was reported within the context of the study that manufacturing export in Nigeria is not supported by trade openness and local manufacturing capacity due to low level of local productivity and industrial development in Nigeria. The study finalized on the note that export oriented countries are more exposed to competition which will enhance their production capacity as time goes by comparing between countries that are import oriented countries. At the end, the study recommend that Trade policies in the country must be re-appraised, reviewed and reinvigorated so as to maximize the gain from foreign trade. This could help boost the level of productivity and make the economy more competitive.

Nnamdi and Eniekezimene (2018) examine the relationships between the inflows of oil and non-oil related foreign investments as well as the extent to which these classified sectoral foreign investment inflows have proved significant in promoting Nigeria's economy. For analytical purposes, the study employs Error Correction and Causality tests. Data were sourced from the apex bank Statistical Bulletin over the period 1981 to 2016. The results of the Causality tests provide evidence that the inflows of oil and non-oil foreign investments have promoted Nigeria's economy over the years. The relationship is above all, contemporaneous. The results of the Error Correction estimation and Multiple Regression show that non-oil direct investments contribute more significantly to Nigeria's economy compared with the oil related foreign investments. On these bases, the study suggests that Nigeria should emphasize more of non-oil foreign investment inflows as they appear to contribute more to economic growth in the economy.

Osiata and Edori (2018) examined the long run dynamism in determining net export in Nigeria, this study proposed six determinant of net export and they includes foreign trade, domestic investment, exchange rate, economic stability level, consumption level and trade openness. The study adopt the fully modified ordinary least square method to ascertain the dynamism among the proposed determinants. Findings reveal that of the six proposed determinants of export in Nigeria, three appear to be significant in promoting net export as such, the study concluded that domestic investment, exchange rate and trade openness are major determinants of net export in Nigeria. Hence, the study recommended that credence should be given to domestic investment, trade openness as they stand a chance of resuscitating economic development through job creation and favourable balance of trade in Nigeria.

Methodology

Research Design

In actualizing the objective of this study, we employ ex-poste factor research design. Data for this empirical study were secondary data sourced from the CBN statistical bulletin and annual report from 1981-2018. Total import and total export were proxies for trade while gross domestic product was use as proxy for growth in Nigeria.

Model Specification

In ascertaining the direction of causality between trade and growth in Nigeria, this study adopted the causality methodology as specify by Granger Clive (1969). The model is developed thus

GDP = F(TIP, TXP) ---(1)

The above model is convert into an econometrics model by introducing slopes and intercept

$GDP_t = \alpha_0 + \alpha_1 TIP_t + \alpha_2 TXP_t + £_t$ ---------------------------------(2)

Where

GDP = Gross domestic product

TIP = Total import

TXP = Total export

αo = intercept

$\alpha_1 – ß_2$ = slope

Apriori Expectation

Based on theoretical underpinning and empirical postulations, we expect that the trade proxies have a positive nexus on growth and it is mathematically stated thus:

$\alpha_1, \alpha_2 > 0$

Data Analysis tools

Unit Root Test:

Following the postulations of Gujarati and Porter (2009) that time series data are prone to stationarity problems, this study therefore, subjects the time series data employed to unit root test in order to avoid spurious estimates.

Granger Causality Test:

This test seeks to verify the extent to which the paired set of each of the explanatory variables and the dependent variable at one point in time, do promote each other in the growth process. In this circumstance, the inclusion of the lagged values of each of the study variables will be deemed to have improved the explanation if the coefficient of the lagged variable is significant and vice-versa, according to Maddala (2007). These are shown in equations 3 and 4 below:

$$\Delta GDP_t = \sum_{i=1}^{n} b_{1t}\,\Delta TIP_{t-1} + \sum_{i=1}^{n} c_{1t}\,\Delta GDP_{t-1} + \sum_{i=1}^{n} d_{1t}\,TXP_{t-1} + ɣ_{1t} \quad (3)$$

$$\Delta TIP_t = \sum_{i=1}^{n} b_{2t}\,\Delta TIP_{t-1} + \sum_{i=1}^{n} c_{2t}\,GDP_{t-1} + \sum_{i=1}^{n} d_{2t}\,TXP_{t-1} + ɣ_{2t} \quad (4)$$

$$\Delta NTXP_t = \sum_{i=1}^{n} b_{3t}\,\Delta OTIP_{t-1} + \sum_{i=1}^{n} c_{3t}\,\Delta GDP_{t-1} + \sum_{i=1}^{n} d_{3t}\,TXP_{t-1} + ɣ_{3t} \quad (5)$$

ISSN: 1599-8051

Interpretation of results.

Table 2: Presentation of Unit Root Test.

Variables	ADF Stat	5%critical value	Order	Remark
D(GDP)	-3.28022	-2.94840	i(1)	Stationary
D(TIP)	-3.93160	-2.94840	i(1)	stationary
D(TXP)	-7.80943	-2.95112	i(1)	Stationary

Source: Extraction from E-views

Total import and export were found to achieve stationarity at fist differencing in the order of 1(1) integration while proxy for growth (GDP) was not stationary at its natural for. Hence, we proceed to log its value to achieve stationarity at first differencing.

Table 3: Presentation of the Causality Test Result

Pairwise Granger Causality Tests
Date: 12/15/19 Time: 14:40
Sample: 1981 2018
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
IMPORT does not Granger Cause (GDP)	36	3.91877	0.0561
(GDP) does not Granger Cause IMPORT		14.0128	0.0007
EXPORT does not Granger Cause (GDP)	36	11.5336	0.0018
(GDP) does not Granger Cause EXPORT		4.22821	0.0477

Source: Extraction from E-view

The results of Pair-Wise Granger Causality test shown in table 2 above indicate absence of any uni-directional causal relationship among any of the paired variables. However two significant bi-directional causal relationships are observed to prevail between (i) import and GDP (ii) export and GDP. In both cases, causality flows from both ways thus suggesting that trade does not only drives growth rather, the economic growth level of a state also determine the quantum of inter border trade transaction that it will attract.

Discussions, Conclusions and Recommendations.

Important and controversial is the nature of interrelationships between the operations of foreign trade and their possible effects on growth of the economies of less developed countries. Aggregate import and export were proxies for trade while gross domestic product was proxy for growth. The study employed the descriptive methodology, unit root test and granger causality test. From the unit root test, we found the net import and export became stationary at first differencing while, gross domestic product was logged to attain stationarity at first differencing. The granger causality test results provide compelling evidence to assert that irrespective of the prevailing long run relationship established between trade (total import and export) and gross domestic product in Nigeria, causality flows from both side. The result of the causality test however shows that total export exhibited a significant P-value of 0.0018 against growth while GDP also exhibited a significant P-value of 0.0.0477 thus suggesting bi-causality. The economic implication of this is that the intensiveness of economic growth determines the export capacity of a nation with reference to Nigeria. That is, increase in economic growth is capable of promoting exportation. Further, export also exhibited a bi-directional causal relationship with GDP. This further implies that Nigerian export over time has promoted economic growth while GDP also promote export in Nigeria.

The economic implication of the result is that in the Nigerian context, the intensiveness of economic growth determines the quantum of foreign trade the nation will attract and on the order hand, trade also has a capacity of promoting economic growth through the window of inter-border transaction. The report from this study is in consonant with the opinion of the protectionist and the trade liberalize advocates whose study suggest that before any nation could attract foreign inflows, the economy must be in good form as foreign investor only invests in an economy whose receiving capacity can sustain their investment. The study thus conclude that trade is a major player in the growth process of a nation as such, we recommend that trade policy in favour of export should be improved upon as this will help in promoting growth. Further, Economic, political and institutional environment should be well stabilised to encourage more inter border transaction. And finally, Taxes condition and levy policies that guild inter border transactions should be reviewed downward and sweetener that will encourage more inter trade relationship should be upheld to enable the country enjoy better development process.

References

Adesuyi, O., & Odeloye, O. (2013). Foreign trade and economic growth in Nigeria. *Journal of Economics and Sustainable Development* www.iiste.org . ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online). 4, No.13, 2013

Arodoye, N., & Iyoha, M. (2014). Foreign trade-economic growth Nexus: Evidence from Nigeria. *CBN Journal of Applied Statistics. 5(1) (June, 2014)*

Aliber, R. (1969). *The International Corporation*. Massachusetts US: The MIT Press.

Aliber, R.Z. (1970). A theory of direct foreign investment, in C. P.

Babatunde, A., Jonathan, D., & Muhyideen, I. (2017). International trade and economic growth in Nigeria. *Global journal of human-social science: economics. 17(5) double blind peer reviewed international research journal publisher: global journals inc*. (USA) Online ISSN: 2249-460x & Print ISSN: 0975-587X

Central Bank of Nigeria (2017), *Statistical Bulletin*, Abuja.

Central Bank of Nigeria (2011), *Statistical Bulletin*, Abuja.

Edwards, H. (1993). Foreign trade in the development process of LDCs. American journal of economics. 23(3), 65-78

Grossman, I., & Helpman, R. (1991). Theorizing change: The role of professional association in the transformation of institutionalized fields. *The Academy of Management Journal* 45(1), 58-88

Nnamdi, I. S., & Eniekezimene, D. E. (2018). Foreign direct investment inflows and economic performance in a developing economy: Nigerian evidence. *European Journal of Business and Management*. 10(6), 104-113.

Olayemi, D. (2010). Effect of international trade on Nigerian economic growth. *International journal of development economics*. 4(2), 23-36.

Ozurumba, B.A. & Chigbu, E.E. (2016.) Export oriented industrialization: An econometric investigation of Nigeria. *Proceeding of faculty of management science 2016 international conference 8th – 10th Nov*

Osiata, J., & Edori,D (2018). Determinant of net export in Nigeria. *Proceeding of faculty of management science 2016 international conference 8th – 10th Nov*

Okah, J., & Akinpelumi, O. (2017) Import substitution and export growth Nexus in Nigeria. International journal of management and finance. 3(2), 45-56

Usman, O.K. (2018). Non-oil export determinant and economic growth in Nigeria (1988-2008). *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) 3(3)

World Bank (2008) Trade development report

SERVICE QUALITY AS PREDICTOR OF CUSTOMER SATISFACTION AMONG SELECTED BANKS IN LAGOS NIGERIA

Oluwafemi, O. J. Ph. D
Business Administration Department, University of Lagos, Akoka.
ooluwafemi@unilag.edu.ng
&
Isimoya, Augustine Ph. D.
Department of Insurance, University of Lagos, Akoka
oisimoya@unilag.edju.ng

Abstract
The banking industry in Nigeria today is more than ever before becoming very competitive with attendant dwindling fortunes for firms with poor service quality. As a result customers may become more sensitive to their choice of banks. Therefore this research seeks to empirically explore the relationship between service quality and customer satisfaction in the Nigerian banking industry. Using cross-sectional survey design, multi-stage (quota, stratified and proportionate) sampling techniques n = 400 customers of selected banks from 10 local government areas were sampled and 349 respondents participated in the study. The research instrument was designed to measure customers' perception of service quality dimensions and their satisfaction with the services they received. The result revealed significant positive relationships between customer satisfaction and service quality constructs (tangibles $r = .235$; $p < .01$; reliability $r = .185$; $p < .01$, responsiveness, $r = .256$; $p < .01$ assurance, $r =.192$; $p < .01$, and empathy $r =.232$; $p < .01$). Thus the study provides an insight into how customer satisfaction could be enhanced in Nigerian banking industry. The study recommends that commercial bank management should improve in quality of their services since service quality has proved to be significant driving force in meeting customer expectations in the banking industry.

Keywords: Service Quality, Customer Satisfaction, Nigerian Banking Industry

Introduction

More than ever before the financial services companies have begun to realize the need to create customer satisfaction in order to promote customer loyalty among their customers. Intense competition aided by advanced information technology lead to creative destruction in the financial market. Customer satisfaction results from effective interaction between customers and service providers and the provision of service quality to meet or exceed customers' expectations (Kotler, 2013). Conceptually, Oliver (1997) see customer satisfaction as the fulfillment of the customer's desire arising out of the customer's aspiration to own or utilize a service. Furthermore, Zeithaml and Bitner (2003) noted that customer satisfaction results from a customer's appraisal of service vis-à-vis the clients' needs and expectations so as to judge whether the service has fulfilled his/her needs and expectations.

This study posit that customer satisfaction has become a crucial factor to be used in increasing performance in the Nigerian banking industry (Aremu, Ademola & Aremu, 2017). Customer satisfaction is of great importance, because satisfied and loyal customers are better source of revenue and profitability to their banks as they perform market promotion on behalf of their companies through positive word of mouth (Gilliani & Awan, 2014).

Studies indicate that the antecedents of customer satisfaction are intricately dynamic and non-static, and the full extent of the interrelations among factors has not been fully understood (Keisidon, Savigiannidis, Maditinos & Thalassinos, 2013). Several researchers in African insurance market, have in the past found that customer dissatisfaction stems from low quality services, unfriendly staff, higher premium, and poor communication. Others include lack of flexible and personalized attention, poor employee responsiveness, empathy and courtesy (Gachau, 2016; Nyaguthii, 2013). It is noteworthy to state that scholars such as Alpharthey (2019), Lee, Wang, Lu, Hsien, Chien, Tsai & Dong (2016) have identified factors like perceived quality, store image, corporate image, perceived value, customer expectations among others, as antecedents of customers satisfaction. Although researchers have explored such factors as service quality, corporate image, promotion and distribution as determinants of customer satisfaction in GSM market (Oluwafemi & Adebiyi, 2019; Nwede & Okpara, 2017; Alabar, Egena & Gbande, 2017; Adeleke & Aminu, 2012; Oghojafor, Ladipo, Ighomereho & Odunmewu, 2014;), yet studies examining the effects of service quality on customer satisfaction in the banking industry in Lagos metropolis are scarce..

Sequel to the above, the purpose of this study is to examine the relationship between service quality and customer satisfaction of selected commercial banks in Lagos metropolis, southwest Nigeria, using the servqual model (Parasuraman et al, 1994) as the antecedents. The researchers hope to contribute to knowledge through the provision of a complete view of banks operational variables that would enhance customer value for increase profitability of banks in Lagos, Nigeria. The remaining parts of this study are organized as follows: section two presents the review of relevant literature, which is succeeded by section three that describes research methods employed. Finally, sections four and five present the findings of research, discussion and conclusion drawn respectively.

Statement of Problem

Recent research reports state that there is a strong link between customer satisfaction and firm's financial and market performance (Williams & Nauman, 2015). However, in the financial services industry, service quality is an antecedent of customer satisfaction and customer satisfaction mediates between service quality and customer loyalty. Service quality is conceptually defined as an organisation's ability to meet or exceed customer's expectations (Mokhlis, 2012). Alternatively, service quality is the result of comparison a consumer make between his/her expectation about a service and his/her perception of the performance of the service encounter (Zeithaml, Bitner, Gremler, 2006).

In Nigeria, prior the 2005/2006 banks consolidation and recapitalization exercise, as a result of subsisting problems such as of inadeaquate capitalization, mismanagement and unfair competition among rivalries, improving customer satisfaction became a mirage. Though the banking industry's recapitalization and consolidation was a welcome statutory and mandatory development needed to solve the pending problems and to meet up with internationalisation of commercial banking services, it could not stand alone to guarantee soundness and stability of commercial banks, and customer satisfaction in Nigeria (Kenn-Ndubusi & Akani, 2015).

Most recent work on measurement of service quality is credited to the Parasuraman, Berry and Zeithaml (1985) who identified five attributes of service quality i.e (tangibles, reliability, responsiveness, empathy and assurance) by which the concept is measured. Since it is a comparison that customers make between their expectations and their perception of the service performance, it implies that service quality is a precursor of customer satisfaction with regards to service industry. Customer satisfaction has been recognised as one most important strategy in contemporary marketing thought (Mokhlis, 2012). Previous researchers such Parasuraman et al (1985 & 1988), believe that service quality is an antecedent of customer satisfaction. This is confirmed later by Liu et al (2008) when he stated that customer satisfaction is function of service quality and that satisfaction occurs when both customer expectation and service quality are equal or when quality exceeds customer satisfaction. Other past researchers, Bitner, Booms and Tetreault (1990) and Bolton and Drew (1991) also empirically revealed that service quality predicts customer satisfaction. This study therefore aims to examine the relationship between service quality and customer satisfaction in context of Nigeria banking industry.

Review of Literature

This study is anchored on the theory of reciprocity, a notion that there exist a reciprocal relationshishp between what quality of service a customer gets from a service provider and the degree of satisfaction and patronage. Traditionally, most researches on customer satisfaction were theoretical underpinned by expectancy disconfirmation paradigm (Oliver, Rusk, & Vark, 1997) where satisfaction is seen as the discrepancy between expectations and perceived quality (performance). When perceived quality meet or exceed expectations, there is positive disconfirmation i.e high satisfaction, but where performance falls below expectation there is negative disconfirmation i.e customer dissatisfaction. A shortcoming is disconfirmation paradigm is that the effect sizes of the performance deviations i.e exceeding or falling below the base point are assumed to be identical (Falk, Hammerschmidt & Schepers, 2010). This current study is underpinned by reciprocity theory.

In social psychology reciprocity is a social norm of responding positive action with another positive action. Reciprocity theory postulates that a benevolent action, receives benevolent reward, while hostile action is castigated. This provides an explanation of how parties in social relationship are obliged to reciprocate actions mutually. A benevolent action by one party obliges the other party to reciprocate positively. Such shared expectations set the tone not only for current behaviour but also provide for future possibilities by the parties (Rokkan, Heide & Wathne, 2003). The above theoretical exposition leads us to assume that the provision of impeccable service quality could lead to customer loyalty through the mediatory role of customer satisfaction (Hadi, Aslam & Gutzar, 2019). This implies that with regards to bank and their customers', customers' perception of service quality could lead to strong reciprocity in customer satisfaction and loyalty. In the same vein, Liniere (2013) found that perceived service quality influences customer satisfaction. Earlier Parasuraman st al (1994) stated customers assess the service quality differences between needs and expectations and the actual perceived services they received. This implies that customer satisfaction is a function of service quality. The implication is that Nigerian banks have to provide service quality and continually improve services as customers have the option to choose or switch banks. According to Sarker and Uddin (2012) to survive in a competitive banking industry, banks have to develop new strategies to meet the dynamic customer expectations as what is considered excellent service today may not be applicable tomorrow.

Empirical Studies Review

The Relationship between Tangibility and Customer Satisfaction in Nigerian Banking Sector

In the banking sector, tangibles are intrinsic in service quality. They are the tangible facets of the service scope, such as equipment, physical facilities and visual appeal (Parasuraman et al, 1985) and they significantly influence customer satisfaction (Sanjuq, 2014; Kant & Jaiswal, 2017). In the same vein, Ananth, Ramesh and Pranaharan (2010) reported that attractiveness, physical facilities and visual appeal are tangibles that influence customer satisfaction in the banking sector. Tangibles which refer to physical existence which could be seen, felt and touched included the technological equipment, ambience of branches and employees appearance (Khan & Fasih, 2014). This implies that sophisticated modern equipment, imposing corporate building and ambience, could be regarded as tangibles that could influence customer satisfaction in the Nigerian banking sector. According to Yousuf (2017) in the banking sector, customer satisfaction and retention strongly depends on tangibles which include cutting edge technological equipment, ambience of branches' network and staff appearnace. Thus, this study hypothesized that:

H_1: Tangibility has significant and positive relationship with customer satisfaction in Nigeria banking sector

The Relationship between Reliability and Customer Satisfaction in Nigerian Banking sector

From a consumer's perspective, reliability refers to the competency of employees in addressing customers problems and precisely maintaining their records (Yousuf, 2017). Previous researchers have reported that reliability dimension of service quality has a significant impact on customer satisfaction (Parasuraman et al, 1985; & Parasuraman et al, 1988). Reliability is the ability to do and perform the required service for the customer dependably, and accurately as promised and to promptly attend to problems faced by customers (Hussain, Nasser & Hussain, 2015). This implies that the attributes of reliability aspect of service quality include among others, accurate delivery of service, truthfulness in the firms offering, keeping of promises made, availability of services at all times, on time processing of orders. Thus employees taking prompt actions to solve customers problems, performing service right first time, on time delivery, error-free record are all paradigms of reliability dimension of service quality (Pakwar, Haddad, Nagy, Popp & Olah, 2019). Some contemporary literature revealed that reliability has a positive relationship with customer satisfaction in the banking sector (Kant & Jaiswal, 2017; Peng & Moghavveni, 2015; Selvakumar, 2016; Afroz, 2019). Thus, this study hypothesized that:

H_2: Reliability has significant influence on customer satisfaction in Nigerian banking sector

The Relationship between staff responsiveness and Customer Satisfaction

Responsiveness refers to how effectively and promptly employees address customers problems and provide solutions. The employees' willingness and ability to help customers and to provide quick service with timeliness represents responsiveness dimension of the service quality (Parasuraman, 1985). According to Pakwar et al (2019) responsiveness is concerned with how service providers respond to their customers. Prompt reaction to customers complaints and individual and satisfactory services will radically increase customer satisfaction. Thus responsiveness strongly depends on the attitude and orientation of the employees (Yousuf, 2017).

