Moving Africa Toward Sustainable Growth and Technological Development

International Academy of African Business and Development
(IAABD)

Peer-Reviewed Proceedings of the

11th Annual International Conference Held at:
Peninsular Resort Limited
Lekki, Lagos

May 18-23, 2010

Edited By: Emmanuel Obuah
Alabama A & M University, Normal, Alabama, USA.

Hosted By:
University of Lagos, Nigeria.
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Foreword

We are once again congregated in one of the giant states in Africa to exchanges ideas on a very provocative theme for this conference “Moving Africa toward a Sustainable Growth and Technological Development.” Exactly, thirty five years ago this month, Heads of State of fifteen West African States assembled in Lagos, Nigeria, to form the Economic Community of West African States (ECOWAS), an organization that will promote self-reliance through sustainable economic growth and technological development. This week, we are gathered here in Lagos to examine and reexamine the same issue which continues to occupy the minds of African scholars, policy makers and governments. The theme of this conference is apt and germane particularly at this time when many African states are still struggling to tackle many basic problems exacerbated by lack of growth and development and the deepening process of globalization. Since the gaining of political independence by many Africa states, the twin issues of growth and development have been on top of their agenda. In order to address poverty and economic underdevelopment, African states have embraced different endogenous and exogenous models of development and from the trickle down import industrialization strategy of the early post-independence years to the structural adjustments prescription of the Washington Consensus. Accordingly, African states have adopted different paths to growth and development: socialist or capitalist paths. African states have also responded to the challenges of sustainable growth and technological development collectively through the creation of (sub) regional schemes and robust regional economic integration groupings. Although these schemes were intended to put African states in the paths to growth and technological development, the results have been abysmal and disappointing.

Similarly, African scholars in development studies and other related disciplines have provided theoretical frameworks to growth and development: from the trickle down liberal model to the historicist model, or the managerial approach or the neo-Marxist/dependency approach. Our Academy has been in the forefront of scholarship in various aspects of African studies. In the past 10 years, the various IAABD’s conference compendia have focused on different strategies of achieving economic growth and development.

At the global level, the need for Africa’s sustainable growth and technological development have been addressed and articulated at various international forums including the World Summit on Sustainable Development in Johannesburg on August 26 – September 4, 2002. The Johannesburg Summit articulated a plethora of actions to be taken to achieve sustainable development. And on a pan-African level, the creation of the African Union (AU), the New Partnership for African’s Development (NEPAD) and the reconfiguration of Africa’s economic relations, among others, are indicative of Africa’s commitment to sustainable growth and development. It is hoped that the existence of AU, NPAD, and other continental and regional organizations in Africa, and the various global initiatives, such as the Millennium Development Goal, and the diversification of Africa’s political, economic and social exchanges will sustain their zest toward sustainable growth and development.

There were dozens of papers presented in volume 11 of the IAABD peer reviewed Proceedings. In addition, there were also dozens of work in progress not included in this volume but were presented in various sections at the conference. The papers were meticulously selected
by the track chairs to underscore the relevance and essence of the conference theme. These papers and presentations touched on various aspects of Africa’s growth and development. While some papers focused on specific issues in different countries in Africa, others dealt with issues that affect the continent as a whole. Yet, some papers and presentations examined the impact of specific global phenomena/issues or processes on Africa. Furthermore, the diversity of the papers in this volume also reflects the copious academic versatility and multidisciplinary background of the contributors. While the reviewers painstakingly did their work, the authors are responsible for the views and conclusions expressed in this volume.

It has been an honor and privilege to serve IAABD in various capacities, particularly as the Proceeding Editor. I owe great gratitude to several individuals who contributed in various ways to the success of this conference and to the publication of this volume. I am very grateful to all the authors who submitted their papers and whose papers are contained in this volume. I am particularly thankful to the track chairs for undergoing the painstaking and tedious review process of all the papers and sharing the thoughts with the various authors.

I am also wish to thank the Local Organizing committee for their tireless efforts in making this conference a success. I am deeply grateful to my predecessor, Simon Sigué for his guidance, and to Yaw Debrah for his work ethic.