ISSN: 1599-8051

Just like other elements of service quality, responsiveness has direct relationship with customer satisfaction in the banking industry (Kant & Jaiswal, 2017, Selvakumar, 2016; Lau, Cheung, Lam & Chu, 2013). Thus this study hypothesized that:
H_3: Responsiveness is positively related to customer satisfaction in Nigerian banking sector

The Relationship between Assurance and Customer Satisfaction in Nigerian Banking Sector
Assurance signifies customers' trust and conviction that the firm would give best services to them (Yousuf, 2017). Assurance dimension of service quality is defined as the knowledge and good manner or courtesy of employees (Kant & Jaiswal, 2017). According to Parasuraman et al (1985) assurance indicates employees' competence, knowledge and courtesy, ability to build bridges of trust with customers (Parasuraman et al, 1985). In the banking context, assurance is related to security that a customer feels, courteous assistance the customer receives, access to account details, convenience within the bank, maintenance of precise records and quotations, employment of skilled professionals, fulfillment of promised services, are all indirectly giving assurance and have impact on customer satisfaction (Sedak, Zainal, Taher, Yahya, Shaharudin, Noordin, Zakaria & Jusoff, 2010). In their research, Selvakumar (2016) and Shanka (2012) respectively found that there is a positive relationship between assurance and customer satisfaction. Based on the above this study hypothesized that:
H_4: Assurance is positively and significantly related to customer satisfaction in Nigerian banking sector

The Relationship between Empathy and Customer Satisfaction
According to Ennew, Waite and Waite (2013) empathy dimension of the service quality model means being attentive in communicative situations, understanding and showing friendly attitude towards customer needs. Thus, taking care of customers and paying attention to them individually when providing services amounts to empathy. Some previous studies found that most customers will not be satisfied with the service delivery, if employees lack empathetic behaviour (Loke, Taiwo, Salim & Downe, 2011; Khan & Fasih, 2014). On their part, Parasuraman et al (1988) contended that understanding customer expectations better than competitors and the provision of care and customerised attention to customers, convincingly influence customer satisfaction. In the banking sector, convenient working hours, individualized attention and better understanding of customer needs are all part of empathy dimension of service quality, which plays a crucial role in customer satisfaction (Ananth, Ramsesh & Prabaharan, 2010). Based on the above, this study hypothesized that
H_5: Empathy has significant relationship with customer satisfaction in the Nigerian banking sector

The conceptual framework below shows a diagrammatic model that represents service quality as predictors of customer satisfaction. Service quality was measured using five (5) dimensions of service quality instruments (servqual model) i.e tangibles, reliability, responsiveness, assurance and empathy as shown below

The Servqual Model Dimensions for Customer Satisfaction

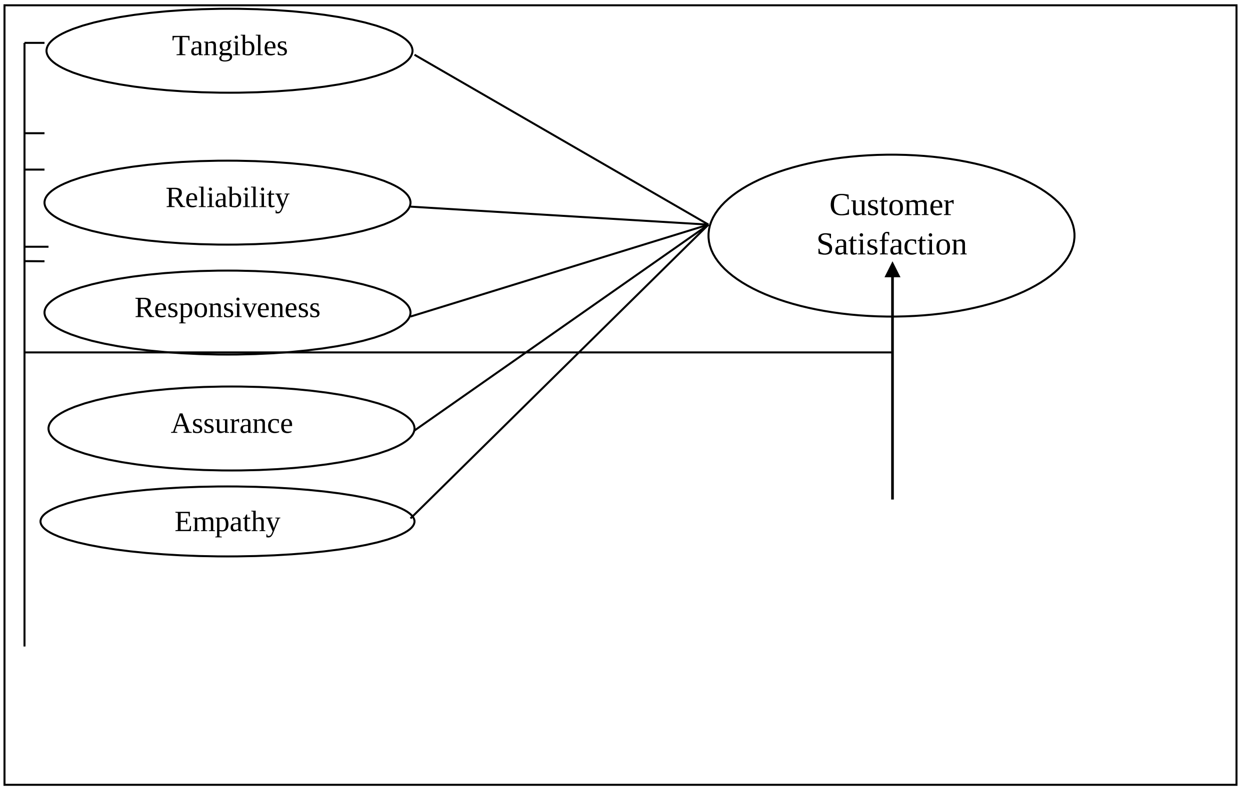

Figure 1: Conceptual Framework

Research Methods

This section gave a screened explanation of the procedure the researchers used to arrive at various conclusions of the study. It described the research design, population, sample size and sampling procedure. Others are measures, instruments of data collection, and analysis.

Research Design

The study adopted a cross-sectional survey research design to evaluate the service quality effect on commercial banks' customers' satisfaction in Lagos, Nigeria. This was achieved by the use of structured questionnaire, made up of three sections. Section A and B contain 26 items which measured customers' expectation and perceptions and satisfaction of the service quality using the five dimensional servqual model (Parasuraman et al, 1988). Section C captures the socio-demographic data of respondents. The target population of this study is all the customers to commercial banks in Lagos metropolis, Nigeria. The study is domiciled in Lagos metropolis because Lagos is the commercial nerve-centre of Nigeria. This study's target population is infinite therefore the researchers applied Cochran (1977) formula for determining the sample size of an infinite population i.e

$$n = \frac{z^2 pq}{e^2}$$

Where n = Sample Size

z^2 = Critical value of the desired confidence level

p = estimated proportion of the attribute that is presented in the population

q = 1 – p
e = desired level of precision

We calculate the representative sample for all the customers of all commercial banks in Lagos metropolis whose degree of variability is not known. In this study paid employees workgroup, from public and private organisation constitute our unit of analysis whose degree of variability we assume the maximum variability is 50% i.e (p = 0.05). Then applying Cochran (1977) formula for 95% confidence level, we have

i.e $$\frac{(1.96)^2(0.5)(0.5)}{(0.05)^2} = 384.16 = 384 \text{ approximately.}$$

The researcher utilizes the primary source for data collection. The primary source of data was adopted because we seek for the opinions of the customers from their primary habitant without manipulation. The research instrument to gather data was structured self-report questionnaire which has the advantage of collecting quantitative data that can easily be analysed. Second, self-report questionnaire not only enables respondents to respond to statements truthfully, but also allows them to freely express their views or opinions about attitudes, beliefs, perceptions, values and feelings at time and place convenient to them (Chipa & Wamiori, 2017).

Measures

The measures were adapted from the 22 items of the servqual scale (Parasuramn, Zeithaml and Berry, 1988). Only perceptions score items were applied as it is the best measure when investigating the predictive power of the service quality (Parasuraman et al, 1994). The items were measured on five point scale ranging from 1 = strongly disagree to 5 = strongly agree). Example of scale items 'The commercial bank physical facilities are visually appealing', 'The banks staff are dependable', 'The banks employees are polite and trustworthy', 'The staff do not have my interest at heart', 'Often prompt service is difficult to come by'.

Data Collection

The questionnaire was randomly administered to the bank customers (respondents) in formal employment in all organisations (public and private) located in Lagos metropolis. Ten research assistants were appointed from among our part time post graduate students to help in the distribution and retrieval of the questionnaire from 10 respective local government areas within a period of two weeks. Questionnaire enabled trade-off between cost, speed, accuracy, response rate clarity and anonymity, which were useful for validity of the research instrument (Chipa & Wamiori, 2017). However, to test the validity of the instrument, a pilot study was carried out in which questionnaire were distributed to experienced researchers and few customers, such that ambiguous statements were modified. Content validity of a research instrument according to Chipa and Wamiori (2017) must show that it fairly and comprehensively covers the purpose, population and environmental characteristics of items it purports to cover.

With regards to the reliability, which shows, the stability and consistency of the instrument, Cronbach Alpha formula in SPSS was used to establish the reliability of the instrument. When Cronbach Alpha coefficient equals or exceeds the threshold of 0.7 is deemed reliable (Sekaran & Bougie, 2010). The study used descriptive statistics and applied correlation analysis to determine the effects of service quality variables on customer satisfaction.

Results

Data Presentation and Analysis

This section presents the results of the analysis. Table 1 show the description analysis of the socio demographic variables of the respondents. A total of 384 questionnaires were distributed to bank customers in Lagos metropolis, while 356 were returned but 349 were adequately completed and were utilized for analysis. A response rate of 91%.

From table 1, 349 respondents in this study is made up of 191 males about 55% the total population while the remaining 45% i.e 158 persons were females. Majority of the respondents 91% were between ages 16 and 40 years while 41 and above years constituted only 9%. A larger majority (55%) of the respondents were married, while 37% were yet unmarried (singles) the rest 8% fell among divorced or single parenthood.

Table 1 - Social and Demographic Characteristics of Respondents

Variables	Items	Frequency	Percentage
Gender	Male	191	55
	Female	158	45
Age	16 – 30	154	44
	31 – 40	164	47
	41 – 50	20	6
	51 & Above	11	3
Marital Status	Married	192	55
	Singles	129	37
	Others	28	8
Academic Qualification	SSCE	161	46
	B.Sc/HND	147	42
	M.Sc/MBA	41	12
Occupation	Public Servants	220	63
	Private White-Collar Jobber	129	37

Source: Field Survey, 2019

Summarily, male respondents were only 10% higher than the female respondents, while 90% of them fall within the active population and more than half i.e 55% were married and 37% were single. Academically, about 88% of the respondents are literate i.e have school certificate and Bachelors' degree/Higher National diploma (HND) while minority (12%) has above bachelors' degree. Our respondents are mostly paid employees in the public (civil service) and private sector (white-collar jobs).

Descriptive statistics of the research constructs show that all the dimensional variables of bank's service quality except for the tangibles have great impact on customer satisfaction in the banking industry given their mean responses. The correlation analysis was used to test the hypotheses. The study revealed that all the variables and customer satisfaction were moderately but positively correlated.

Table 2: Mean, standard deviation and zero order correlation matrix showing the relationship among variables in the study

Variables	Mean	SD	1	2	3	4	5	6
CUS SAT	4.55	.75	1					
TANG	4.20	.68	.235**	1				
RELIA	3.64	.55	.185**	.101	1			
RESP	4.44	.66	.256**	.304**	.531**	1		
ASSU	3.83	.72	.192**	.199**	.500**	1		
EMP	4.39	.85	.232**	.104	.469**	.457**	.386**	1

**Correlation Significant (P< 0.01) *Correlation Significant (P< 0.01)

Hypothesis 1 Banks' tangibles are significantly correlated with customer satisfaction in Nigerian banking sector ($r = .24$ $p < 0.01$) supported

Hypothesis 2 Reliability has significant influence on customer satisfaction in Nigerian banking sector ($r = .19$, $p < 0.05$) supported

Hypothesis 3 Staff responsiveness significantly correlated with customer satisfaction ($r = .26$, $p < 0.05$) supported

Hypothesis 4 Assurance is significantly related to customer satisfaction in Nigerian banking sector ($r = .19$, $p < 0.05$) supported

Hypothesis 5 Empathy is significantly related with customer satisfaction in the Nigerian banking sector ($r = .23$, $p < 0.01$) supported

Discussions

The hypothesized relationships between service quality dimensions and customer satisfaction were all significant. These findings are relevant and consistent with previous studies on the subject (Aremu, Ademola & Aremu, 2017; Adebisi & Lawal, 2017; Yousuf, 2017; Afroz, 2019; Omar, Saadan & Serman, 2015). For instance, hypothesis one stated that tangibility has significant and positive relationship with customer satisfaction in Nigerian banking sector. This was tested using Pearson correlated coefficient test ($r = .235$, $p < 0.01$). This implies that tangibility of service which deals with attractiveness of physical environment, equipment and facilities, employees' tidy appearance, that grant competitive advantage and differentiation, were provided for. Coupled with the building ambience and the decorum of branch staff, were positively associated with customer satisfaction. This is in conformity with the findings of Arokiasamy and Tat (2014), Khan and Fasih (2014). The second hypothesis i.e reliability is assumed to be significantly associated with customer satisfaction. The study shows that the Hypothesis was supported. Previous studies findings (Aremu, Ademola, Aremu, 2017; Koirale & Shrestha, 2018; Afroz, 2019) are in consonance with this current finding. The study's Pearson correlation coefficient test revealed that the hypothesis was supported as ($r = .19$, $p < 0.01$). This implies that bank employees have the competency to perform the required service for customers dependably, and accurately as promised, coupled with prompt attendance to their problems (Hussain et al, 2015).

The third hypothesis stated that responsiveness is positively associated with customer satisfaction. The hypothesis was also tested using Pearson correlation coefficient test and just like the first two hypotheses, it was also supported ($r = .26$ $p<0.01$). This implies that bank employees were responsive, sensitive in understanding the customers needs, and committed in providing prompt services to the customers. The finding is in line with previous researchers in the banking industry (Yousuf, 2017; Ali, 2015; Ojo, 2010).

Assurance was hypothesized that it is positively and significantly related to customer satisfaction in Nigerian banking sector. Just like the previous intangible quality dimensions – staff responsiveness and reliability, assurance is in regards to employees occupational skills in courtesy attitude, making customers feel safe and secure, giving assurance to solve all the transactions related problems and building up trust and confidence, was found to influence customers satisfaction. This finding confirms and supports that of Hussain et al (2014), Khan and Fasih (2014).

Finally in this study empathy was hypothesized to significant and positive relationship with customer satisfaction in Nigerian banking sector. It was found to be positively correlated with customer satisfaction. In the test, the correlation was found to be positively correlated ($r = .232$ $p< 0.01$). Empathy implies providing individualized attention to customers and their specific needs, having positive attitude during a feedback from customers (Minh, Thu Ha, Anh & Matsui, 2015). This finding is also in line with previous researchers submissions (Koirala & Shrestha, 2018, Adebisi & Lawal, 2017, Aremu, Ademola & Aremu, 2017).

Conclusions

In this era of advanced technology and fierce competition, customer satisfaction is an essential marketing strategy. This is because high customer value is a notable asset to financial institutions in a knowledge based economy. The main objective of the study is to examine the effects of service quality on customer satisfaction in our today's competitive market. The study revealed that service quality (SERVQUAL) dimensions are critical predictors of customer satisfaction in the banking industry, in Lagos metropolis. This study also demonstrates the importance of service quality in this competitive era, as all the variables (tangibles, reliability, responsiveness, assurance and empathy) individually expresses great effect on customer satisfaction. The finding of this research suggests that manager and their employees in Nigerian banking industry need to have service quality mindset in the performance of their daily tasks, so as to enhance positive customer outcomes, which in turn lead to increase in organisational performance.

The study has the following managerial implications. Firstly, adoption of service quality management improves service standards and compliance strategies which are immensely important to guarantee customer satisfaction. Thus, in line with servqual dimensions bank managers should address enhanced responsiveness and reliability through enhancement of professionalism in keeping records and on-time delivery services. Others are improving staff skills in courtesy, stimulating confidence in communicating with customers.

Second they should also organize training on how to enhance employees empathetic and assurance skills; such as willingness to respond to customer requests, understanding customer specific and differentiating needs, personalised attention to customers. The physical facilities and environment of the bank which includes customer parking lots, modern equipment, cutting edge technology, building physical appearance and employees' neat appearance, are all areas to look, into so as to enhance bank attractiveness and competitive advantage.

ISSN: 1599-8051

Limitations of the Study

This study is subject to some few identified limitations. For instance, the population of all the customers of commercial banks in Lagos state is dispersed and unevenly distributed over the wide geographical region called Lagos State. Thus it may not be easy to conduct a simple random sampling on the entire population, since there is no sampling frame. However, it may be reasonable to divide the population into cluster along geographic boundaries. This study chooses to apply cluster sampling to randomly select respondents from a few selected clusters.

The limitation here is that the results in less reliable than the simple random sampling technique. Second, in the choice of respondents this study, the researchers were limited it to a particular work group i.e. paid employees of public and private institutions, since reaching commercial banks customers from different workgroups would be cumbersome, therefore bank customers who belong to the informal workgroup has be disenfranchised in this study. Although simple random sampling technique requires a lot of effort, time and huge financial involvement, yet it provides a better representative sample, minimizes chances of sampling bias and systematic errors, thus future researchers should be aware.

References

Adebisi, O. S. & Lawal, K. O. (2017). The impact of service quality on customer loyalty: A study of pharmaceutical firms. *Nigerian Chapter of Arabian Journal of Business and management Review, 62*(139), 1-5.

Adeleke, A., Aminu, S. A. (2012). The determinants of customer loyalty in Nigeria's GSM market. *International Journal of Business and Social Science 3*(14), 209-221.

Afroz, N. N. (2019). Effect of service quality on customer satisfaction: Evidence from banks in Tangail. *Management Studies and Economic Systems (MSES), 4*(2), 145-149

Alabar, T. T., Egena, O., Gbande, I. R. (2017). Service quality and customer satisfaction in Nigerian mobile. Telephony. *British Journal of Marketing Studies 5*(1), 37-49.

Alharthey, B. K. (2019). Impact of service quality on customer trust, purchase intention and store loyalty, with mediating role of customer satisfaction on customer trust and purchase intention. A study of grocery shopping. *British Journal of Marketing Studies (BJMS) 7*(2), 40-61.

Ali, F. (2015). Service quality as a determinant of customer satisfaction and resulting behavioural intentions: A SEM approach towards Malaysian resort hotels. *Tourism 63*(1), 37-51.

Ananth, A., Ramseh, R. & Prabaharan, B. (2010). Service quality gap analysis in private sector bank: A customer perspective. *Indian Journal of Commercial Management Studies, 2*, 245-252

Aremu, M. A., Ademola, O. O. & Aremu, M. A. (2017). Exploring the impact of service quality on customer satisfaction in Nigeria banking industry. *KIU Journal of Humanities, 2*(2), 163-175.

Arokiasamy, A. R. A. & Tat, H. H. (2014). Assessing the relationship between service quality and customer. *Middle-East Journal of Scientific Research, 20*(9), 1023-1030.

Bitner, M. J., Booms, B. H. & tetreault, M. S. (1990). The service encounter: Diagnosing favourable and unfavourable incidents. *Journal of Marketing, 54*, 71-84.

Bolton, R. N. & Drew, J. H. (1991). A multistage model of consumers' assessments of service quality and value. *Journal of Consumer Research, 17*, 375-384 http://dx.doi.org/10.1086/208564

Chipa, E. M. & Wamiori, G. (2017). Effects of risk management on financial performance of insurance companies in Mombasa County Kenya. *Imperial Journal of Interdisciplinary Research (IJIR) 3*(5) http://www.onlinejournal.in

Ennew, C., Waite, N. & Waite, R. (2013). *Financial Services Marketing: An International Guide to Principles and Practices;* Routledge: London UK. ISBN978-0-415-52167-3

Falk, T., Hammerschmidt, M. & Schepers, J. J. L. (2010). The service quality satisfaction link revisited: exploring asymmetrics and dynamics. *Journal of Academic Marketing Science, 38*, 288-302.

Gachau, J. (2016). Customer satisfaction and insurance service delivery quality in Kenya. Master's research project. University of Nairobi, Kenya.

Gambo, M. K. K. (2016). Service quality and customer satisfaction among domestic air passengers in Nigeria. *International Journal of Business and Management Studies 8*(2), 32-49.

Gillani, S. U. A. & Awan, A. G. (2014). Customer loyalty in financial sector: A case study of commercial banks in southern Punjab. *International Journal of Accounting and Financial Reporting, 4*(2) doi:10.5296/ijafr.v4i2.6870.

Hussain, R., Al Nasser, A. & Hussain, Y. K. (2014). Service quality and customer satisfaction of a UAE-based airline: An empirical investigation. *Journal of Air Transport Management, 42,* 167-175. Doi:10.1016/j.jairtraman.2014.10.001

Kant, R. & Jaiswal, D. (2017). The impact of perceived service quality dimensions on customer satisfaction: An empirical study on public sector banks in India. *International Journal of Bank Marketing, 35,* 411-430

Keisidou, E., Sarigiannidis, L., Maditinos, D. I. & Thalassinos, E. I. (2013). Customer satisfaction, loyalty and financial performance: A holistic approach of the Greek banking sector. *International Journal of Bank Marketing, 31*(4), 259-288. doi:10.1108/IJBM-11-2012-0114

Kenn-Ndubusi, J. I. & Akani, H. W. (2015). Effects of recapitalization on commercial banks survival in Nigeria: Pre and post camel analysis. *European Journal of Accounting, Auditing and Financial Research, 3*(9), 12-30

Khan, M. M. & Fasih, M. (2014). Impact of service quality on customer satisfaction and customer loyalty: Evidence from the banking sector. *Pakistan Journal of Commerce and Social Sciences, 8*(2), 331-354.

Koirale, K. D. & Shrestha, S. K. (2018). Measuring service quality and customer satisfaction. Empirical evidence from Nepalese commercial banking sector undertakings management dynamics

Kotler, P. (2013). Marketing management: Analysis, planning, implementation and control. 10th edition Prentice – Hall Inc Indian.

Ladhari, R., Souiden, N. & Ladhari, I. (2011). Determinants of loyalty and recommendation: The role of perceived service quality, emotional satisfaction and image. *Journal of Financial Services Marketing*, *16*, 111-124.

Lau, M. M., Cheung, R., Lam, A. Y. & Chu, Y. T. (2013). Measuring service quality in the banking industry: A Hong Kong based study. *Contemporary Management Research*, *9*, 263-282.

Lee, Yu-Cheng; Wang, Yu-Che; Lu, Shu-Chiung; Hsien, Yi-Fang; Chien, Chih-Hung; Tsai, Sang-Bing & Dong, Weiwei (2016). An empirical research on customer satisfaction study: A consideration of different levels of performance. SpringerPlus (open access) doi:10.11/6/s40064-016-3208-z

Liniere, M. (2013). Factors that contribute to the decline of customer satisfaction in the banking. Thesis, Walden University.

Liu, Y., Esposito, E. & Dpahne, A. (2008). An analysis of service quality, customer satisfaction and customer loyalty of commercial swim clubs in Taiwan Umi Mircoform Proquest Llc.

Loke, S. P., Taiwo, A. A., Salim, H, M, & Downe, A. G. (2011). Service quality and customer satisfaction in a telecommunication service provider. *International Conference on Financial Management and Economics (vol 11),* IACSIT press, Singapore

Mekhlis, S. (2012). The influence of service quality on satisfaction: A gender comparison Public Administration Research, 1(1), 103-112

Minh, N. H., Thu Ha, N.; Anh, P. C. & Matsui, Y. (2015). Service quality and customer satisfaction: A case study of hotel industry in Vietnam. *Asian Social Science 11*(10) 73-85

Nwede, M. F. & Okpara, G. S. (2017). Correlate of service quality dimensions and customer loyalty in the Nigerian Telecom markets. Does customer satisfaction play a mediating role? *IOSR Journal of Bsuiness and Management (IOSR-JBM) 19*(1), 60-71.

Nyaguthii, M. J. (2013). Determinants of customer satisfaction in the life insurance industry in Kenya. Master's research project university of Nairobi, Kenya.

Oghojafor, B. E. A., Ladipo, P. K. A., Ighomereho, O. S. & Odenewu, A. V. (2014). Determinants of customer satisfaction and loyalty in the Nigerian telecommunication industry. *British Journal of Marketing Studies 2*(5), 67-83.

Ojo, O. (2010). The relationship between service quality and customer satisfaction in telecommunication industry: Evidence from Nigeria. *(Brand) Broad Research in Accounting Negotiation and Distribution, 1*(1), 88-100.

Oliver, R. L. (1977). Effects of expectation and discomfirmation on post-exposure product evaluations: An alternative interpretation. *Journal of Applied Psychology*, *62*(4), 480-486.

Oliver, R. L., Rust, R. T. & Vark, I. S. (1997). Customer delight: Foundations, findings and managerial insight. *Journal of Retailing*, *73* (3), 311-336. doi:10.1016/S0022-4359(97)90021-X

Oluwafemi, O. J**.** & Adebiyi, O. S. (2018). Customer loyalty and Integrated Marketing Communications among subscribers of Telecommunication Firms` in Lagos Metropolis, Nigeria, *Journal of Competitiveness*, 10(3), 101–118.https://doi.org/10.7441/joc.2018.03.07.

Omar, H. F. H., Saadan, D. K. & Serman, P. K. B. (2015). Determining the influence of the reliability of service quality on customer satisfaction. *The case of Libyan International Journal of Learning & Development, 5* (1), 86-89

Pakwar, M., Haddad, H., Nagy, J., Popp, J. & Olah, J. (2019). The service quality dimensions that affect customer satisfaction in Jordanian banking sector. *Sustainability, 11*, 1113 1-24 doi:10.3390/sul1041113 www.mdpi.com/journal/sustainability

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing, 49*, 41-50

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1988). SERVQUAL: A Multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing, 64,* 2-40.

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1994). Reassessment of expectations as a comparison standard on measuring service quality: Implications for further research. *Journal of Marketing, 58*, 111-124.

Peng, L. S. & Moghavvemi, S. (2015). The dimension of service quality and its impact on customer satisfaction, trust and loyalty: A case of Malaysian banks. *Asian Journal of Business and Accounting, 8,* 91-122

Rokkan, A. I., Heide, J. B., Wathne, K. H. (2003). Specific investments in marketing relationships: Expropriation and bonding effects. *Journal of Marketing research 40,* 210-224.

Sadek, D. M., Zainal, N. S., Taher, M. S. I. M., Yahya, A. F., Shaharudin, M. R., Noordin, N., Zakaria, Z. & Jusoff, K. (2010). Service quality perceptions between cooperative and Islamic banks of Britain. *American Journal of Economics and Business Administration 2*(1), 1-5.

Sanjuq, G. (2014). The impact of service quality delivery on customer satisfaction in the banking sector in Riyadh, Saudi Arabia. *International Journal of Business Administration 5*, 77-84

Sarker, A. S. & Uddin, N. R. M. B. (2012). Influence of service quality on customer satisfaction in retail banking: A study on some private commercial banks in Bangladesh. Green University Review, 4(1-2), 68-76.

Selvakumar, J. J. (2016). Impact of service quality on customer satisfaction in public sector and private sector banks. Purushartha. *Journal of Management Ethics Spirit 8,* 1-12.

Shanka, M. S. (2012). Bank service quality customer satisfaction and loyalty in Ethiopian banking sector. *Journal of Business Administration and Management Science Research, 1*, 1-9

Ul Hadi, N., Aslam, N. & Gulzar, A. (2019). Sustainable service quality and customer loyalty: The role of customer satisfaction and switching costs in the Pakistan cellphone industry. Sustainability, 11, 2408. Doi:10.3390/su11082408.

Williams, A. & Naumann, E. (2015). Customer satisfaction and business performance: A firm level analysis. *Journal of Services Marketing 25*(1), 20-32

Yousuf, K. (2017). The impact of service quality on customer satisfaction in the banking sector of Karachi. Market Forces 12(1), 15-28.

Zeithaml, V. A. & Bitner, M. J. (2003). Services marketing: Integrating customer focus across the firms; Mc Graw-Hill: New York NY USA.

AN ECONOMIC ORDER QUANTITY (EOQ) MODEL: A CASE STUDY OF SMALL PHARMACEUTICAL FIRM

Alimi, Adesoji
E –MAIL :sojialimi@yahoo.com
Department of Mathematics and Statistics, University of Port Harcourt.

Eyo, Eyoanwan Okpo
Department of Mathematics and Statistics, University of Port Harcourt.

Abstract
An organization of the firms sales items is done by using a ranking technique (The ABC) model which relies on the annual sales turn out to classify the goods into distinct categories for costing purposes. The holding cost and the ordering costs are estimated using the length of the items' shelf life and the frequency with which they are ordered as salient variables. The EOQ model is then deployed to prescribe proper and minimized costs as relates to optimal lot size, number of orders annually and even the relevant inventory costs.

Keywords:

Introduction

We present a simple approach for small businesses to organize their inventory in a scientific way. For small businesses such as the pharmacy store considered, there is a need to establish an implementable inventory system that is devoid of the observed complexities (though not ambiguous) in standard software that exist for that purpose. Here we seek to integrate small businesses into the general inventory control systems that are already established, by estimating the variables that are not easily obtained or calculated, like the ordering cost, holding cost, optimal lot size, order quantity etc. Sharma [1997] proposed a form of ranking called the ABC model. This is used to rank items employing a cumulative calculation that rates the most preferred class of items in category A, the averagely preferred class in category B and the least preferred in category C. This is done by categorizing the items with the greatest sales turnover in category A and progressively till the items with the lower sales turnover in category C.

The economic order quantity model (EOQ) is a model that is used to calculate the optimal quantity that can be purchased or produced to minimize the cost of both the Holding cost and the ordering cost.

Herein we have: $EOQ = \frac{DC_O}{Q} = \frac{QC_H}{2}$ ………………………(1)

Where $D = annual\ demand\ (per\ Year), Q = order\ quantity, C_O ordering\ cost\ and\ C_H\ , the\ left\ hand\ side\ of\ ...(1)\ is\ the\ annual\ ordering\ cost\ and\ the\ right\ side\ annual\ holding\ cost.$

From the EOQ model we have an optimal lot size (number of order in a given year) given by: $Q^* = \sqrt{\frac{2DC_O}{C_H}}$, lead time (time interval between successive orders) $t^* = \frac{Q^*}{D}, where\ Q^*\ is\ the\ economic\ order\ quantity\ for\ the\ year\ and\ minimum\ yearly$

$variable\ cost\ \ as\ TC$
$= TVC + DC, where\ TC\ is\ the\ total\ inventory\ cost, TVC, total\ variable\ cost\ D, annual$

$demand\ and\ C, the\ purchasing\ cost.$

The basic assumptions for the model which also apply in full to the considered firm are:

1. The ordering cost is constant throughout the period of consideration (a year)
2. The demand rate is known and constant for the year
3. The lead time between order placement and delivery is fixed
4. Discounts are not allowed
5. There is no delay in stock replenishment.

From the sensitivity analysis in Leroy (1981), it was gathered that the order quantity Q reasonably chosen in the system and that obtained from the EOQ model Q^* both having different values will not alter the annual cost calculations greatly as even a 100% error in choosing Q will only result in a management – cost penalty of 25% of the average annual inventory cost. It also showed that estimating within a known interval of the annual demand rate will only affect the average annual cost in any direction positively or negatively of an interior value of this estimated interval. The most important deduction to be made from this sensitivity analysis which assumes the non- stationarity of the demand rate, the ordering cost and the holding cost, was that management –cost penalty was at a rate of 8.11% of average annual cost. These management cost do not compare with the loss to be incurred by the firm when proper knowledge of inventory control practices are deployed.

We give a table indicating the sales profile of the store for which we intend to establish the inventory control system as a prototype for others to follow. This is done using data obtained from research carried out by Eyo [2012].

Table 1: Sales Profile For The Firm

S/N	ITEM TYPE	ITEM UNITS	UNIT PRICE
1	Panadol Extra	29000	5.00
2	Augumentin Tabs	24000	30.00
3	Vitamin C 100mg	11000	10.00
4	Efurovine Tabs 500mg	1500	20.00
5	Ibuprofen Tabs 400mg	600	20.00
6	Metronidazole 400mg	7000	15.00
7	Fesolate	4100	50.00

8	Vitamin C 500mg	30000	5.00
9	B – complex tabs	20000	5.00
10	Folic acid	1100	15.00
11	Ramferon Cap	1500	5.00
12	Mycotin cream	300	30.00
13	Funbact A cream	600	200.00
14	Ranox Cap	2200	5.00
15	Amaxine Tabs	40800	10.00
16	Coatem Tabs	26640	10.00
17	Ciproflaxaxine tab 500mg	760	15.00
18	Tetracotine Cap 500mg	660	150.00
19	Zole swider 500mg	800	5.00
20	Sporanox	20520	10.00
21	Clindamycin cap 150	300	200.00
22	Encephaboltar	600	25.00
23	Spiranolac tone tabs 100mg	7056	20.00
24	Augumentin Tabs 500mg	3424	30.00
25	P.Alaxin	900	15.00
26	Lonart DS	800	25.00
27	Iodine solution	650	120.00
28	Abidec Drop	300	250.00

Estimating the Inventory Costs

First we create a table for ranking the items on the firm's list of items with the highest sales turnover items and decreasing the ranking successively as the sales volume decrease .This is justified by noting that these items have limited shelf life, hence cannot just be bulk purchased for a long period, as spoilage will set in.

Table 2: Goods Ranking for the Firm

S/N	ITEM TYPE	ITEM UNIT	UNIT PRICE	ANNUAL SALES	RANK
1	Panadol Extra	29000	5.00	145000	7
2	Augumentin Tabs	24000	30.00	720000	2
3	Vitamin C 100mg	11000	10.00	115000	10
4	Efurovine Tabs 500mg	1500	20.00	30000	18
5	Ibuprofen Tabs 400mg	600	20.00	12000	24
6	Metronidazole 400mg	7000	15.00	105000	11
7	Fesolate	4100	50.00	123000	9
8	Vitamin C 500mg	30000	5.00	150000	6
9	B – complex tabs	20000	5.00	100000	13
10	Folic acid	1100	15.00	16500	21
11	Ramferon Cap	1500	5.00	7500	27
12	Mycotin cream	300	30.00	18000	20
13	Funbact A cream	600	200.00	840000	1
14	Ranox Cap	2200	5.00	11000	26
15	Amaxine Tabs	40800	10.00	408000	3
16	Coatem Tabs	26640	10.00	266400	4
17	Ciproflaxaxine tab 500mg	760	15.00	11400	25
18	Tetracotine Cap 500mg	660	150.00	99000	14
19	Zole swider 500mg	800	5.00	4000	28
20	Sporanox	20520	10.00	205200	5
21	Clindamycin cap 150	300	200.00	60000	17
22	Encephaboltar	600	25.00	15000	22
23	Spiranolac tone tabs 100mg	7056	20.00	141120	8
24	Augumentin Tabs 500mg	3424	30.00	102720	12
25	P.Alaxin	900	15.00	13500	23
26	Lonart DS	800	25.00	20000	19
27	Iodine solution	650	120.00	78000	15
28	Abidec Drop	300	250.00	75000	16

ISSN: 1599-8051

Thereafter we classify these items into three, the A class consisting of those items accounting for 62.67 percentage for the cumulative annual sales. There are just five items in this category.

Class B items consisting of items making up of 25.91 percent of annual sales and class C items consisting of items making up 5.63 percent of the annual sales consisting of twelve items.

Table 3: Goods Classification Using the ABC Classification Model

S/N	ITEM TYPE	CUMMULATIVE % OF ITEMS	ANNUAL SALES VOLUME	CUMMULATIVE ANNUAL SALES	CUMMULATIVE % OF ITEMS' ANNUAL SALES
			CLASS A		
1	13	3.58	840000	840000	21.58
2	2	7.15	720000	1560000	40.07
3	15	10.71	408000	1968000	50.56
4	16	14.29	266400	2234400	57.40
5	20	17.85	205200	2439600	62.67
			CLASS B		
6	8	21.42	150000	2589600	66.53
7	1	25.00	145000	2734600	70.25
8	23	28.57	141120	2875720	73.88
9	7	32.14	123000	2998720	77.04
10	3	35.71	115000	3113720	79.99
11	6	39.28	105000	3218720	82.69
12	24	42.85	102720	3321440	85.33
13	9	46.42	100000	3421440	87.90
14	18	50.00	99000	3520440	90.44
15	27	53.57	78000	3598440	92.44
16	28	57.14	75000	3673440	94.37
			CLASS C		
17	21	60.71	60000	3733440	95.91
18	4	64.28	30000	3763440	96.68
19	26	67.85	20000	3783440	97.20
20	12	71.42	18000	3801440	97.66
21	10	75.00	16500	3817940	98.08
22	22	78.57	15000	3832940	98.47

23	25	82.14	13500	3846440	98.82
24	5	85.71	12000	3858440	99.12
25	17	89.28	11400	3869840	99.42
26	14	92.85	11000	3880840	99.70
27	11	96.42	7500	3888340	99.89
28	19	100.00	4000	3892340	100.00

We now seek an economic order quantity (EOQ) for this system, noting that this is the quantity in which the holding cost equals the ordering cost. Ekoko (2008). Both costs are somewhat opposite each other as minimizing holding cost involves placing small orders which increases the ordering cost. For the ordering cost and the holding cost we appeal to small percentages of the annual purchasing costs for the items as are obtained from the firm.

Ordering cost: This is assumed fixed throughout the year and its estimated 10 percent of the annual purchasing cost for each item.

Holding cost: Here we apply our ranking and ascribe 5% of annual purchasing cost for goods in class A, 9% of annual purchasing cost for goods in class B, and 13% of annual purchasing cost for goods in class C. The variation is justifiable as it cost more to maintain goods in stock for a longer period on shelf than for those goods leaving the shelf quickly.

We give a table that shows these costs and note that units used here are the packets or carton units with which the goods are bought while the units used for previous tables are the single units required for sales.

Table 4: Inventory Costs

S/N	ITEM TYPE	UNIT PRICE (C) PACKET	ANNUAL DEMAND (D)	PURCHASING COST (DxC)	ORDERING COST	HOLDING COST
1	Panadol Extra	550	560	308000	30800	15400
2	Augumentin Tabs	2000	572	1144000	114400	57200
3	Vitamin C 100mg	480	320	153600	15360	7680
4	Efurovine Tabs 500mg	700	248	173600	17360	8680
5	Ibuprofen Tabs 400mg	2500	33	82500	8250	3625
6	Metronidazole 400mg	280	50	14000	1400	1260
7	Fesolate	500	46	23000	2300	2070
8	Vitamin C 500mg	250	150	37500	3750	3375
9	B – complex tabs	250	80	20000	2000	1800
10	Folic acid	150	399	59850	5985	5386

ISSN: 1599-8051

11	Ramferon Cap	550	50	27500	2750	3575
12	Mycotin cream	120	72	8640	864	1123
13	Funbact A cream	140	1120	15400	1540	2002
14	Ranox Cap	380	54	20520	2052	2667
15	Amaxine Tabs	280	720	201600	20160	26208
16	Coatem Tabs	350	646	226100	22610	29393
17	Ciproflaxaxine tab 500mg	280	15	4200	420	546
18	Tetracotine Cap 500mg	450	650	292500	29250	38025
19	Zole swider 500mg	580	20	11600	1160	1508
20	Sporanox	800	64	51200	5120	6656
21	Clindamycin cap 150	250	72	18000	1800	2340
22	Encephaboltar	600	165	99000	9900	12870
23	Spiranolac tone tabs 100mg	850	200	170000	17000	22100
24	Augumentin Tabs 500mg	100	567	56700	5670	7371
25	P.Alaxin	550	25	13750	1375	1787
26	Lonart DS	580	22	12760	1276	1658
27	Iodine solution	80	117	9360	936	1216
28	Abidec Drop	900	64	57600	5760	7488

Employing our tools given, we have: $Q^* = \sqrt{\frac{2DC_O}{C_H}}$, $t^* = \frac{Q^*}{D}$, $annual\ variable\ cost\ \ as\ TC = TVC + DC = \sqrt{2DC_OC_H}$ we create optimal cost minimization table.