Finally, I am especially thankful to Chris Enyinda, the President of IAABD for giving me the opportunity to serve. And to all the members of the current IAABD Executive Committee, I thank you for the opportunity to serve in my present capacity and for your unflinching support.

Emmanuel Ezi Obua, Ph.D, LLM
Proceedings Editor.
Founded in 1998, the International Academy of African Business and Development (IAABD) has established itself as one of the world leading organizations committed to fostering functional education, broadening and deepening global understanding of the various challenges facing African development and business, and advancing alternative solutions to Africa’s business and economic challenges. IAABD is open to scholars, professionals, and students of any nationality who are interested or actively engaged in the teaching, research, performance or administration of business and economic development issues as they relate to Africa. Around 200 scholars and professionals from all over the world attend its annual conference.

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Filling gaps in public health care accounting and accountability: would hybridisation not be the key?

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This paper deals with accounting and accountability for public health care services. Focus is put on hybridisation of medical profession as a strategic toll to implement some aspects of New Public Management reforms. The Scandinavian model is taken as starting point to discuss the relevance of hybridisation to fill gaps in accounting and accountability for public health care services in less developed countries. Further research is suggested.

INTRODUCTION

High quality public health care service is a topical issue all over the world. Recent initiatives taken by President Barak Obama to improve this sector in the USA can be mentioned amongst prominent evidences. Since late 1980s, public sector of developed countries underwent substantial reforms. The purpose of these reforms, commonly referred to as New Public Management, was to modernise the then public administration by replacing old bureaucratic fashions by private sector management techniques and strategies (Hood, 1991 and 1995; Hoque and Moll, 2001). In this context, advanced management accounting became emphasised and accrual financial accounting introduced (Robinson, 1998; Potter, 2001; Carlin, 2005; Näsi, et al., 2008). Comparatively, Scandinavian countries are among leading countries in New Public Management reforms; their public health care services are among the best in world. However, it all came at a cost (Schick, 2007). Which factors have lead to successful reforms of accounting for public health care services in these countries? Why have some other countries undergone painful time and achieved little in this respect? Which advice can one give to countries which are still planning to reform accounting systems of their public health care sectors? Doing something about this is dealing directly with sustainable development. It should therefore be a matter for every citizen to care about.

The aim of this paper is to tackle one of the fundamental success factors lying behind high quality public health care accounting in Scandinavia and to analyse whether and to what extent that factor can help improve accounting for public health care services elsewhere. That factor is not money. And even if it would be, money is not an end in itself. The issue is who is appropriate person to plan and decide on the use of such a resource, when and which skills should she/he have? The relationship between that person and accountability is also crucial (Ouchi, 1979). This factor is not unique. But without it all other efforts whatsoever would probably play the same role as the morning sun, which never lasts the day. Public health care services are provided by public institutions: hospitals, health care centres and clinics. In academic terminology, these are knowledge intensive organisations. Although these institutions do not focus on profit making, it remains appropriate to apply research methods applicable to knowledge intensive industries in analysing them (Nyland and Pettersen, 2004). Qualitative method using interview based material has been used for the purpose of this writing (Jin, 2003; Dul, 2008). The paper starts by a short descriptive background before analysing hybridisation and its effects on modernised accounting and accountability in this industry. The paper ends by a conclusion.
NEW PUBLIC MANAGEMENT REFORM AND ITS EFFECTS ON ACCOUNTING FOR PUBLIC HEALTH CARE SERVICES

The New Public Management (NPM) reform started in late 1980s from UK to other European countries, passing through Australia and New Zealand (Hood, 1991 and 1995). Before that time, public health care organisations in many western countries were much criticised for poor management caused by abusive professional self-esteem, old fashioned cash accounting, limited (or no) use of financial accounting based information in making decisions, clan control attitudes which prevailed over rationality and efficiency… (Bourn and Ezzamel, 1986; Ezzamel and Willmott, 1993; Lapsley, 1996; Kurunmäki, 1999).