Table 5: Optimal Table for Inventory Cost Minimization

S/N	ITEM TYPE	OPTIMAL LOT SIZE	NUMBER OF ORDER IN A YEAR	PURCHASING COST (DxC)	TOTAL VARIABLE COST (ANNUAL)	TOTAL INVENTORY COST
1	Panadol Extra	47	12	308000	46200	354200
2	Augumentin Tabs	47	12	1144000	171600	1315600
3	Vitamin C 100mg	35	9	153600	23040	176640
4	Efurovine Tabs 500mg	87	2	173600	26040	176240

5	Ibuprofen Tabs 400mg	11	11	82500	11275	93775
6	Metronidazole 400mg	4	11	14000	2660	16660
7	Fesolate	10	4	23000	4370	27370
8	Vitamin C 500mg	18	8	37500	6720	44220
9	B – complex tabs	13	6	20000	3800	23800
10	Folic acid	7	52	59850	11371	71221
11	Ramferon Cap	8	5	27500	6145	33645
12	Mycotin cream	10	7	8640	1989	10629
13	Funbact A cream	41	27	15400	3542	18942
14	Ranox Cap	9	6	20520	4719	24839
15	Amaxine Tabs	8	8	201600	46368	247968
16	Coatem Tabs	31	20	226100	52003	278103
17	Ciproflaxaxine tab 500mg	4	3	4200	984	5184
18	Tetracotine Cap 500mg	31	20	292500	67275	359775
19	Zole swider 500mg	5	3	11600	2668	14268
20	Sporanox	9	6	51200	11776	62976
21	Clindamycin cap 150	10	6	18000	4140	22140
22	Encephaboltar	15	10	99000	22770	121770
23	Spiranolac tone tabs 100mg	17	11	170000	39100	209100
24	Augumentin Tabs 500mg	12	3	56700	30820	87520
25	P.Alaxin	6	4	13750	3162	16912
26	Lonart DS	5	3	12760	2934	15694
27	Iodine solution	42	2	9360	2152	9612
28	Abidec Drop	9	6	57600	13248	70848

The table shows the optimal lot size and the appropriate number of times each good is to be supplied at the minimum possible cost considering all factors as they relate to the frequency of the goods leaving the shelf.

References

1. Ekoko P. O (2008). Operations research for sciences and social sciences.
2. Eyo E.O (2012). Inventory control models without shortages. Research Project. Department of Mathematics and Statistics, University of Port Harcourt
3. Leroy B.S (1981). Inventory control systems theory and practice Theory and practice Elselvier Science Limited.
4. Sharma, J.K. (2009). Operations Research: theory and applications (fourth edition). Mac Millan publishers India LTD.

RELEVANCE OF INFORMAL FINANCING OPTION IN THE 21ST CENTURY: A PERFORMANCE APPRAISAL OF RURAL SMES IN OBIO/AKPO LGA OF RIVERS STATE

Ogunbiyi, S. Samuel (Ph.D)
Finance and Banking Department, Faculty of Management Sciences
University of Port Harcourt
E-MAIL:- Samuel.ogunbiyi@uniport.edu.ng

and

Abina, Praise Adedigba
Finance & Banking Department, University of Port Harcourt, Port Harcourt
Praise2009@yahoo.com.

Abstract
This study examines the relevance of informal financing option in the 21st century: A performance appraisal of rural SMEs in Obio/Akpo local government area of Rivers State, Nigeria. The cross-sectional survey method which is a form of the quasi experimental design and exploratory research design was adopted in the study. The target population for this study includes those who engaged themselves in entrepreneurial activities that fall under the various categories of business in the static micro industry. A total number of 136 questionnaire was distributed evenly distributed in the LGA. 73 questionnaire which account for 98.6% was completely filled, and retrieved successfully from the various respondents. The study made use of descriptive analysis using percentage and regression analysis to analyze the data. The percentage analysis shows that 25 persons which represents 33.8% of the total population under investigation attest to the fact that personal savings is a major source of their startup capital while 26 persons which represents 35.1% agreed to the fact that contribution to Esusu scheme has been of help to providing fund to making the business to thrive in difficult time. Thus, this study therefore accepts the Refugee theory of entrepreneurship. The regression analysis result shows that a positive and significant relationship is identified between the informal financing option available to entrepreneur in the static micro industry, and specific measures of funds accessible in the static micro industry on performance of the industry. The study thus recommends that Micro-finance banks need to be less stringent in their collateral requirement, incentive policies is needed to enable the active poor most especially the rural small enterprises secure loan facility at a more reduced cost from the formal sector.

Key words: Financing, Static, Micro Industry, Informal, Formal

Introduction

Obio/Akpo is a local government area in Rivers State of Nigeria. According to Wikipedia.com, it covers an area of 260 km^2 and at the 2006 Census held a population of 464,789. Obio-Akpor has its headquarters at Rumuodomaya. The original indigenous occupants of the area are the Ikwerre people, the local government area is bounded by Port Harcourt (local government area) to the south, Oyigbo and Eleme to the east, Ikwerre and Etche to the north, and Emohua to the west. It is located between latitudes 4°45'N and 4°60'N and longitudes 6°50'E and 8°00'E.

The governance of a nation is divided into 3 tiers, the local government, the state government, and then the federal government. The development of most nations of the world starts from the grass root (local government), before it spreads up to the federal. The Nigerian situation is not different, without deliberate developmental efforts targeted at the grass roots, the overall development of a nation will be a difficult task. It has also been proven that, if governments refuse to develop the rural areas, it will result to rural urban migration which most often than not breeds civil disorder.

Meanwhile, rural dwellers are not lazy, they are hardworking individuals who only lack the means of improving their quality of life and economic wellbeing in the context of today's realities, hence, they will move towards where they perceive to find those things they lack. Oboniye (2013) noted that, the migration of youths from rural areas to urban areas is a resultant effect of increased rural population, unemployment of rural people, decreased inputs of rural people's income and high supply of labour in rural areas. Meanwhile, Eniola and Entebang (2015) proposed a palliative that, "The importance of SMEs in the evolution of economic, reduction in poverty, increase in employment, output, innovation in technology and lifting up in social position and standard is globally proven and acknowledged in emerging as well as in developed economies". Aminu, Adamu, and Ahmed (2018), reiterated that, the small and medium enterprises sub sector of an economy determines whether an economy grows and develops or not. This they said has lead to countries, irrespective of their developmental status, to continue embarking on viable policies and programs that would create and pave way for the sustainable development of their economies through SMEs development.

For the SMEs to achieve all these lofty goals, it needs a lot of inputs to generate employments, reduce poverty, improve output, and lift up the social standard of the rural dwellers. Among the inputs needed, is Funding. Taiwo, Falohun, and Agwu (2016) buttresses this fact by admitting that, these firms typically account for more than 90% of all firms outside the white-collar jobs sector, constituting a major source of employment and generates significant domestic and export earnings.

They went on to further expose the importance of Funding when they said, "financing SMEs is a major catalyst and a key success factor for the development, growth and sustenance of any economy".

However, lack of funding has been identified as one of the greatest setbacks of SMEs (UNCTAD, 2001; SBA, 2000). Having access to funding gives SMEs the chance to develop and help grow the economy. The federal government has made several deliberate efforts at making funding available for SMEs, yet there are certain groups that are not served by these efforts of government. This paper's focus is on the static categories of the micro enterprises and the relevance of informal financing option to their existence and survival in Obio/Akpo LGA of Rivers State.

LITERATURE REVIEW

CONCEPTUAL REVIEW

What makes up the micro enterprise?

For further clarity on the concept of micro enterprises, let us quickly look at some definitions of it. Investopadia.com defines it as,

> "The term microenterprise, also known as a microbusiness, refers to a small business that employs a small number of people. A microenterprise usually operates with fewer than 10 people and is started with a small amount of capital advanced from a bank or other organization. Most microenterprises specialize in providing goods or services for their local areas".

While the National Council of industry (NCI 2001) define micro enterprise as, "A business with total capital of not more than ₦1.5million (excluding cost of land but including working capital) and a Labor size of not more than 10 workers.

The Central Bank of Nigeria (CBN) listed in their August 2014 revised guidelines for Micro, Small and Medium Enterprises Development Fund (MSMEDF), the following as constituting the micro enterprises;

- Agricultural value chain activities
- Cottage Industries
- Artisans
- Services to hotels, schools, restaurants, laundry etc.
- Renewable energy/energy efficient product and technologies
- Trade and general commerce
- Any other income generating enterprise as may be prescribed by the CBN

Explaining further, these micro enterprises are usually funded by what experts refer to as micro credits, this type of credit is advanced to individuals who don't have collaterals, and no record of credit whatsoever, neither do they have any employment. Rural dwellers would still be in the Stone Age conditions without these micro enterprises. They boost the economic value of their localities, create jobs, and improve the income of operators.

Peculiarities of SMEs

If the definition of National Council of Industry is to be relied on, then we would say that micro enterprises are the least in the categorization of small businesses. By their nature and the peculiarity of Nigeria, micro enterprises constitute the bulk of the small businesses we have. Most families in Nigeria are involved in it, whether employed or not, because it's actually the

ISSN: 1599-8051

economic insurance they have. Liedholm (2002) pointed out that, "Large numbers of MSEs in Africa and Latin America are owned and operated by women". He noted also that vast majority of MSEs in these areas sell directly to final consumers, they hardly sell to other firms. It is worthy to also note that micro enterprises utilize indigenous resources, this therefore informs their being located to close to wherever they could find the resources needed, e.g, labour, raw materials etc. For the particular fact that micro enterprises operate locally, it translates to them promoting regional developments which also helps to curtail the rural urban migration issues. Micro enterprises are mostly sole proprietorships and labour intensive, they also embrace changes easily in comparison with large firms.

Small and Medium Scale Enterprise (SME's) Funding

Because of the nature of the business, risk involved and the chances of default, organized financial institution shy away from lending to SME's apart from micro-finance banks below represents few ways SME's can be funded; The first is, **personal savings** this is the first form of fund that is available to SME's since it is a one-man business, the initial capital has to be his fund before any other avenue will be looked into. The second way SME's can be financed is via contribution from **friends and family** this form of financing involves soliciting support from family and other relative that want to see your business succeed. The third is by engaging in **local contribution** which is popularly known as Isusu, popularly known in Yoruba's call as Ago here group of individuals come together to make certain contribution and at the end of a particular period one of the members in that group is entitled to that total sum of money being contributed till it gets to every one's turn in the group. This means have withstood the test of time and till date its still working, this was popularly advanced and polished to what we call Ponzi scheme, the same model is applied in this scheme. **Associations/Corporative** this can be categorized into different trade association like the market woman association, trade association and other they collectively come together to help themselves out in terms of proving both capital and other material support which will aid continuity in their business. Entrepreneurs' that involve themselves in using heavy duty equipment make use of **Hire Purchase** as a method to financing their activity. Credit sales facility is also another method SMEs use to finance their activity manufacturer/ distributors give their active customers this facility so as to grow their business, this facility helps the business man to pay for goods purchased at a later date with little or no interest. **Apprentice scheme**; this is one of the oldest forms of financing that SME's use to start up their career this scheme is mostly practiced in the western world, it involves two persons, an apprentice and a guardian. The guardian is the one that tutors the apprentice on a particular skill for a period of years as agreed and after the set time, the apprentice is given a certain sum of money that could help him/her to start up such trade. Finally, **organized financial institution** Micro-Finance Bank (MFB), this bank was established for the purpose of financing small scale business. Because of the risk that is inherent with small business and the nature of loan, collateral problem, interest on loan with maturity date deposit money banks do not have such facility to accommodate SME's this result to the

Advantage/ Importance of SMEs in Nigeria.

i. Inequality is drastically reduced
ii. Wealth is redistributed
iii. Reduction in dependency level

iv. Reduction in poverty rate, SMEs create employment opportunity.
v. Increase in economic output (*Gross Domestic Product*): Via Various forms of taxation that is been imposed by the government on business
vi. Effective utilization of local resources and natural endowment: It has been seen that it is from the local entrepreneurs that raw materials are been utilized.
vii. SMEs helps in the production of finished goods; these finished goods are being utilized to local and international goods.

Nigeria Cottage Industries

Cottage industries are carried on in the home as a part-time occupation primarily by members of one family using human or animal power. One of the primary occupations in the home to help family member to usefully utilize their leisure period, reduce unemployment and increase the income of the family which in turn increases their standard of living. The cottage industries have the potential to equitabley distribute wealth, reduce and solve unemployment problem in the Nigeria (Adeoye and Bhadmus 2017). Agricultural activity serves as a source of livelihood to rural dwellers as they diverse opportunities to increase and stabilize their incomes. The cottage industries help in addressing the problem of unemployment by absorbing excess labour in the rural area, this industry facilitate mobilization of local resources and skills (Mahmoud 2004). Product that emerged from the cottage industry is artistic or traditional in nature, the product springs up from the activity of the craftsmen, includes; bamboo woven products, woven fibre or cotton (Aso Oke), palm oil production, honey production, Prosopis Africana is or Iron wood Tree Parkia biglobosa or African locust bean, carpentry and furniture making, and basket these products are environmentally friendly, sustainable and less expensive.

Life Cycle of SMEs

There are four phases in the life cycle of SMEs the first is the startup phase, followed by the accelerated growth phase, then the stable growth phase and finally the maturity phase. The first phase is **the startup phase.** In this stage the business is strictly monitored by the owner and this last for a period of three years from inception most at times the supervisory activity may be carried out by relatives and friends the success and failure of the business is determined by effort the supervisor put in this phase. The second phase is the **accelerated growth phase** is noted to be where the business can now be fully incorporated which is always done after three to four years of the business inception. This stage is also attributed to the point whereby the owner of the business employs professionals in the running of the business. The next stage is the **stable growth phases** in this stage, the business is organized into various department which will aid the smooth management and accountability of the unit that needs to be restructured. It also helps in identifying which department brings in more capital in terms of return. After several years of the business being in existence, the **maturity stage** is then attained. In this stage the business needs expansion and more fund for expansion and diversification is needed to effectively carry out this function shortage of this will result to slow in the growth and expansion in the business.

Empirical Review

John-Akamelu and Muogbo (2018) examined the influence of commercial bank in funding SMEs in Nigeria, the study administered questionnaire to SMEs and bankers in Anambra state, the study made use of percentage and chi-square method to analyze the result obtained. It was discovered that the process of administering loan meant for SMEs is very cumbersome despite that commercial bank has contributed immensely to SMEs development. Owing to this, the study recommends that there is need for collective effort between the banks, SMEs and the government, there is also need for government to introduce more incentives that will encourage the both parties to transact business successfully. Taiwo, Falohun and Agwu (2016) explored how SMES financing affect growth in Nigeria, the study reviewed several previous empirical works and deductively conclude that SMEs have contributed a whole lot to development in Nigeria as they contribute about 20%-45% to employment rate in the country, its role cannot be discarded by the government the study recommends that there is need for micro-finance institution to cater for the creation of more SMEs in Nigeria. Safiriyu and Njogo (2012) investigated how small and medium scale enterprises can be used as a tool for eradicating unemployment in the state, the study made use of simple percentage and chi-square (X^2) method to interpret the questionnaires that were administered to unemployed youths, small and medium manufacturing and services enterprise located in Shomolu area of Lagos State. The study discovered that if the youth are actively involved in entrepreneurial activity then the poverty rate in the country will reduce and the standard of living will improve alongside. They recommend that more microfinance bank and additional skill acquisition center is needed for the active poor people and the youth to engage themselves effectively. Usman, Isah and Tanko (2018) conceptually reviewed financial options available for small and medium enterprises (SMEs), the paper broke down the options into formal and informal financial sources it was discovered from the study that the equity and investment scheme developed by the banking institutions did not achieve its purpose because of corruption which posed a serious threat on the full accomplishment of the scheme.

THEORETICAL UNDERPINNING

Refugee Theory of Entrepreneurship

Refugee theory of entrepreneurship was developed by Kunz (1973) as a result of refugees who want to engage themselves in meaning-full business and had no formal source of funding for their innovative idea to be brought to reality, having in mind that these refugees have no tangible collateral to source for loan from organized financial institution but have to depend solely on their savings and unorganized financial institution available to them. The refugees tries to survive both economically and societally as they leave outside the camp, this set of persons are known as urban refugee since the capacity of the camp become insignificant and unable to cater for new intake. Kunz (1981) and Collins (1996) pointed out that the settlement patterns of most refugees is in two categories, the first is anticipatory refugee movement and the latter acute refugee movement. In the anticipatory refugee movement, the migrant is able to preserve danger early which result to orderly calculated resettlement. This form of resettlement involves the entire family with the anticipation for greener pasture, the resettlement phase starts as soon as they locate a country that can accommodate them. Whereas the acute refugee movement arises as a result of irresistible push, (disaster). In this case the people involved are forced to leave their country of birth they focus more on how they will survive. There are several programs initiated by the New Zealand government to assist the refugees in their country as at 2002 to help in assist refuges that are not speaking English to secure job while in 2003 a total of $62 million was budgeted by the government of New Zealand to assist refugee in their country. The program was to assist the refugees to learn English to develop their entrepreneurial skill by learning new skills. It’s of note that the government did not make any budget for entrepreneur to start up their business but they helped in creating facility such as programs that will aid their idea (Garnha

2006) many refugees face a host lot of barriers in the host country and a few of these barriers include; tax burden, fund to start up, avoidance of financial institution lending to refugees because of the high risk of default as a result the insufficiency in securing security for the facility they are trying to secure.

Effectuation Theory

This theory was developed by Saras Sarasvathy's in the year (2001) this theory is based on the entrepreneur's approach in making decision. This approach helps entrepreneurs identify the next best available step which will mitigate any form of error or loss, thus, resulting to the best use of resources available to entrepreneurs in achieving their pre-determined goal. The phrase *Pilot-in-the-plane* is use to represent world view with respect to effectuation, *Pilot-in-the-plane* phrase means the ability to influence your action before something happens. There are four basic principle that will aid this phase which includes: The bird in hand, crazy quilt, lemonade principle and affordable loss. These principles help entrepreneurs to take sound decision and effectively execute the next phase of their project with little or no error in their decision making.

METHODOLOGY

Population of Study

The population in this study includes various categories of business that fall under the static micro industry which includes business that have a minimum of 10 workers and not more than 1.5 million as the startup capital.

Sample Size and Sampling Technique

Taro Yamani formula (1967) was used to determine the sample size for the study, the sample for this study is 136 which comprises business that is classified under the static micro industry in Obio/Akpo local government area of Rivers state, Nigeria. A total number of 136 questionnaire was distributed evenly in Obio/Akpo local government area.

The sample size is determined as follows;

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

Where:

n = The sample size to be determined

N = The population of the study

e = Limit of the error acceptable for the study = 5%

1 = Constant

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

Where:

$$n = \frac{207}{1+207(0.05)^2}$$

$$n = \frac{207}{1+207(0.0025)^2}$$

$$n = \frac{207}{1+0.5175}$$

n = $\frac{209}{1.5175}$

n = 136.4086

Method of Data Analysis
The Spearman's rank order correlation coefficient was used to analyse the data obtained from the questionnaire. All Statistical analysis was carried out using the Statistical Package for Social Sciences (SPSS) version 25.

Model Specification
SMOPICI = F (IFOAECI, SMOFAICI) …………………………………………. (1)
Where:
It is imperative to include the estimation parameters; thus, we rewrite the equations (1,) as follows:
SMOPICI = $\beta_0 + \beta_1$ IFOAECI $_t$ + $\beta_2 CE_t + U_i$
Where:
SMOPICI= Specific measures of performance in the cottage industry
IFOAECI= Informal financing option available to entrepreneurs in the cottage industry
SMOFAICI= Specific measures of fund accessibility in the cottage industry
β_0, = Constant or intercept
$\beta_1 - \beta_2$ = Co-Efficient of parameter
Ui, = error term

Data Analysis
Out of the 136 questionnaire that was distributed, only 74 questionnaires were retrieved successfully and of which one (1) was discovered to be incompletely filled which account for about 1.14%. A total of 73 questionnaire which account for 98.6% was filled completely and retrieved successfully.

Characteristics of the Respondents (Bio-data)

Table 1 Presentation of Data on Age

S/N	Age						
	Variable	**18 – 25**	**26 – 35**	**36 – 45**	**Above 45**	**Total**	Missing **System**
1	**Frequency**	29	27	16	1	73	1
	Percent	39.2	36.5	21.6	1.4	98.6	1.4

Source: SPSS 25 Output

Table 1 above shows the breakdown of respondents according to their ages, with options ranging from 18-25 years, 26-35 years, 36-45 years and above 45 years. 29 persons fell between 18-25 years which represents (39.2%) of population. While 27 persons which represent 36.5% of the population fell between 26-35 years. Followed by 16 persons which represents 21.6% of population fell between 36 – 45 years, just one respondent (1.4%) fell above 25 years, finally one persons was discovered not to fill the space for gender and this represents 1.4% of the population.

ISSN: 1599-8051

Table 2 Presentation of Data on Gender

	Gender				
S/N	**Variable**	Male	Female	Total	Missing System
2	Frequency	35	38	73	1
	Percent	47.3	51.4	98.6	1.4

Source: SPSS 25 Output

The above table 2 shows that 38 respondents representing 51.4% of the sample size were females while 35 persons which represents 47.3% are male while one person which represent 1.4% did not fill space for gender.

Table 3: Presentation of Data on Marital Status

S/N	**Marital Status**							
	Variable	Single	Divorce	Married	Prefer not to say	Engaged	Total	Missing System
3	Frequency	41	9	19	2	2	73	1
	Percent	55.4	12.2	25.7	2.7	2.7	98.6	1.4

Source: SPSS 25 Output

From the result of table 3 above it was discovered that a total number of 41 persons which represents 55.4% is discovered to be single, while 9 persons which represents 12.2% of those who responded to the questionnaires are divorced. A total number of 19 persons were discovered to be married which represents 25.7% of the total population whereas on different occasions 2 persons were discovered to be engaged likewise 2 persons prefer not to disclose their age.

Table 4 Presentation of Data on No of Kids

S/N	**Kids**					
	Variable	0 – 2	3 – 4	5 – 6	Total	Missing System
4	Frequency	39	27	7	73	1
	Percent	52.7	36.5	9.5	98.6	1.4

Source: SPSS 25 Output

From the result presented in table 4 above it can be seen that 39 persons which represents a higher percentage of respondent gave birth to 0-2 kids, while 27 persons which represents 36.5% have 3-4 kids while 7 persons which represents 9.5% of the total population under study.

ISSN: 1599-8051

Table 5 Presentation of Data on Educational Background

S/N	Educational Background									
	Variable	No formal Education	Elementary Education	Secondary Education	National Diploma	Bachelors Degree/HND	Master Degree (Msc/MA/MBA)	Others/Specify	Total	Missing System
5	Frequency	8	7	12	10	26	7	3	73	1
	Percent	10.8	9.5	16.2	13.5	35.1	9.5	4.1	98.6	1.4

Source: SPSS 25 Output

The table 5 above shows that 35.1% of the respondents have Bachelors Degree/HND while 10.8% have no formal education, 9.5% have Elementary Education, 16.2% have Secondary Education, 13.5% have National diploma while 9.7% have Master Degree (Msc/MA/MBA).

Table 6 Presentation of Data on Business Registered

	Is your my business registered				
S/N	**Variable**	Yes	No	Total	Missing System
6	Frequency	22	51	73	1
	Percent	29.7	68.9	98.6	1.4

Source: SPSS 25 Output

The above table 6 indicates that 29.7% of the respondent have registered their business whereas 68.9% of the respondent have not registered their business due to some outrageous requirement.

Table 7: Presentation of Data on Fund Needed

	What is the range of fund you need							
S/N	**Variable**	50,000 – 100,000	100,000 – 200,000	200,000 – 300,000	300,000-400,000	400,000-500,000	Total	Missing System
7	Frequency	8	13	8	18	26	73	1
	Percent	10.8	17.6	10.8	24.3	35.1	98.6	1.4

Source: SPSS 25 Output

From the above table 7 it can be seen that 35.1% of the respondent which account for about 26 persons need additional income of 400.000-500,000 thousand Naira, 24.3% need additional income of about 300,000-400,000 thousand Naira, 10.8% need additional income of about 200,000-300,000 thousand Naira 17.6% need additional income of about 100,000 to 200,000 thousand Naira, while 10.8% of the respondent need additional income of 50,000 to 100,000 thousand Naira.

Table 8 Presentation of Data on Stable Source

Would you like a more stable source						
S/N	Variable	Yes	No	Maybe	Total	Missing System
8	Frequency	55	14	4	73	1
	Percent	74.3	18.9	5.4	98.6	1.4

Source: SPSS 25 Output

The table 8 above indicate that 74.3% of the total population need more stable investment income, while 18.9% of the total population do not need another avenue to source for other fund, 5.4% of the sample population are undecisive about their decision.

Table 9 Presentation of Data on Nature of Occupation

S/N	**Nature of Occupation/Business Activities**		
	Variable	Frequency	Percent
	Farming	5	6.8
	Fishing	7	9.5
	Petty Trade	4	5.4
	Hand Craft	5	6.8
	Small Scale Manufacturing	6	8.1
	Nail	6	8.1
	Block Industry	3	4.1
	Carpentry and Furniture Firm	5	6.8
9	Food production/ Catering	4	5.4
	Clothing industry	8	10.8
	Poultry	4	5.4
	Construction related industry	6	8.1
	Hair dressing	4	5.4
	Makeup Artistry	5	6.8
	Others	1	1.4
	Total	73	98.6
	Missing System	1	1.4
	Total	74	100

Source: SPSS 25 Output

The above table 9 indicates that 6.8% of the respondents are into farming related activity, 9.5% are into fishing activity, 5.4% are into petty trade, 6.8% are into hand craft, 8.1% are into small scale manufacturing, 8.1% into nail production, 4.1% into production of block, 6.8 are into carpentry and furniture firm, 5.4% are into food production/ catering services, 10.8% which represents the highest proportion of the total population under investigation are into clothing industry, 5.4% are into poultry while 8.1% are into construction related industry, 5.4% are into saloon/hair dressing, 6.8% are into makeup artistry while 1.4% did not disclose what s/he is into.

Table 10 Presentation of Data on Number of Employees

S/N	Size of Enterprise - Number of Employees					
	Variable	**Under 5**	**Under 10**	**10 and above**	**Total**	**Missing System**
10	Frequency	31	23	19	73	1
	Percent	41.9	31.1	25.7	98.6	1.4

Source: SPSS 25 Output

It can be seen from the table 10 above that 31 persons which represents 41.9% of the sample size has employee between 0-5 while 31.1% employ people between 5-10, it was also reported that 19 persons reported that employ people.

Table 11 Presentation of Data on Length of Service

	Length of Service				
S/N	**Variable**	**1 – 5years**	**Over 5years**	**Total**	**Missing System**
	Frequency	51	22	73	1
11	Percent	68.9	29.7	98.6	1.4

Source: SPSS 25 Output

From the result in table 11 above it can be seen that 68.9% of the sample population have been in business for a period of 1- 5 years while 29.7 % of the respondent have been in business for over 5 years.

Descriptive Percentage Analysis

Table 12 Presentation of Data on Personal Savings

I was able to start and run my business through my personal savings								
	Valid							Total
	Strongly Disagree	Disagree	Undecided.	Agree.	Strongly Agree	Total	Missing System	
Frequency	6	9	13	20	25	73	1	74
Percent	8.1	12.2	17.6	27	33.8	98.6	1.4	100

Source: SPSS 25 Output

From the result in table 12 above, it can be seen that 25 persons represents the highest proportion of those that agreed to personal savings being a major source of their startup capital which represents 33.8% of the total population under investigation whereas 20 persons which represents 27% of the total population agreed that they start their business with personal savings, a total of 13 persons were undecided. 9 persons and 6 persons totally disagreed with the fact that they started their business with personal savings. From one on one conversation with respondent, it was discovered that the risk involved in making repayment for external fund sourced is on the high side, in case there is default or loss in the business the owner can bear the loss on its own but if the funds are borrowed externally, the entrepreneur has to bare the loss on his own.

Table 13: Presentation of Data on Family and Friends

Contribution from my family and friends has sustained my business.								
	Valid							Total
	Strongly Disagree	Disagree	Undecided.	Agree.	Strongly Agree	Total	Missing System	
Frequency	2	22	15	29	5	73	1	74
Percent	2.7	29.7	20.3	39.2	6.8	98.6	1.4	100

Source: SPSS 25 Output

From the result in table 13 above it can be seen that a total number of 29 persons which represents 39.2% agreed to the fact that contribution from family and friends have been helpful in the startup capital of their business. A total of 22 persons which represents 29.7% and 2.7% of the total population under investigation totally disagreed with the fact that friends have been helpful in the contribution of fund for starting their business. 20.3% persons which represents 15 percent of the total population were undecided about how family and friends contribute to their startup capital. From conversation, the study discovered that it's easier to borrow money from family and friend because the terms and agreement is flexible and adaptable, there is no limited time to the borrowing from relatives unlike the organized financial institution with limited time to repay back the loan and the interest.

Table 14: Presentation of Data on Esusu sustain business

Been involved in Esusu has helped in sustaining my business.								
	Valid							Total
	Strongly Disagree	Disagree	Undecided.	Agree.	Strongly Agree	Total	Missing System	
Frequency	3	13	13	26	18	73	1	74
Percent	4.1	17.6	17.6	35.1	24.3	98.6	1.4	100

Source: SPSS 25 Output

Looking at table 14 above, a total number of 18 persons agreed to the fact that contribution to Esusu scheme has been of help to making their business sustainable in the long run, while 26 persons which represents 35.1% agreed to the fact that contribution to Esusu scheme has been of help to providing fund to making the business to continue in difficult time. 13 persons which represents 17.6% disagree and were undecided about how Esusu scheme will help in making the business into continuity. It was also reported by respondent that the interest that is paid on loan that Esusu scheme give is less and more flexible in comparison to that of financial institution. In the event of inability to repay the interest and capital, they can extend the duration and they are more understanding than organized financial institution.

Table 15: Presentation of Data on Money Lenders

Accessing funds from money lenders has helped to sustain my business.								
	Valid							Total
	Strongly Disagree	Disagree	Undecided.	Agree.	Strongly Agree	Total	Missing System	
Frequency	7	20	14	23	9	73	1	74
Percent	9.5	27	18.9	31.1	12.2	98.6	1.4	100

Source: SPSS 25 Output

From the result in table 15 above, it can be deduced that 23 persons which represents 32.1% of the total population agreed to the fact that local money lenders have helped in making their business go into continuity. 9 persons strongly agree to that fact whereas 14 persons which represents 18.9% were undecided about how money lenders agree to the fact that accessing fund from local money lenders has helped in making their business go into continuity. A total number of 7 persons strongly agree to the fact that accessing fund from local money lenders has been helpful in sustaining their business. The requirement to borrow from local money lender is less stringent to that of organized financial institution whereas 27% of the respondent totally disagree because money lenders don't lend huge amount of money to deficit unit compared to that of micro-finance bank.

Table 16: Presentation of Data on Micro Finance Bank

Micro finance bank has been of immense help in sustaining my business.								
	Valid							Total
	Strongly Disagree	Disagree	Undecided.	Agree.	Strongly Agree	Total	Missing System	
Frequency	7	28	14	13	11	73	1	74
Percent	9.5	37.8	18.9	17.6	14.9	98.6	1.4	100

Source: SPSS 25 Output

From the result in table 16 above, it can be seen that 11 persons strongly agree, 13 persons agree, 14 persons were undecided but 28 persons which is 37.8% from the sample size representing a higher percentage of respondent totally disagree to the fact that micro finance bank has been helpful in sustaining their business. The reason behind the strong disagreement is that governments use microfinance bank programs as a tool to gain political favor and stability rather than for the primary purpose of enhancing economic activities among the poor, so as to improve their overall standard of living. It was also gathered from respondent that rather than improve the conditions of the poor, most of the microfinance programs operated have left the so-called beneficiaries in debts.

ISSN: 1599-8051

Table 17: Presentation of Data on Federal Government Interventions

Business interventions from the Federal Government has sustained my business								
	Valid							Total
	Strongly Disagree	Disagree	Undecided.	Agree.	Strongly Agree	Total	Missing System	
Frequency	17	28	18	7	3	73	1	74
Percent	23	37.8	24.3	9.5	4.1	98.6	1.4	100

Source: SPSS 25 Output

From the result in Table 17 above, it can be seen that 28 persons which represents 37.8% of the total population under study disagree while 17 persons strongly disagree with the fact that federal government intervention program has not yielded the benefit it should because the information that is needed by the active poor people to secure the various facilities and programme that the government provide has been hidden and disclosed to selected few sets of persons who don't even need such facilities in their businesses.

Government program targeted at enriching the active poor are being jeopardized by the management, there is preferential treatment as to the categories of persons that is to be given such information and aid.

Regression Analysis

Table 18: Regression Analysis Result

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.374E-16	.109		.000	1.000
	Informal Financing Option Available to Entrepreneurs in the Cottage Industry	.001	.000	.034	.2497	.018
	Specific measures on fund accessibility in the Cottage Industry	.377	.114	.377	3.311	.001
a. Dependent Variable: Specific measures of performance in the Cottage Industry						

Source: SPSS 25 Output

Result Analysis

From the regression result above in table 18 it was discovered that informal financing option available to entrepreneur in the cottage industry has a positive co-efficient value of 0.001 and significant relationship with P-value of 0.018 on measures of performance in the cottage industry. The finding agrees with our apriori expectation earlier anticipated. Thus, suggesting that for every one percent increase in informal financing option available to entrepreneur in the cottage industry there will an increase of about 0.001% in the performance of cottage industry.

Funds accessed from the informal sector is readily accessible and convenient, this sector is seen to be more flexible in terms of modality in loan re-payment at a reduced cost which tax is excluded from any of their transaction compared to that of the organized institutions.

It was also discovered from the analysis above that specific measures on fund accessibility in the cottage industry has a positive co-coefficient value of 0.377 and a significant relationship (P-value of 0.001) with measures of performance in the cottage industry. Thus, our apriori expectation is therefore accepted. This suggests that for every one percent increase in fund accessibility in the cottage industry there will be an increase of about 0.377% in the performance of cottage industry. The sustainability of the business categorized under the cottage industry arises as a result of how accessible the funds can be.

Summary, Conclusion and Recommendation

From the specific analysis on various informal sources of fund presented in table 1 to 6 above shows that 25 persons which represents 33.8% of the total population under investigation attest to the fact that personal savings is a major source of their startup capital. 29 persons which represents 39.2% agreed to the fact that contribution from family and friends have been helpful in the startup capital of their business. 26 persons agreed to the fact that contribution to Esusu scheme has been of help to providing fund to making the business to continue in difficult times. 23 persons which represents 32.1% of the total population agreed to the fact that local money lenders have help in making their business go into continuity. 28 persons of the total population under study which represents 37.1% totally disagree to the fact that fund from microfinance bank help in sustaining their business, thus, the Refugee theory of entrepreneurship earlier discussed is therefore upheld in this scenario. It was also discovered from the regression result that positive relationship is identified between the informal financing option available to entrepreneur in the static micro industry and performance of the industry, same relationship is also established between specific measures on fund accessibility in that industry and performance of the static micro industry.

It was also deduced from respondents that the social infrastructure and the economic state in the country has become the major impediment to growth in the static micro industry, infrastructural facilities such as cheap communications, power supply and good roads which forms the basis for competitive performance in the cottage industry.

The study thus, recommends that since the real activity of business categorized under the static micro industry are comfortable with their location, and probably have no intention of moving out, there is need to provide infrastructural facility such as good transport system that will aid in the movement of goods and services from the rural area to the urban area. Micro-finance banks need to be less stringent in their collateral requirement, incentive policies is needed to enable the active poor, especially the rural small enterprises secure loan facility at a reduced cost from the formal sector. Information on how to secure funds given by the government should be made public to the masses, condusive environment for entrepreneurs to operate is needed in order to assist in developing business listed as static micro industry, this will thereby help in mitigating the effect of poverty ravaging in the society, rural urban migration with the attendant social menace of unemployment, which will eventually make business activities in that category to be sustainable.

References

Adeoye, I.A & Bhadmus, H.B (2017) Socio-economic contributions of cottage industries to rural livelihood in Nigeria. *A publication of the School of Agriculture Technology, The Federal University of Technology, Akure, Nigeria. Applied Tropical Agriculture. 1, (1),128-133*

Aminu B, Adamu J, and Ibrahim A (2018) Impact of Small and Medium Scale Enterprises on Economic Growth: Evidence from Nigeria. *Global Journal of Economics and Business*. 4, (2) , 236 – 244

Eniola, A. B, and Entebang, H (2015) SME Firm Performance-Financial Innovation and Challenges. *Procedia - Social and Behavioral Sciences 195, 334 – 342*

FSS 2020. SME sector report (2007). Retrieved 9th of January, 2020 from http://npc.gov.ng.

Garnha. A (2006) Refugees and the entrepreneurial process The Department of Management and Employment Relations. The University of Auckland. *Labour employment and work in New Zealand. 156-165.* Retrieved from https://pdfs.semanticscholar.org/fdbf/e2757fb57c37adc02a8ca7f50e0de264a3cb.pdf retrieved 31/01/2020.

John-Akamelu C, R & Muogbo.U, S. (2018) The role of commercial banks in financing small & medium size enterprises in Nigeria. *European Journal of Business, Economics and Accountancy*. 3, (6), 1-24.

Kunz, E**.** F. **(**1983**)** The Refugee in flight: Kinetic models and forms of displacement. *International Migration Review***.**7 (2),125-146.

Kunz, E.F. (1981) Exile and resettlement: Refugee Theory*,* *International Migration Review*. 15 (1/2), 42-51.

Mahmoud, B. S. (2004) The Nigerian Cassava Industry: Statistical Handbook 2004 was born. New Partnership for Africa's Development. 2006. Consolidated Plan of Action Africa's Science and Technology. *DS Print Media Johannesburg.*

Oboniye, J. A (2013) Small Scale Industries and Rural Development in Edo State, Nigeria. *Journal of Educational and Social Research MCSER Publishing, Rome-Italy.3, (9), 25 – 34*

Onwuka.G (2015*)* The role of commercial Banks in financing SMEs In Nigeria. Department of Economics, Tansian University Umunya.

Onwukwe, V.C., (2002) The Socio-psychological effects of poverty on rural families in Orodo *town*. *Research dissertation submitted to Department of Sociology*, Imo State University Owerri.https://tribuneonlineng.com/nigeria-cottage-industry-nepc-intensifies-efforts-to-grow-smes/

Osigbesan, S. L (2020) Nigeria: Cottage Industries - Engine Room of Great Economies. Retrieved from https://allafrica.com/stories/201309230497.html. 04/02/2020

Ravenstein E. G. (1985) The laws of migration. *Journal of the Statistical Society of London*. 2, (48),167-235.

Safiriyu, A.M & Njogo, B.O (2012) Impact of small and medium scale enterprises in the generation of employment in Lagos State. *Arabian Journal of Business and Management Review. 11, (1),107-14.*

Taiwo, J.N, Falohun, T.O & Agwu M. E (2016). SMES financing and its effects on Nigerian economic growth. *European Journal of Business, Economics and Accountancy*. 4, (4), 37-55.

United Nations Report (UNU) Born Out of Necessity: The Role of Refugee Entrepreneurs. 16th November 2015. Retrieved from https://www.merit.unu.edu/born-out-of-necessity-the-role-of-refugee-entrepreneurs/ 31/01/2020.

Usman.H, Isah.S, & Tanko A.I (2018) The role financial institutions in financing small and medium enterprises in Nigeria. *International Journal of Economics and Business Management. 4, (4), 82-91.*

JOB DESIGN AND ORGANISATIONAL CITIZENSHIP BEHAVIOUR IN TERTIARY INSTITUTIONS IN RIVERS STATE.

Prof. B. C. Onuoha[1], Dr. W. O. Olori[2] & C. A. Ejekwu[3]
[1,2,3]Department of Management, University of Port Harcourt, Choba, Nigeria.

Abstract
The study examined the nexus between job design and organisational citizenship behavior in tertiary institutions in Rivers State. The cross-sectional survey research design was adopted. Data was collected through the use of questionnaire from a sample of 247 respondents and analyzed by the ordinal scale of Spearman's Rank Order Correlation Coefficient. The findings revealed a positive and significant relationship between the dimensions of job design (job enlargement and rotation) and the measures of organisational citizenship behavior (altruism and conscientiousness). It was thus recommended that jobs should be structured in such a way that they elicit high levels of organisational citizenship behaviour from employees.

Keywords: Altruism, Conscientiousness, Job Enlargement, Job Rotation

Introduction
In any organisational setting, individuals oftentimes believe and assume that the only incentive that could be provided by management that will spur them for higher performance is pay. On the contrary, research has shown that pay is not the most important motivator at work. Interestingly, it has been observed, that job design plays a role in employee motivation, job satisfaction, employee commitment, absenteeism and turnover. In their study, Campion, Mumford, Morgesan and Nahrgang (2005) found that the essence of job design was primarily to increase job satisfaction, achieve optimal utilization of staff and remove impediments to effective job performance by an employee. Generally, when jobs are poorly designed, it breeds dissatisfaction, boredom, carelessness, truancy and accidents in workplace. However, scholars are of the view that appropriate job design has the potential of enhancing both employee motivation and job performance. This was collaborated by Ugboro (2006), who opined that the employee will be at his or her best at the work place, and go the extra mile by putting in extra effort beyond what was ordinarily required. The concept of job design have been examined by several authors, notably amongst the authors are Hackman and Oldham (1980). Their emphasis was on the job characteristics model, which emphasize components of the job that has the potentials of motivating employees to higher performance. They identified the following as constituting the job characteristics model: skill variety, task significance, task identity, autonomy and feedback. Power devolution in the hierarchical disposition in tertiary institutions in Rivers State in this era is seen to be flatter or less emphasized. The imperatives for having a better working relationship with co-workers cannot be overemphasized, when workers become helpful

and supportive to colleagues at work, organisations benefit from such gestures because organisational goals are achieved quicker than imagined.