Hood (1991 and 1995), identified following main aspects of New Public Management: 1) it changes public sector into corporate like production unit(s); 2) introduces competition into the public sector based on limited term contracts; 3) imports private sector management styles; 4) implements resource management as in the private sector; 5) emphasises top management controls; 6) introduces performance measurement and 7) result oriented strategies. For further comments, read i.a. Osborne and Gaebler (1992); Peters (1996); Ferlie et al. (1996); Näsi (2008)…

There is no room to analyse these NPM features in great detail in this paper. However, as far as accounting for public health care is concerned, following NPM based reforms took place: first, cash accounting became replaced by accrual accounting in many western countries since 1990s (Näsi, 1999). Second, cash budgeting became replaced by accrual budgeting including performance based aspects (Schick, 2007). Third, this was accompanied by decentralisation of budgetary responsibility, pricing and management accounting tasks. Fourth, financing public health care services became decentralised local municipalities being given more freedom to decide on allocation of public health care funds. Example, in Finland, public health care financing system became changed substantially by amendment of State Subsidy Act, 1992 (Hyvönen and Järvinen, 2006; Kurunmäki, 1999). Fifth, Contract Based Budgeting became topical in many European health care accounting systems (Hyvönen and Järvinen, 2006). Sixth, the link between accounting, performance and accountability became emphasised by the use of corporate based techniques, including corporate governance (Hoque, 2001; Brennan and Solomon, 2008; Niamh, et al., 2008).

However, even in countries where NPM has been implemented with great success, following cold facts remain: public health care organisations are still run by health care professionals and never by private sector imported managers. Allocation of public health care funds is still made by politicians (both elected and public servants), politics often prevailing over economic rationality. These administrators, politicians and physicians do not always have adequate skills to make financial information based sound decisions. The resulting equation is the relevance of accounting information in running public health care services in this context? According to Lapsley (2009), this gap and its consequences have lead NPM being qualified as probably the cruellest invention of the human spirit. His findings are based on extensive research done in the UK over many years. The UK is regarded as one of the founding fathers and committed promoters of NPM to the rest of the world. In Scandinavian countries, however, the situation is quite different because NPM especially in the health care sector has lead to successful outcomes. In this respect, hybridisation of medical profession can be mentioned among contributing factors (Kurunmäki, 2004 and 2008).

HYBRIDISATION

In order to cop with budgetary and financial decentralisations in public hospitals and health care centres in Finland, it became necessary to find and implement new management strategies specifically adapted to
this type of industry. The best means to reach this goal passed through a process commonly referred to as hybridisation of medical profession (Kurunmäki, 2004 and 2008).

Professional hybridisation is opposed to professional antagonism and inter-professional incompatibility (Miller and O’Leary, 1994; Hopwood, 1984; Miller, 1998 and 2003). The concept of hybridisation had been subject to intensive research and debate prior to its implementation into public health care management accounting in Finland and other Scandinavian countries. In particular, Abbott (1988) argued that any profession should be studied as an interdependent system with a concise jurisdiction whose limits are traced by the scope of its specific abstract knowledge. In this respect, any group of abstract knowledge constitutes (or is capable to constitute) a distinct profession. Example: medical doctors as opposed to lawyers and accountants. This approach implies the likelihood of substantial competition (or conflict) between professions and recommends clear delimitation of tasks between various professional groups in knowledge intensive organisations. Prior to this approach, Freidson (1986) had proposed a tripartite model for analysing inter-professional relations in whom more focus was put on organised role differentiation rather than mere abstract knowledge groupings. In this approach, professional competition (or conflict) was not impliedly expected though it could always arise. According to recent literature, medical professionals (doctors) in the UK and USA have often resisted against being assigned management accounting and control duties.