In recent times, organisational citizenship behavior has received much attention, though what it stands/represents may be immaterial. This accounts, perhaps for the reasons why OCB is not formerly recognized or rewarded. However, at every organisational level, OCB has been shown to have considerable positive impact, by enhancing organisations effectiveness upto 38% across different areas of measurement (Podsakoff, Mackenzie, Pain & Bachrach, 2000; Ehrhart, 2004). The concept of organisational citizenship behavior was conceived in the late 1980s, ever since the concept had gone through several definitional revisions, but the pleasant thing about these, is that the core of the construct remains unchanged. OCB is referred to as anything that an employee chooses to do on his or her own accord which oftentimes is seen to lie outside their contractual obligations. In other words, such gestures is at the discretion of the employee. As was mentioned earlier on, OCB is not a gesture that is directly or formerly recognized or rewarded by organisation(s) through increased salary and promotions, it may though reflect in the positive relationship that may be found to exist between the supervisor and co-worker, good performance appraisals, this indirectly can propel future reward gains. Organ (1988), opines that OCB must be seen to promote the effective functioning of the organisation. He (Organ, 1997) has also conceptualized OCB as a construct that is synonymous with the concept of contextual performance, which is viewed as performance that supports the social and psychological environment in which a task is considered to take place. Van Scotter, Motowidlo & Cross 2000; Werner (1994), sees this as a not too rigid role that is expected of workers in the workplace, but it also acknowledges the fact that employees get recognized and rewarded for engaging in OCB. OCB is informally conceptualized when a worker is seen to go ‘extra mile’, or ‘above and beyond’ to help co-workers at work.

The nature of task an employee performs to a large extent determines how efficient and effective the employee will be at the workplace. When jobs are designed with the employees in mind, they will be motivated in handling the tasks, this is because, the tasks carried out will be compatible with the available skills of this employee at the workplace (Ugboro, 2006). Most studies have advocated job designs that is centered on creating and changing the pattern of employee’s job so that desired commitment and overall corporate performance can be enhanced, not only that, it will also give room for employee involvement and participation in decision making processes of the institutions, this act will in no small measure engenders enhanced performance and extra duties beyond their contractual obligations, all geared towards the achievement of set goals (Kharn, 1990). According to Ashforth & Humphrey (1995), when the jobs employee performs are well designed, they become more determined, deplores all at their disposal (Talents, Knowledge) in executing the job. It is therefore, the intension of this study to address the problem associated with job design and its resolution while influencing and encouraging citizenship behavior in the organisation.

It is important to state that quite a few study have been conducted on job design, Olaunka & Temitope (2011), examined the relationship between job enrichment and employee job satisfaction in Nigeria's manufacturing sector; the findings revealed support for positive impact of job enrichment on employee performance. Also, Akindele (2011), undertook a study on job enrichment as an organisational tool for performance in Nigeria, it was found out that there is a significant relationship between job enrichment and organisational and employee performance. Also, study done in procedia economics and finance, it was found that a correlation (positive) exists between organisation's age and the measures of OCB (Altruism, Courtesy and Conscientiousness). However, few of the extant studies reviewed non-consideration of the effect of job design on organisational citizenship behavior specifically in Tertiary institutions. Here lies the gap in literature that the study intends to fill, by studying the impact of relationship between job design and organisational citizenship behavior in tertiary institutions in Rivers State.

Statement of the Problem

Investigation has shown that the low level of awareness given to job design and organisational citizenship behavior in respect of tertiary institutions in Rivers State has become a source of worry to many stakeholders and policy makers in the organisation. This worry as observed gave rise to institutions having unsatisfied workforce, unmotivated workforce, unfriendly employees, dispirited workforce and general apathy towards work. Occasioned by late resumption of work and early closure, absenteeism, knowledge hoarding, non-chalant attitude of employees which cumulatively results into reduced performance and productivity. This study, job design and organisational citizenship behavior has been designed to contribute to knowledge by giving empirical evidence linking job design through job enlargement, job rotation to organisational citizenship behavior.

Research Hypotheses

$H_0:_1$ There is no significant relationship between Job Enlargement and Altruism.
$H_0:_2$ There is no significant relationship between Job Enlargement and Conscientiousness.
$H_0:_3$ There is no significant relationship between Job Rotation and Altruism.
$H_0:_4$ There is no significant relationship between Job rotation and Conscientiousness.

Theoretical Review

The essence of job design in an organisation is to help employees perform various and specific task efficiently and effectively as a way of showing mastery on the job. According to Rush (1971), the essence of well itemized obligation is to elicit motivation and higher productivity. When job design is properly done, it can lead to workers exhibiting citizenship behavior. The theory upon which this study is based is Herzberg's two factor theory. Federick Herzberg in addressing the two factor motivation theory viewed it from two perspective; dissatisfiers and satisfiers. The dissatisfiers according to him are needs that when obtained in the organisation brings about no discontentment. Suffice it to say that, the fulfilment of these needs by management to the employees at the workplace, encourages and gives them sense of protection and involvement. This needs includes amongst others, safety at work, working relationship, salary and wages, company conduct and supervision. When this needs are not met, it only brings dissatisfaction. The needs are linked to job content factors, while satisfiers are seen as what really motivates employees towards excellent performance and expectation. Its existence brings along with it feelings of satisfaction they include: self-actualization, recognition, responsibility, advancement and growth in the job. Dissatisfiers are things when not made available to employees' breeds' dissatisfaction. Ratzbury (2013), opines that understanding Herzberg's motivation, Hygiene theory is what leads to job pleasure or higher order need which forms part of a job content. On their part, Baridam and Nwibere (2008) affirm that motivators have direct bearing on the job itself. These factors as alluded, when present in the job establishes strong levels of inherent task motivation which results in good job performance. However, when absent employees find if tiring getting involved in the job or putting in extra effort doing the job. Studies have shown that improperly designed jobs results into employee disillusionment resulting into low performance. While when jobs are properly designed, they bring out their best and targets are easily met (Ashforth & Humphrey, 1995).

Concept of Job Design

Design process of assignments involves changing the content of a job to grow employee's satisfaction and their productivity level (Knapp & Mujtaba, 2000). Birnhaum & Somers (1995), believed that job design has direct link with the content task that are undertaken by individuals or entire employees. Thus job designation means specification of job contents, roles and tasks, methods and relationship which are fulfilled by individuals and organisational members. According to Opatha (2009), jobs not properly designed can affect staff effectiveness, productivity, job satisfaction, orientation, advancement, and worker's health. An effective job design therefore indicates the roles and responsibilities of a job. Job strategy also includes achieving both organisational and individual goals. It is a step whereby management specify the content and method by which employees are expected to implement functions (Buchanan, 1979).

Frederick Herzberg's two factor theory of the 1960s pointed out some important factors in respect of employee motivation. His major argument was that job design should be such that will bring out the inner desire of a worker (Herzberg, 1966, 1979). He stated clearly that duties be delegated in a manner that it will encourage growth, innovation, advancement, competition among individuals and help to assume responsibility. The role of an employee in task performance or job execution is very important. If jobs are properly designed, employees tend to be contented with the job, get attached to it and will do do their best to achieve results which will create constructive outcomes for an organisation and boost the overall performance. The potentials of employees usually manifest when they are happy and feel relatively satisfied and will gladly accomplish set objectives.

Dessler (2005), described job enlargement as a situation where additional responsibilities are added to the original task assigned to an employee. This is called horizontal job loading because the content of a job is expanded, but the execution remains same. Those who are proponents of this approach are of the view that job enlargement increase intrinsic motivation. It should be noted that no higher responsibility is involved neither is there any greater skill, what exist is a wider variety of the same types of tasks. The central idea behind job enlargement is to decrease boredom by giving people greater variety of jobs to do. According to Pierce (1980), job enlargement is targeted at motivating an employee thereby increasing commitment in doing such job. This is so because job expansion is not independent of the employee’s motivation; it merely depicts an intervention to boost the motivational level of employees.

Job Rotation

Meyer (1994) identified job rotation as learning various roles in firms as employees get a chance to accomplish various task. According to Sonnenfeld and Peiperl (1988), job rotation has the feature of lifting and improving the development of an employee. This means that the concern about job design can invariably provide the employee an opportunity to perform various task outside the initial routine task. According to Ostroff and Kozlowski (1992), job rotation facilitates information sharing, knowledge acquisition, self-development which in turn encourages socialization. According to Ostroff and Kozlowski (1992) job rotation facilitates information sharing and job rotation will increase the amount of information among employees and also encourage socialization.

Concept of Organisational Citizenship Behaviour

When an employee is engaged in an organisation and starts working, there are certain behavior that is expected of him/her to exhibit as mandated by the tenets governing the operations of such organisation. But sometimes there are behaviours which the employee puts up that are beyond the normal call of duty. Such behavior is what is considered to be organisational citizenship behavior, or extra role behaviour. The idea behind this concept was first studied in the United States (Organ, 1988; Podsakoff, Mackenzie, Moorman & Fetter, 1990; Smith et al, 1983). Organisational citizenship behavior actually means the way an employee will behave that is not formally required but it enhances the activities of an organisation (Smith, Organ & Near, 1983). In the aspect of organisational environment, Organ and Ryan (1995) noted that organisational citizenship behaviour is a special beneficial behavior that employees display discretionally towards work though, not usually noticed or recognized. Dhitiporn & Brooklyn, (2004), believed that teams exhibit this extra role attitude with an intention that such effort may be noticed and rewarded by their superior and the organisation. Managers appreciate the organisational citizenship behaviour that makes working interesting and brings cooperation among members of staff (Buenetello et al; 2007). It is this conducive environment that makes some employee go extra mile in carrying out their responsibility while others hold back such necessary behavior, especially when they are not acknowledged or given any noticeable reward.

This voluntary behavior persistently boost the appearance of the organisation, increase work quality, and good service delivery. In real sense, the absence of this good gesture will affect the corporate image and performance of an organisation especially in a highly competitive business environment. A business will compete favourably when it has good reputation and good product. Kim and Kang, (2008), believes that for a company to compete in a market, its product must have value and be rebranded. This will make its customers desire to stay back and continue in its purchase base on trust built overtime. When product are constantly rebranded in terms of quality, it does attract customers and eventually increases organisational productivity. It is unfortunate that most organisations fail to be sensitive about passing clear distinct message to existing and potential buyers. Companies are sometimes faced with serious challenges affecting their overall view and activities which emanated from their inability to merge their identity with branding/loyalty. Interestingly, OCB becomes effectual via corporate image. Theorists belief that when a good number of employees engross themselves in this behavior, the organisation will become successful, increase in performance and the organisation image will be well established (Yen and Neihoff, 2004). Therefore, it becomes difficult for any organisation to survive or compete favourably without its members behaving as good citizens by involving themselves in activities that will promote the organisation. Due to the relevance of good members to organisations, it becomes necessary and of great benefit to learn the nature and sources of organisational citizenship behavior (Organ, 1988), which has also remained an area of great interest to researchers. Organ believed that this peculiar attributes is a necessary factor for any organisation to remain alive and progressive.

Altruism

This simply means lending a helping hand (Organ, 1997). Altruism means assisting other followers of the organisation to carry out their task. For instance, volunteering to assist new members or employees, helping co-workers who have so much on desk, assisting employees that are absent and guiding employees to achieve and accomplish task that are difficult etc. Organ and Near (1983) defined altruism as a situation whereby an employee volunteers to assist fellow employee with a particular problem or challenge to complete the task. Altruism therefore means a worker lending hand to a fellow member regarding his job.

Conscientiousness

Choice or judgmental behavior displayed by an employee which extends to what is expected by an organisation, like as obeying laid down rules and regulations and working extra days or time (MacKenzie et al, 1993). Conscientiousness is an example of stepping above the usual level of what one believes to achieve, such as regularity, early arrival, desire towards conserving resources, and creating an impression of being an accountable member of an organisation. If a staff is highly conscientious, it means that he/she is highly responsible and work with less supervision. Conscientiousness actually show that he/she is well organized, self-controlled and disciplined, hardworking and accountable. Organ (1988), defined it as an avenue where an employee dedicates his/her mind to do a given task which is besides the normal activities, such as working long hours, voluntary services to enable the organisation meet its deadline. It is pertinent to note that Kidder & Mclean Parks (1993) concluded that it made male employees more hopeful to engage in conscientious behavior than females. Borman et al., (2001) concluded that altruism and conscientiousness are the two major overwhelming dimensions of OCB.

Relationship between Job Design and Organisational Citizenship Behaviour in Nigeria Tertiary Institution.

Some research have established relationship between job design and organisational citizenship behavior. When the job of an employee is properly designed, it increases involvement in the job, workers will enjoy performing tasks and will exert all their emotional and physical energies to ensure that goals are realized (Khan, 1992). Employees with an effective job arrangement, coupled with self-determination will ordinarily put in the very best of their skill in all aspect of the job.

A job design that is free of stress, influences an employee in exhibiting organisational citizenship behavior. When task are fashioned in respect to the wish and desire of an employee, it brings about involvement, motivation and satisfaction. Such employees become more interested and would not mind spending more time in ensuring that task are performed accordingly because they see work as life itself, and enjoy it (Dubin, 1956; Rabinowitz & Hall, 1977).

Methodology

The study adopted cross-sectional research approach. Data was collected through the use of questionnaire from a sample size of 247. The data was analysed using Spearman Rank Order Correlation Coefficient statistical tool. Results from each analysis were tested for significance at alpha (α) = 0.05.

Hypotheses Testing

Table 1: Relationship between Job Enlargement and Altruism

			Job Enlargement	Altruism
Spearman's rho	Job Enlargement	Correlation Coefficient	1.000	.820**
		Sig. (2-tailed)	.	.000
		N	247	247
	Altruism	Correlation Coefficient	.820**	1.000
		Sig. (2-tailed)	.000	.
		N	247	247

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

The test for the association between job enlargement and altruism indicates a significant and positive relationship between the variables (rho = .820; $p< 0.05$). The null hypothesis was thus rejected.

Table 2: Relationship between Job Enlargement and Conscientiousness:

			Job Enlargement	Conscientiousness
Spearman's rho	Job Enlargement	Correlation Coefficient	1.000	.984**
		Sig. (2-tailed)	.	.000
		N	247	247
	Conscientiousness	Correlation Coefficient	.984**	1.000
		Sig. (2-tailed)	.000	.
		N	247	247

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

The test for the association between job enlargement and conscientiousness indicates a significant and positive relationship between the variables (rho = .984; $p < 0.05$). The null hypothesis was thus rejected.

Table 3: Relationship between Job Rotation and Altruism

			Job Rotation	Altruism
Spearman's rho	Job Rotation	Correlation Coefficient	1.000	.840**
		Sig. (2-tailed)	.	.000
		N	247	247
	Altruism	Correlation Coefficient	.840**	1.000
		Sig. (2-tailed)	.000	.
		N	247	247

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

The test for the association between job rotation altruism indicates a significant and positive relationship between the variables (rho = .840; $p< 0.05$). The null hypothesis was thus rejected.

Table 4: Relationship between Job Rotation and Conscientiousness

			Job Rotation	Conscientiousness
Spearman's rho	Job Rotation	Correlation Coefficient	1.000	.744**
		Sig. (2-tailed)	.	.000
		N	247	247
	Conscientiousness	Correlation Coefficient	.744**	1.000
		Sig. (2-tailed)	.000	.
		N	247	247

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

The test for the association between job rotation and conscientiousness indicates a significant and relationship between the variables (rho = .744; $p < 0.05$). The null hypothesis was thus rejected.

Results and Discussion

The outcome reveal that there is a positive and significant relationship between job design and organisational citizenship behaviour in the surveyed tertiary institutions. The evidence validates the position of previous research i.e. Ashforth & Humphrey (1995); Ugboro (2006) with regards to the role of job design as being essential to the manifestations of organisational citizenship behaviour in the workplace. Ashforth and Humphrey (1995) stated that through effective task and role configurations in the workplace, there is a tendency for workers to express citizenship behavior. Ehrhart (2004) opined that the significance of any role or job to the worker is hinged primarily on the level to which such roles or tasks provide meaning and relevance to the worker. The level of rigidity where power is concentrated among higher level of employees affects workflow. Decisions are not easily taken by other level workers except from above. It was also discovered that workers lack regular orientation exercise to enhance their understanding of other functions within the department and the institution at large, therefore it becomes difficulty to display extra role behavior.

Conclusion

Given the evidence from the analysis of the study, it is concluded that job design is an essential variable that determines organisational citizenship behavior because when the job of an employee is effectively designed through job enlargement and rotation, the worker displays altruistic and conscientious behaviors in the organisation.

Recommendations

Based on the findings, the following recommendations were made:

1. Arrangements of tasks should aim at recognizing the workers. This would facilitate feelings of responsibility and importance, thereby lead to expressions of attitude or behaviour which can be considered as citizenship
2. The configurations of roles should be systematic and structured in such a way that jobs are clearly defined and expectations are not ambiguous. This would further enable clarity of expectations and enhance workers behaviour in line with expectations of altruism and conscientiousness.
3. Jobs should be designed based on transparency and should be goal-oriented and focused. Organisations should structure their job designs by clearly communicating intent and content of such designs
4. The specification and roles and the enrichment of such should be premised on not just achieving organisational objectives but should also be for the betterment and enhancement of employee work experience within the organisation.
5. Jobs should be arranged in such a manner that employees will regularly move around and within the system performing different functions. This will encourage knowledge acquisition, reduction of boredom and enhance productivity.
6. Organisational structuring should allow for support, proper channelling of information and also facilitate interpersonal exchanges between lower management and upper management. This bridging of gap among the different levels enhances the workers perception of belongingness and as such would facilitate behavioural expressions like altruism and conscientiousness.

References

Adler, N.J. (1991). International dimensions of organisational behavior, (2nd edn.). *PWS-Kent, Boston: MA, pp. 58-60*.

Akindele, A. (2011). Job enrichment and organisational performance. *International Journal of Business Studies Research, 6(4), 20-30.*

Al-Ahmadi, H. (2009). Factors affecting performance of hospital nurses in riyadh region, Saudi Arabia. *International Journal of Health Care Quality Assurance*, 22 (1), 40-54.

Baghersalimi, S. Reza, H. Keldbari, R. & Alipour, R. H. (2011). Organisational citizenship behaviour and employees social capital: A case study rasht hospitals. *Australian Journal of Basic and Applied Sciences, 5(8), 1185-1193.*

Bassey, M. (2002). Motivation and work*:* Investigation and analysis of motivational factors at work, available at: *www.ep.liu.se/exjobb/eki/2002/fek/009/*

Bolino, M. C. & Turnley, W. H. (2003). Going the extra mile: cultivating and managing employee citizenship behaviour. *Academy of Management Executive, 17(3), 60-71. http://dx.doi.org/10.5465/AME.2003.10954754*

Borman, W. C. Buck, D. E. Hanson, M. A. Motowidlo, S. J. Stark, S. & Drasgow, F. (2001). An examination of the comparative reliability, validity, and accuracy of performance ratings made using computerized adaptive rating scales. *Journal of Applied Psychology, 86, 965-973.*

Borman, W. C. (2004). The concept of organisational citizenship. *Current Directions in Psychological Science, 13 (6),* 238–241.

Cummings, T. G. and Worley, C. G. (1997). Organisation development and change (6th edn.). Cincinnati: *South Western College Publishing*.

Campion, et al, (2005). Work Redesign: Eight obstacles and opportunities. *Human Resource Management, 44(4), 367-390.*

Chao-Chan, W. (2011). The impact of hospital brand image on service quality, patient satisfaction and loyalty. *African Journal of Business Management, 5(12), 4873-4882.*

D. Birnbaum and M.J. Somers, (1995). Another look at work design in hospitals: redesigning the work roles of nurses. *Journal of Health Human Service Administration*, vol*. 17, pp. 303-316.*

Dessler, G. (2005). Human resource management (10th edn.). *New York: Pearson, Inc.*

Ehrhart, M. G. (2004). Leadership and procedural justice climate as antecedents of unit level organisational citizenship behavior. *Personnel Psychology, 57, 61-94.*

Garg, P. & Rastogi, R. (2006). New model of job design: motivating employees' performances. *Journal of Management Development*, *25(6), 572-587.*

Griffin, W.R. (1989). Work redesign effects on employee attitudes and behaviors: a long-term field experiment. *Academy of Management Best Papers Proceedings, pp. 216-7.*

Hackman, J. R. & Oldham, G. R. (1976). Motivation through the design of work: Test of a theory. *Organisational Behavior and Human Performance, 16, 250 –279.*

Hackman, J. R. & Oldham, G. R. (1980). Work redesign. *Reading, MA: Addison-Wesley.*

Hage, J. & Aiken, M. (1967). Relationship of centralization to other structural properties. *Administrative Science Quarterly*, *72-92.*

Herzberg, F. (1966). Work and the nature of man. Cleveland: *The World Publishing Company, pgs 34-43.*

H.H.D.N.P. Opatha (2009). Human resource management: personnel. department of hrm, *University of Sri Jayewardenepura: Sri Lanka.*

Ivancevich, J. M. (1998). Job analysis and job design. Human resource management. (7th edn.) *Irwin: McGraw-HILL., pp.168-195.*

Kahya, E. (2007). The effects of job characteristics and working conditions on job performance. *International Journal of Industrial Ergonomics 37*, *515–523.*

Kidder, D. L. & McLean Parks, J. (1993). The good soldier: Who is he? In D. P. Moore (Ed.), *Academy of Management Best Papers Proceedings, 363–367.*

ISSN: 1599-8051

MacKenzie, S. B., Podsakoff, P. M., & Fetter, R. (1993). The impact of organisational citizenship behaviour on evaluations of sales performance. *Journal of Marketing, 57:70–80.*

Nasurdin, M. A. Ramayah, T. & Yeoh, C. B. (2006). Organisational structure and organisational climate as potential predictors of job stress: Evidence from Malaysia. *International Journal of Commerce & Management.*

Olaunka & Temitope (2011). The human problems of industrial civilization. *New York: Macmillan.*

Organ, D. W. (1988). Organisational citizenship behavior: The good soldier syndrome. *Lexington, MA: Lexington Books.*

Organ, D. W. & Ryan, K. (1995). A meta-analytic review of attitudinal and dispositional predictors of organisational citizenship behavior. *Personnel Psychology, 48: 775–802.*

Organ, D. W. (1997). Organisational citizenship behaviour: It's construct clean-up time. *Human Performance, 10: 85–98.*

Organ, D. W. Podsakoff, P. M. & MacKensie, S. B. (2006). Organisational citizenship behavior. Its nature, antecedents, and consequences. *Sage Publication: Thousands Oaks*.

Podsakoff, P. M., MacKenzie, S. B., Paine, J. B., & Bachrach, D. G. (2000). Organisational citizenship behaviours: A critical review of the theoretical and empirical literature and suggestions for future research. *Journal of Management, 26: 513–563*

Parker, Sharon & Toby, Wall (2001). Work design*: Learning from the* past and mapping a new terrain. *Handbook of Industrial, Work & Organisational Psychology. Volume 1 - Personnel Psychology.*

Parker, Sharon & Wall, Toby (2001). Job and work design*:* Organizing work to promote well-being and effectiveness. *Advanced topics in organisational behavior. London, SAGE Publications.*

Podsakoff P. M., Mackenzie S. B., Paine J. B., Bachrach D. B. (2000). Organisational citizenship behaviors: A critical review of the theoretical and empirical literature and suggestions for future research. *Journal of Management, 26 (3), pp.513–563.*

Rush, H. (1971). Job design for motivation*:* Experiments in job enlargement and job enrichment. *New York: The Conference Board, pp 12-19.*

Sandmann, L. R. & Vandenberg, L. (1995). A framework for 21st century leadership. *Journal of Extension, 33* (6), 34-45.

Sokoya, S. K. (2000). Personal predictors of job satisfaction for the public sector manager: Implications for management practice and development in a developing economy. *Journal of Business in Developing Nations, 4, 23-30*.

Smith, C. A., Organ, D. W., & Near, J. P. (1983). Organisational citizenship behavior: Its nature and antecedents. *Journal of Applied Psychology, 68: 655–663*.

Schaufeli, W. B., & Bakker, A. B. (2004). Job demands, job resources, and their relationship with burnout and engagement: A multi-sample study. *Journal of Organisational Behavior, 25, 293-315.*

Smith, C. A., Organ, D. W. & Near, J. P. (1983). Organisational citizenship behavior: Its nature and antecedents. *Journal of Applied Psychology, 68, 653-663.*

Ugboro, I.O. (2006), Organisational commitment, job redesign, employee empowerment and intent to quit among survivors of restructuring and downsizing. *Journal of Behavioural and Applied Management, 7(3),* 232-254.

Van Scotter, J. R., Motowidlo, S. J., & Cross, T. C. (2000). Effects of task performance and contextual performance on systemic rewards. *Journal of Applied Psychology, 85(4), 526-535. doi: 10.1037//0021-9010.85*

Werner, J. M. (1994). Dimensions that make a difference: Examining the impact of in-role and extra role behaviors on supervisory ratings. *Journal of Applied Psychology, 79(1), 98-107*.

CHALLENGES AND STRATEGIES FOR GLOBAL HUMAN RESOURCE MANAGEMENT: THE NIGERIAN EXPERIENCE

Williams O. Olori Ph.D.
Department of Management, Faculty of Management Sciences
University of Port Harcourt, Rivers State Nigeria
Email: williams.olori@uniport.edu.ng

Abstract
Globalisation has generated cross border investment by multinational corporations (MNCs) and the challenges that goes with it. This study focused on the constraints encountered by businesses operating outside their borders and the strategies used to manage them. The issues connected with foreign firms operating in Nigeria was explored. Generally the challenges include communication and cross-cultural adaptation, international deployment of staff, competition for talent, compensation of expatriates, industrial relations, family relocation, and time zones differences. However, in Nigeria kidnapping poses a major threat for expatriate workers and their organisations. In addition, political risks triggered by xenophobic attacks against Nigerians abroad and reprisals at home have become rampant in recent times. These developments affects the carrier and safety of foreign workers. It was recommended that MNCs should adopt an orientation program for expatriates for working in a multicultural environment, implement a satisfactory compensation package, and adopt local HR policies and practices amongst others.

Keywords: Challenges, Strategies, Globalisation, Subsidiary, Expatriate, Selection, Foreign operations, Management.

Introduction

Global human resource management (GHRM) is concerned with the transnational administration of personnel functions of recruiting, selecting, assigning, and effectively applying the know-how, experience, skill, and competence of staff of multinational companies. According to Scullion (1995), international human resource management (IHRM) encompasses “the human resource management issues and problems arising from the internationalisation of business, and the human resource management (HRM) strategies, policies and practices which firms pursue in response to the internationalisation of their operations” (cited in Brewster & Harris, 1999). It concentrates on how Multinational Enterprises (MNEs) administer their workforce beyond national territories and displays the efforts to achieve an equilibrium between the integration of home office values and local adaptation (Wilkenson, Gollan, Marchington, & Lewin, (2010). It concerns human resource administration that are remarkably different from the activities of firms that operate only within a country’s boundaries. It is thus the aggregate of the various HRM systems used to manage people in transnational firms in their home and overseas operations (Wilkinson, Bacon, Redman & Snell, 2009). Human resource difficulties encountered by MNEs in their early stages brought about increased interest in understanding how certain human resource functions changed owing to the transnational operations of companies. The globalisation of company operations introduced numerous concerns among stakeholders with interest in HRM at both the home and subsidiary levels. Global human resource management (GHRM) and international human resource management (IHRM) are used interchangeably.

At the early stages, GHRM was regarded as possessing similar roles as HRM in the activities of organisations within national boundaries but operate on a larger scale, with more intricate significant considerations, more difficult coordination and some extra HR responsibilities (Sparrow, Brewster, & Harris 2004).

All the complexities connected with the enlarged functions of global HRM was because of the interplay of factors in the different transnational locations of MNEs. Thus, the considerable advantages arising from the opportunities of going international and the necessity to provide solutions to the corresponding challenges that confronted MNEs further contributed to development of global HRM (Harzing and Pinnington, 2011).

Therefore, the enlargement of global activities of companies also highlighted the significance of global HRM. In essence, the decision of a company to enter a foreign market, equally requires a corresponding decision that incorporates planning to establish the means by which business functions – marketing, accounting, HRM, and others – are to be handled in subsidiary locations. Managing the HR functions and coordinating them with the head office practices of global companies is essentially the task of International Human Resource Management (IHRM) (Rao, 2008). This also underscores the views of Briscoe, D., Briscoe, D. R. & Schuller (2009), that "when management begin to develop and implement global strategic plans, they also begin to concern themselves with global HR issues." And for Aswathappa (2005), this makes "human resource managers working in a global environment face the problem of designing and administering programmes for more than one country nationals." In essence, there are two fundamental issues that are addressed by GHRM. First, the difficulties of doing business in several countries (and therefore in dissimilar environments), and second, the engagement of workers from many countries with their very diverse needs (Scullion & Collins, 2006).

The expanding opportunities of foreign trade for many companies creates the situation to embrace and apply GHRM for them to have a competitive edge, and accomplish organisational goals. For Briscoe et al., (2009), IHRM which involves dealing with a diversified workforce, that adds substantial difficulty to IHR management task, requires a deeper knowledge and understanding, including thorough information about numerous countries, their labour legislations and practices, and sociocultural variations for the effective management of global business. The broader knowledge that global HRM provides for MNEs is so necessary that a lack of it has serious consequences. Indeed, there is proof to suggest that the inability of MNEs to succeed outside of their home country may often be associated with inappropriate management of human resources mostly by firms that misjudge the intricacies involved in international operations (Rao, 2008).

Expanded company operations beyond the national boundaries of their home countries, increase in overseas transactions and the sustained spread of globalization over the years led to enlargement of functions of human resource officials of affected companies. Therefore, the broadening of the tasks of HRM of companies that went beyond the borders of the countries brought about the growth of human resource work on a worldwide basis. Global human resource administration becomes essential because firms that operate internationally had to accommodate increased additional tasks that include the requirement for a wider perspective; deeper interest in the private affairs of staff; greater external influences and others (Dowling, Fester & Engle, 2008).

ISSN: 1599-8051

The liberalisation of worldwide businesses that enabled more companies to participate in business openings outside their national boundaries results in the compulsory application of GHRM functions. This means that as company businesses go international, they will have to transform to the global approach of the administration of their employees which comes with some difficulties. Fundamentally, the globalisation of company operations dictated that human resource functions needed to be internationalised and this resulted in additional challenges for executives that handle employee management. Indeed, rapid worldwide growth of company's operations brought with it the difficulties of controlling and coordinating increasingly complex global organisations… it was becoming increasingly apparent that the traditional HR procedures, practices and structures were not sufficient to handle the growing challenges of managing international business (Reiche, Stahl, Mendenhall & Oddou, 2017).

The import of global HRM from the Nigerian viewpoint is dependent on records which shows that a growing number of Nigerian companies are setting up subsidiaries abroad. It is believed that this development will continue and expand as an international business is no longer exclusive to MNEs from industrialised countries. The reality according to Dickmann, Brewster & Sparrow (2008) is that multinational companies from less developed countries are investing in and taking over foreign companies. A major reason for this is because globalisation and its associated benefits opened up the international space so that companies from developing countries like Nigeria are now partakers in international businesses. This reality presupposes that such companies with interest in transnational operations are expected to prepare and properly position themselves so as to maximally benefit from their venture into it. And for MNEs to succeed, will necessitate the implementation of GHRM functions that aligns with the demands of international business.

Why companies go international

The numerous rewards that companies derive from expanding their business beyond their home country constitute a strong attraction why they go international. This plan for international transactions is further enhanced by the growing spread and influence of globalisation.

Raw materials

One fundamental reason why companies go international is to get cheaper raw materials to produce cheaper products through reduced cost of production. Companies with knowledge of accessing cheaper raw materials outside their home country embrace such opportunities as a means to increase their profit and become more established. However, reduced production cost due to access to cheaper raw material alone is not a guarantee for higher profits.

Cheap labour

Moreover, companies decide to go international to pay cheaper wages and operate in environments with less labour union challenges. In the past, companies from the advanced countries moved some of their production facilities to developing countries. For example, Aliber and Click (1993), opine that Swedish Transnational corporations (TNCs) in the clothing business relocated their operations to Portugal and other low-wage countries when Swedish wages became too high.

Market share
Additionally, companies go international to increase their market share through wider distribution of their goods and services. Therefore, companies that do business in small or saturated markets tend to go international to expand their market share. Therefore, every additional transnational location such companies can operate in and thus expand the reach of their market, the more the potential for growth and the more established they can be. Taking advantage of new and highly rewarding investment opportunities abroad that fits in with a company's growth plan is an added reason that can encourage companies to go international with their operations. Certain appealing overseas investment opportunities with robust potential to increase market share and profits is a strong pull that makes companies go abroad.

Competition
Competition at home can also compel companies to expand their operations beyond their home territories. Companies that experience difficulty competing with other bigger and well established ones could resolve to go to a foreign market with less competition. Alternatively, companies take their operations overseas where they discover a virgin or unattractive market where some companies are hesitant to do business in because of lack of requisite infrastructure, skilled manpower and political uncertainty that manifest in unstable economic policies from government but believe they can compete and do well.

However, the internationalisation of Nigerian businesses contend with the difficulty of implementing satisfactory GHRM practices to enhance their capacity to compete and succeed like more established MNEs. They therefore, need adequate information and knowledge about the challenges of GHRM so as to apply the appropriate suitable strategies to be able to achieve outstanding success.

Literature review

Theoretical framework
Hofstede's cultural dimension
Establishing a business in a foreign country means working in a different culture that may not be identical with that of the country of origin. The implication being that an inability to adapt to the new country's culture can result in business failure. The importance of culture in international business is reflected in the research carried out by Geert Hofstede where he postulated various dimensions of culture that differ from country to country. According to Edward Taylor (1871), "culture is that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities acquired by man as a member of society." (Cited in Giudice, Carayannis, & Peruta, 2012)

The dimensions are as follows:

Power distance
It refers to how individuals in a community or organisation regard power in terms of how it is exercised whether there is a distance between the leader and the followers and the degree to which it is tolerated. High power distance connotes that the authority and decision of the

manager is virtually final with little or no consultation with subordinates. Minimum power distance refers to a situation where power is evenly distributed.

Individualism and collectivism

This has to do with the degree with which emphasis is placed on individual or team achievement. In individualistic societies emphasis is placed on individual achievement as against the group. Here people are not held accountable for others action while in collectivist communities members show allegiance to the team or group which protects their interest.

Masculinity and femininity

This refers to assignment of roles between the sexes. In masculine societies men dominate and are characterised by importance of work, ego achievement and money.

Feminine societies are characterised by quality of life, relationships and consensus. Japan is generally regarded as a masculine society for example Ming (2019) reported that only 5% of top management position are occupied by women in Japan as against 23% in other Asian countries. In a study carried out by Jaja and Olori (2010) it was reported that in the Nigerian banking sector, there is no gender discrimination in the laying off of staff. The implication being that MNEs operating in Nigeria should be gender sensitive.

Uncertainty avoidance

It is a situation where the citizens of a community are able to handle an unusual, strange or unexpected occurrence. It is the ability to cope with the unknown and the future. According to Hofstede, Japan and Greece fall into this category and such countries are governed by rules, regulations and procedures as a means of trying to contain uncertainty. On the other hand, those that are low on this dimension are less averse to risk.

Long term vs short term orientation

It concerns how a given community perceives time with respect to the future and the present. Long term oriented countries are more economical with regard to the consumption of resources. As a result they manage resources in the present with the future in mind. As a result they are guided by thrift and modesty. Countries that tilt towards short term orientation show traits of principles, consistency and nationalism.

Indulgence vs restraint

Countries that exhibit a high level of indulgence are characterised by immediate gratification of wages and having a good time. On the contrary, societies with restraint encourage postponing gratification and there is greater control of people's lives.

Global human resource management approaches

The conduct of transnational business implies that employees of such companies are selected from various countries. Consequently, in the bid to engage skilled and competent staff and maintain competitive advantage, companies that conduct their business on a worldwide basis, operate with employees from different countries.

Employees of MNEs that comprises citizens from different countries are categorised as home country nationals, host country nationals and third country nationals. Home country nationals are citizens of the country in which a company's headquarters is located, while host country nationals are citizens of the country where a company's subsidiary is located and third country nationals are citizens of other countries that may be sources of labour, finance or research and development (Scullion et al., 2006)

Some of the methods adopted by those in charge of the staffing of international businesses are:

Ethnocentric Approach: Under this approach, more home country nationals (expatriates) occupy top management, technical and other key positions. They make important decisions and basically manage the operations of overseas affiliates through the use of home-grown HR policies of MNEs. "The ethnocentric philosophy of staffing is based on the belief that the employee of the home country can be experts anywhere in the world. The belief is that the training and experiences that the executive has received in the home country can be transferred to any foreign subsidiary" (Stanwick & Stanwick, 2020)

Polycentric Approach: This approach gives more leverage to host country nationals in the management of the division of the MNE. The comparatively better measure of autonomy allows them to use HR practices and policies that best suit their respective countries.

Region-centric Approach: The operations of a subsidiary is handled by people who are selected from countries within the region notwithstanding their nationality. For instance, Coca-Cola selects viable staffing candidates from any country in the continent of Africa. Their long-term strategy (based on this approach) was to depend on employees from Africa to be the focal point for the firm's long-term growth (Stanwick & Stanwick, 2020).

Geocentric Approach: The geocentric approach is one in which the running of the subsidiary is handled by the most qualified workers regardless of their nationality. Well established companies that are truly global in nature with many years of international operations adopt this approach with considerable success (Durai, 2010).

Challenges of global human resource management

The challenges of executives in charge of personnel administration activities in companies that operate subsidiaries overseas is beset by numerous issues that are unlike what managers of similar roles in local companies contend with. Although improvements in scientific knowledge has significantly reduced the problems associated with geographical distance in the management of human resources in MNEs, there are several other challenges. One of the common challenges concerns known environmental, cultural, geographic and economic factors that regulate and limit the activities of organisations operating in foreign countries regarding certain bounds within which they need to function (Sengupta & Bhattacharya, 2007). The impact for the global HR executive is that the decision to deploy employees overseas is made difficult by the varied environment in which MNEs do business. Hence, "when organisations manage people in different institutional, legal and cultural circumstances, they have to not only be aware of what is allowed and not allowed in the different nations and regions of the world, but also what makes their different management practices cost effective." (Dickmann et al., 2008). Durai, (2010) reasoning in a similar manner opines that handling human resources at the international level is a

complex task as multiculturalism and geographic dispersion of labour can pose exceptional challenges for MNEs.
Accordingly, a notable underlying challenge of managers in charge of personnel issues of transnational companies is adapting the human resource policies (as operated in the head office of international companies) to align with the variations that exist among subsidiaries in which a multinational does business.

International deployment of staff

Typically, if selecting the desirable set of workers is tasking, then the international engagement of staff for MNEs is equally tasking. This can be attributed to many other factors that need to be considered to achieve organisational objectives as in the view of Scullion and Collins (2006), staffing issues are different and more complex at the global level based on the cultural, legal and institutional variations faced by MNEs (cited in Storey, 2007).
Part of the challenges about international staffing has to do with the considerations of comparatively high cost of expatriate deployment, willingness of their partner to relocate overseas, legal issues about residency and taxation, accommodation and healthcare concerns, finding suitable education for the children and others. Indeed, the decision to deploy and manage expatriates for global HR managers comes at a high financial cost for any MNE. An additional issue is the scarcity of foreign workers to take up certain global jobs in the overseas locations of MNEs. Consequently, Scullion & Collins (2006), state that scarce foreign workers are a major concern for global firms and frequently constrain the execution of international strategies by MNEs.

Further challenges that affects global personnel administration as it concerns the assignment of foreign staff is their promotion in the larger organisation, especially in the headquarters after return from overseas duties. Some expatriates lose touch with the tremendous changes that occurred at the home office while away for international deployment. Therefore, some experience difficulties of re-integration back into the organisation after their overseas deployment.

Communication and cross-cultural adaptation

Vast across-the-border cultural differences that exists among the workers that comprise the diverse workforce of MNEs constitute part of the challenges faced by executives who manage their personnel matters. Helping to prepare staff and their families to work and live in entirely unfamiliar cultural environment has become a key activity that presents various complexities for HR departments in multinational companies (Dowling et al., 2008). The various socio-cultural practices in different countries greatly determines how people relate, interact and execute assigned tasks. Such cultural differences require cross-cultural awareness for success in MNEs. The need for cross-cultural awareness was prompted by the difficulties that expatriates had experienced in trans-planting managerial practices abroad (Reiche et al., 2017). For instance, while Asian countries tend to encourage cooperation in accomplishing tasks, Western countries promote individualism in accomplishing given assignments. Consequently, difference in expectations and communication style between expatriate and indigenous workers and managers are likely to cause conflict in the workplace (Forstenlechner, 2010, cited in Ananthram & Chan, 2013). And such conflicts that emanate from cultural differences should be fixed quickly as they can keep some staff from giving their best (Regis, 2008).

Remarkably, food and drinking habits become major concerns in a diversified workforce. Beside the assorted kinds of foods and drinks, even the manner of eating or drinking also matters. For example, the use of chopsticks in Japan may be of concern to an expatriate on deployment there (Regis, 2008). Cultural differences can also be seen in the way people exchange greetings. For instance, to shake hands is common with people in the West, whereas the Japanese bow their heads and some from other environments embrace each other when they meet. Morrison (2009) in highlighting the complexity associated with communication in a cross-cultural context pointed out that "the sight of a Western person bowing while the Japanese offers a hand, while outwardly comical, can be deeply embarrassing." Therefore, "the global diversity of HRM activities makes it much more complex to comprehend how one organisational culture can be implemented on a universal basis" (Harzing and Pinnington, 2011). Consequently, training and development activities organised by administrators of personnel matters in MNEs commits considerable attention to cultural, language and other sensitive differences that exists among employees.

Competition for talent

Another challenge that confronts managers of human resource in MNEs is the increasing competition to employ and retain suitable staff. For Scullion & Collins, (2011), global talent challenges arise as firms compete on a worldwide stage under dynamic conditions in order to attract the needed amount of talent, at the correct places, at affordable prices and times. Therefore, increased competition for talents on a global basis is one clear challenge that human resource administrators have to contend with due to globalisation. Those with relevant abilities that are in short supply can much more easily access job openings in various parts of the world thereby making it difficult for global HR executives to retain such talented persons in some countries. The case of Nigerian professionals leaving for greener pastures outside the country is proof of the high mobility of talented staff.

Moreover, pressure from governments (in countries where subsidiaries are based) on multinational companies to engage their citizens is an additional challenge for GHRM. The legitimisation of such pressure resulted in the promulgation of the Nigerian Investment Promotion Commission (NIPC) Act of 1995 that prescribes "expatriate quota" - which limits the employment of expatriates to create opportunities for qualified Nigerians to be employed (Fru, 2011). Essentially, the "Local Content law" and "expatriate quota" regulation are ways of "reserving" certain jobs and contracts for citizens of Nigeria. Reiche et al., (2017) revealed an extra dimension about the challenge of pressure from government on multinational companies to engage their citizens was that the more talented the local people, the more the possibility that they were to be poached by other firms seeking local skills.

Remuneration

A fundamental challenge that global human resource administrators contends with is how to achieve a realistic balance in "the system of rewards, promotion, incentives and motivation, system of labour welfare and social security, etc., that vary significantly between countries" (Cherunilam, 2010).

The unique position of the expatriate considering his remuneration prior to his international deployment implies that there are bound to be differences in remuneration between what he/she earns and others who are employees in the subsidiary the expatriate is deployed to. The unavoidable difference in remuneration between the expatriate and other workers is a further challenge that managers of human resource for MNEs finds problematic to handle especially among local employees. Indeed, some indigenous staff fail to realise that the difference in remuneration is because of the relatively higher economic status of the home country of the expatriate that makes it possible for the payment of a comparatively better wage and certain other allowances. Moreover, very few home-country employees of an MNE would accept an international deployment if the pay package is similar to what home country nationals in the subsidiary earns. Such a situation will put the home-country employee at a real disadvantage due to the likelihood of lower wages at the subsidiary level.

The comparatively better remuneration of expatriates discourage some host country staff who are unable to comprehend the disparity between their remuneration and that of the expatriate. In their opinion the expatriate's job is not extraordinary to warrant such wide pay inequality. Unfortunately, the undue focus on expatriates' welfare frequently cause the neglect of efforts to equally motivate and develop the competences of indigenous staff. Therefore, less resources are assigned towards the enhancement of the skills and careers of host country nationals which hinders their ability to contribute to the success of MNEs.

Labour relations

Persons who handle global human resource administration face the additional challenge of contending with very diverse labour laws and industrial relations issues from unions in countries where subsidiaries operate. Accordingly, global companies operating in different countries are expected to align with the expectations of each environments with respect to labour laws and other regulations**.** This demands being thoroughly conversant with the labour laws of more countries and having to cope with the pressures that come from them. Moreover, handling negotiations with labour unions whose roles, strength, modus operandi and influence differs from country to country exposes the effort of reaching acceptable standards in dealing with industrial relations matters. Moreover, the mixture of a pool of international employees requires the further ability of managing a diversified workforce with different set of attitudes, ideas, religious beliefs, and economic status (Miryala, 2015).

Ethical conduct

A determination of the applicable standard of ethics is part of the challenges faced by managers of companies with international operations. This is because while some countries adhere to very high principles of ethics others do to varying lesser degree. Therefore, it may be difficult to ascertain a particular standard to adhere to especially if a situation of ethical conduct contradicts what the home office of the international company is known for. Sengupta & Bhattacharya (2007), opines that MNCs, while operating globally sometimes encounter moral and ethical difficulties in foreign locations based on their understanding about 'goodness' or 'badness' of certain actions. The offer and receipt of bribe so as to secure businesses or contracts is a complex ethical concern that global human resource managers of MNEs deal with particularly in countries where subsidiaries operate. Although, some home-countries of MNEs promulgated laws to control the ethical conduct of MNEs in their business transactions overseas, it has not really helped. The Foreign Corrupt Practices Act (FCPA), is a United States of America law which prohibits US-based firms from bribing officials in foreign countries. According to Koehler, (2014) the FCPA was enacted because of the perception that a direct payment prohibition law could actually help U.S. companies better resist foreign payment (bribe) demands in their transactions abroad. However, the FCPA and other similar enactments has done little to stop this moral dilemma as cases abound of breaches of such laws. The Halliburton and Siemens bribe-for-contract incidents are clear examples of such breaches. For instance, the Siemens bribe-for-contract scandal which uncovered more than 1.3 billion euros in suspicious payments in different countries, was said to have made payments of 10 million euros to Nigerian officials (Adeyeye, 2012). In a comparable case involving Halliburton and other consortium partners, they pleaded "guilty for conspiring to pay at least $180million in bribes to Nigerian officials to secure engineering, procurement and construction contracts" (Heilbrunn, 2014).

Security

The operations of transnational companies in high risk security environments creates added challenges for global human resources executives. Incidences of security challenges such as armed robbery, kidnapping, terrorism and other crimes has continued to spread and get worse in some countries that were relatively peaceful and safe. Therefore, subject to the countries where the MNC operates, officials from headquarters including subsidiary HR executives are deeply concerned and involved with the physical safety of their workforce (Aswathappa, 2005). Accordingly, the escalating security situation in some overseas locations regarding the safety of staff creates serious concerns for managers of human resource in MNEs. While it is possible to reason that they are not directly in charge of safety and security of staff and other assets, HR teams can find themselves playing a key role in case of emergency (Munich Security Conference, 2018). Therefore, the responsibility of global HR executives goes beyond organising security awareness trainings, but are also expected to be part of the intricate efforts to ensure the safety and security of the workforce.

Strategies for managing global human resources management

MNEs adopt and implement various GHRM strategies as a response to the various challenges that confront them. These strategies are basically to overcome the challenges and ensure success of the goals of engaging in international business.

A fundamental strategy adopted by GHRM is the establishment of a new mentality by all employees. This new mindset is intended to make workers of the MNE to regard the business as a holistic unit with mutual interest which requires all to regard themselves as partners who work for the achievement of corporate success.

Another strategy adopted by global human resource management is the use of orientation programs to empower their workforce**.** To solve the challenges around international deployment, comprehensive orientation programs that prepares employees for every stage of international assignment is regarded a necessity. The all-encompassing orientation programs provides the required preparation for expatriates to be conversant with important knowledge about their international assignment. Moreover, other category of workers are made to also undertake orientation programs to broaden their knowledge about working in a multicultural environment.

The use of properly organised repatriation program by MNEs is an additional strategy that is designed to keep the expatriate abreast of happenings at the home office during the period of their international deployment. This strategy also include plans of a seamless re-integration back into the system with bright prospect of continuity of career advancement.

While it is inevitable that there should be different remuneration for MNE staff, global human resource executives' strategy in this regard is the implementation of a comparatively satisfactory compensation package for all category of employees. Such a compensation package is envisioned to attract, motivate and retain the diverse workforce that is necessary to accomplish greater productivity.

Allowing employees chosen for international deployment more time to be adequately prepared for international assignments is an additional strategy adopted by executives who manage personnel of MNEs. The granting of more time provide the much needed information and preparation that will complement the skill and experience of staff to make a success of the foreign deployment. Consequently, Rao (2008), opines that the success rate for Japanese expatriates is considerably much better than that for Americans because they are selected one year or more prior to their posting which allows them and their families the opportunity to receive an all-encompassing cultural and language training.

An extra strategy to overcome communication and cross-cultural challenges by global human resource executives is the emphasis on cross-cultural orientation and language training courses. Furthermore, there is the implementation of global rotation of staff as a means to practically expose them to different cultures. The intention is to facilitate the capability of expatriates to acclimatise much more easily with the environment of their international deployment.

Flexibility that allow the adoption of local HR practices and policies in subsidiary locations where the wholesale adoption of those from the headquarters of the MNE are unsuitable is an additional strategy that is implemented by global human resource executives. Therefore, the ultimate objective is to achieve the common ground of whether to use home country policies, local policies or harmonised policies subject to what is most feasible.

The strategy of executives in charge of HR of transnational companies regarding the diversity of labour laws of the different countries of operation is the selection and training of people to deepen their knowledge and comprehension of them. Alternatively, in some circumstances, this function is outsourced to consultants to handle on behalf of the MNE.

MNE's strategy to enhance the safety and security of their employees is done through the constant evaluation and design of suitable security programs and policies that fits in with the situation of security in their respective countries of operation. For instance, the security situation in a country may require that expatriates use personal police protection against threats of kidnapping or armed robbery.

An additional strategy embraced by global human resource executives is determining the interplay of factors that qualifies an expatriate to properly fit into the proposed international position. From the foregoing, Shong (2008), is of the view that it is imperative to establish whether potential expatriates possess the essential cross-cultural awareness and interpersonal skills for intended positions; and whether the worker's peculiar and family situation will make them adjust to local culture.

Part of the strategies of GHRM in running the personnel administration of MNEs is the addition of spouse assistance to make up for lost income due to the foreign deployment of their partner.

According to Aswathappa (2005), while some firms make provision for an allowance in lieu of a spouse's lost income, US firms assists spouses with opportunities for employment in the foreign location through supporting their job search or facilitating their employment in the MNEs subsidiary.

The selection, training and development strategy of MNEs includes implementing an open attitude to staffing, talent management and competencies development. This is executed through selecting and grooming identified talents notwithstanding their nationality. The strategy of training and development also include programs of knowledge transfer especially from home country nationals to host and other nationals of the MNE. Such knowledge transfer is designed to equip host and other country nationals with requisite knowledge that will ultimately be beneficial to the MNE.

Issues in global human resource management in Nigeria

There are multinational companies from different parts of the world operating in Nigeria. Part of the list includes Shell Petroleum Development Company, Unilever, KPMG Consulting and Nestle. Nigeria also have multinational companies operating outside her shores. Some of them include Zenith Bank, GT Bank and Dangote Cement. Cross border investments has implications for GHRM in terms of staff welfare, cultural influences and time zones in relation to corporate goals.

Multinational companies doing business in Nigeria face challenges and so also are Nigerian companies based in Nigeria employing expatriates. Some of the issues prevalent in GHRM in Nigeria are discussed below.

Kidnapping

Oil exploration and exploitation in the oil rich Niger Delta region of Nigeria is mainly carried out by multinational companies. Agitation for greater share of the resource by the locals culminated in the kidnapping of foreign oil workers for ransom. In April 2019 the Cable News Network (CNN) reported that two oil workers were kidnapped in the Niger Delta. Also in 2013, the Associated Press reported that gunmen abducted seven foreign workers.

To minimise such risk some workers are flown from Lagos to Port Harcourt and flown back after work while several oil companies relocated some of their offices from the Niger Delta region to Lagos. In addition, police escorts and security guards are provided for high level personnel.

Expatriate quota

Some countries make laws regulating the number of expatriates that can work in a foreign subsidiary and their tenure. In Nigeria, a foreign worker is permitted to work in the first instance for three years, thereafter for an additional two years subject to not staying beyond ten years. In situations of shortage of international managers such a policy will not be favourable as it may be difficult to get replacements. There are sentiments amongst some Nigerian workers that some expatriates who are occupying management and engineering positions in MNCs subsidiaries in the country do not possess the requisite educational qualification, experience, skills and competencies. They believe that such staff end up learning from them and earn higher salaries. These feelings breed job dissatisfaction with its negative implications for productivity.

Political risk

ISSN: 1599-8051

Political risk for businesses is the risk of the organisation suffering losses as a result of political upheaval in a country where they have subsidiaries. Cases abound where MNCs have suffered financial and material losses attributable to political crisis in host countries. Such have implications for GHRM. Political conflict have negative effects on the careers of staff on foreign postings. In cases where a crisis degenerate in the country of engagement, their careers in terms of foreign experience and exposure are usually cut short since they are normally sent home in the absence of vacancies in other subsidiaries. A case in point was the nationalisation of British Petroleum and Barclays bank by the military regime of General Olusegun Obasanjo in Nigeria because of Britain's support for the apartheid regime in South Africa.

Nigeria and South Africa have companies that operate in one another's territory. According to Mbamalu, Adekoya, Richards & Olaniyi (2017), there are 120 South African companies in Nigeria. The xenophobic attacks on Nigerians in South Africa has led to the death of 127 Nigerians in the last three years Sahara Reporters (2019). The government reacted by evacuating some Nigerians from South Africa. Also in response to its obligation in ensuring the safety of her citizens, the president of Nigeria resorted to diplomatic engagements with the South African government to find a lasting solution to the problem. In response to xenophobic attacks on Nigerians in South Africa, Shoprite, a South African operated business was attacked and other South African business interest like MTN were threatened in Nigeria (Olowoopejo, 2019).

Racial discrimination

Casio (2016) stated that critical success qualities expected from an expatriate include "tenacity, communication, adaptability, organisational and commercial awareness, team work, self-discipline and cross-cultural awareness." The case of a Chinese restaurant that was shut down in Lagos underscores this point. The restaurant had a policy of not allowing Nigerians to eat their meals in the restaurant but can take the food away after purchase. Nigerians who generally have a culture of standing up for their dignity opposed the policy. Consequently, it was sealed up by the Federal Competition and Consumer Protection Commission. The action sent a signal from the Nigerian government that racial discrimination against her citizens will not be tolerated. In other words, culturally insensitivity by operators of businesses pose a problem for their survival.

Conclusion and recommendations

Globalisation which aided the advancement of international businesses transformed the functions of human resource management to global human resource management. This change was caused by the additional complexities that surrounds the functions that human resource personnel had to handle due to the internalisation of company operations. Therefore, with the variations in industrial relations, cultures, security situations and other factors that distinguish the international environment, companies with global operations have to device strategies to overcome the numerous challenges that confront them.

Hence, the growing number of companies in transnational business which intensified the competition for talents resulted in a change from the almost exclusive selection of expatriates to that of engaging a more diversified workforce in the operations of MNEs. Therefore, MNEs have to acknowledge the crucial input of human resource executives towards the success of their overseas activities. Additionally, the granting of some measure of autonomy to HR managers at the foreign locations is likely to continue to challenge non-expatriate staff to contribute more meaningfully to their operations and success.

The dynamism associated with global business means that for MNEs to thoroughly handle the challenges of global staffing issues, will require them to possess a sound knowledge of global human resource management and implement strategies that optimally utilise the totality of their diverse workforce with less emphasis on distinctions of being a local or expatriate staff. This global mindset is hinged on the capacity of global HR executives to operate with an international perspective that is driven by sensitivity towards industrial labour relations, cultural and other concerns of diversity.

To cater for the safety and security of staff and company assets, MNEs should provide enhanced physical security, life and other associated insurance for them so as to mitigate the impact of losses in case of eventualities.

For continued growth, MNEs must continue to recognise the crucial contribution that a skilled pool of human resource can play in enhancing the success of her international business. Furthermore, it need to design global human resource management policies and procedures that suits its plans of success in the respective subsidiaries.

Developing a robust partnership to sustain very high standards of the implementation of HR policies and procedures including constant backup from headquarters for those at the subsidiaries will increase team work, greatly strengthen their relationship with the MNEs and lead to better accomplishment of results.

References

Adeyeye, A. O. (2012). *Corporate social responsibility of multinational corporations in developing countries: perspectives on anti-corruption*. Cambridge: Cambridge University Press.

Aliber, R. Z., Click, R. W. (Eds). (1993). *Readings in international business: A decision approach*. Cambridge: MIT Press.

Ananthram, S., & Chan, C. (2013). Challenges and strategies for global human resource executives: Perspectives from Canada and the United States. *European Management Journal, 31*, 223 – 233.

Aswathappa, K. (2005). *International business*. New Delhi: Tata McGraw-Hill Education.

Brewster, C., & Harris, H. (Eds). (1999). *International human resource management: contemporary issues in Europe*. London: Routledge.

Briscoe, D., Briscoe, D. R., Schaller, R. S. (Eds). (2009). *International human resource management: Policies and practices for multinational enterprises.* London: Routledge.

Cascio, W. F. (2006). *Managing human resources: productivity, quality of work life, profits.* New York: McGraw Hill/Irwin

Cherunilam, F. (2010). *International business: Text and cases.* New Delhi: PHI Learning.

Chambers, M. S. (2013). *An exploration into the challenges facing practitioners of international* human resource management: A literature review. *International Journal of Business and Social Science, 4*(6), 21-27.

Dickmann, M., Brewster, C., & Sparrow, P. (Eds). (2008). *International human resource management: A European perspective*. London: Routledge.

Dowling, P. J., Fester, M., & Engle, A. D. (Eds). (2008). *International human resource management: Managing people in a multinational context*. Australia: Cenage Learning.

Durai, P. (2010). Human resource management. India: Pearson Education.

Expatriate Security Matters: The 2018 Munich Security Conference. Retrieved from: https;//mobilityexchange.mercer.com/Insights/article/Expatriate-Security-Matters-The-2018-Munich-Conference.

Folarin, S. (2020). "*FG seals Chinese restaurant for refusing to serve Nigerians*" Punch Newspaper, March 14, 2020 (online edition)

"*Foreign workers kidnapped from Nigerian oil rig*" Reported by Cable News Network (CNN). April 29, 2019 8.59am EDT

Fru, V. N. (2011). *The International Law on Foreign Investments and Host Economies in Sub-Saharan Africa: Cameroun, Nigeria and Kenya*. Munster, Berlin. LIT Verlag

Guidice, M. D., Carayannis, E. G. & Peruta, M. R. D. (2012). *Cross-cultural knowledge management: fostering innovation and collaboration inside the multicultural enterprise*. New York: Springer Science & Business Media.

Harzing, A. W., & Pinnington, A. (Eds.). (2011). *International human resource management*. London: Sage.

Heilbrunn, J. R**. (**2014). *Oil, democracy, and development in Africa*. Cambridge: Cambridge University Press.

Jaja, S. A. & Olori, W. O. (2010). *Individual career management and sustainable employment in the Nigerian banking industry*. ABSU Journal of Management Sciences. 6(1) 227-269

Koehler, M. (2014). *The foreign corrupt practices act in a new era*. UK: Edward Edgar Publishing.

"*List: Nigerians killed in South Africa in 2019*" Sahara Reporters.com. August 02, 2019.

Mbamalu, M., Adekoya, F., Richards, O. & Olaniyi. (2017). *120 South African companies in Nigeria risk attacks*. M.guardian.ng. February 22, 2017.

Ming, L. C. (2019). *Female managers in Japan: how to set the goal of increasing women in leadership roles*. Business and management studies. Vol. (5) (2) 85 - 102

Miryala, R. K. (Ed). (2015). *Trends, challenges & innovations in management*. India: Zenon Academic Publishing.

Morrison, J. (2009). *International Business: Challenges in a changing world*. London: Springer Nature Limited.

"*Nigerian gunmen kidnap foreign workers*." Associated Press. February 17, 2013, 10.57 EST.

Olowoopejo, M. (2019). *Xenophobic attacks: mob attack MTN, Shoprite in Lagos*. Vanguard newspaper, September 3, 2019.

Rao, P. L. (2008). *International human resource management: Text and cases*. India: Excel Books.

Regis, R. (2008). *Strategic human resource management and development*. India: Excel Books.

Reiche, B. S., Stahl, G. K., Mendenhall, M. E., & Oddou, G. R. (Eds). (2017). *Readings and cases in international human resource management*. New York: Routledge.

Rowley, C., & Warner, M. (Eds). (2013). *Globalizing international human resource management*. London: Routledge.

Scullion, H., & Collins, D. (Ed). (2006). *Global staffing*. London: Routledge.

Scullion, H., & Collins, D. (Ed). (2011). *Global talent management*. London: Routledge.

Seteolu, B. & Okuneye, J. (2017). *The struggle for hegemony in Africa: Nigeria and South Africa relations in perspectives, 1999 – 2014*. African Journal of political Science and international Relations> Vol. 11(3), 57 - 67

Sengupta, N., & Bhattacharya, M. S. (2007). *International human resource management*. India: Excel Books.

Shong, C. L. (2008). International management, Aberdeen University Press Services.

Sparrow, P., Brewster, C., & Harris, H. (Ed). (2004). *Globalising human resource management*. London: Routledge.

Stanwick, P., & Stanwick, S. (2020). *International management: A stakeholders approach.* UK: Edward Edgar Publishing.

Storey, J. (2007). *Human resource management: A critical text*. Boston, MA: Cengage Learning EMEA.

Wilkinson, A., Bacon, N., Redman, T., & Snell, S. (Ed). (2009). *SAGE handbook of human resource management*. Los Angeles: Sage.

Wilkinson, A., Gollan, P. J., Marchinton, M., & Lewin, D. (Eds). (2010). *The oxford handbook of participation in organisations.* Oxford University Press, UK.