This has been explained by the fact that accounting profession in these countries has strong accounting bodies which have succeeded in making accounting a body of abstract knowledge which should be possessed by persons qualified as certified accountants. The same attitude exists in the legal profession as well. Likewise, medical profession is commonly regarded as appropriate for medical duties with no extension to accounting tasks (Young, 1983; Wickings et al., 1983; Harrison et al., 1994; Jones and Dewing, 1997; Lapsley, 1997). Consequently, in implementing NPM in the UK public health care the use of accounting consultants became the only way to go. This is not bad in itself. Nevertheless, this strategy became too expensive and did not lead to expected results (Lapsley, 2009). In Scandinavian countries, however, something else was experienced. Example: in Finland, governmental and local municipalities’ initiatives to motive medical professionals to learn some management accounting techniques on voluntary basis and apply them in their management tasks became a success story. These initiatives started in the aftermath of NPM reform as a consequence of budgetary decentralisation in public hospitals and health care centres. Training was made available at institutional or regional levels and financed by Association of Municipalities, amongst others. Public hospital and health care centre managers (who are medical doctors as well) showed increasing interest in learning and applying management accounting techniques. In particular, these professionals became interested in learning budgetary and price setting methods using top technological tools. Consequently, they started to manage their production units almost as it is done in business organisations (Kurunmäki, 2004). Collaboration between clinic units with finance departments of these institutions prevailed (and still prevails) over conflict of tasks and roles. However, some problems still exist in terms of power and legitimacy (Kurunmäki, 2004). Another driving factor was that the medical professionals were made responsible to elected municipal representatives and hospital management for keeping within their budgets (Kurunmäki, 2004 and 2008). Of course some budgetary bias was experienced in Finland and other Scandinavian countries (Hyvönen et al. 2006; Nyland and Pettersen, 2004). However, medical hybridisation made it possible for these countries to reform their public health care accounting systems with considerable success as compared to the rest of the world. Before proceeding any further, it should be mentioned that the scope of this hybridisation became limited to management accounting tasks as opposed to financial accounting, internal control and auditing. The role of expert accountants in these institutions has therefore never been undermined; and never will (Kurunmäki, 2004; Järvinen, 2006).
IMPACTS OF HYBRIDISATION TO SUSTAINABLE HEALTH CARE ACCOUNTING

Hybridisation can add-value to a given profession. It can not change it into another group of abstract knowledge. According to literature, there has been strong focus on management accounting techniques as a body of accounting tools which all professions should possess in Scandinavian industrial settings and academic teaching since more than hundred years ago. In Finland, this quest intensified after World War II, time at which Finnish industry was under intensive reform with goals to pay war debts and go ahead to further successful business adventures (Kurunmäki, 2004).

Thus, there were strong emphases to teach industrial management (including management accounting) to engineers already in 1960s in Finland and these dually trained professionals received premium salaries (Ibid.). The same happened by extension to any industrial professional training leading to corporate management roles. However, public officers did not receive the same training. This has been explained by the fact that the public sector had traditionally been regarded as an area for bureaucracy in which clan like control, welfare state and democracy seemed to prevail over private sector management strategies. With financial crises in late 1980s and early 1990s something had to be done in the public sector in order to limit increasing public expenditure and poor administration. Thus, hybridisation of medical profession came just in time. Impacts of this hybridisation to sustainable public health care accounting are therefore clear. Scandinavian public health care centres and hospitals are high-tech knowledge intensive industries in which medical professionals must play leading roles. These professionals have self-control attitudes and have traditionally been trained to apply medical ethics regardless of costs. This in itself merits great respect because it made Scandinavian health care services probably the best in the world. With NPM reforms since late 1980s, however, something had to be done in order to limit anarchical expenditures in the public health care sector in these countries while continuously improving health care quality. The search for increased accountability and comparable financial accrual based information were also imperative. Consequently, medial professionals in the public sector having management roles received further training in management accounting on voluntary basis with financial incentive in perspective. This process became popular and lead to medical hybridisation. This hybridisation made it possible for public health care sector reformers to implement performance management strategies in this sector with relative ease, as performance budgeting could be implemented progressively at each unit of production level in every public health care or hospital unit. Today, the majority of public health care and hospitals in Finland as in other Scandinavian countries apply accrual accounting and budgeting, as well as performance management tools such as strategy map and balanced scorecards. Production unit managers (who are also medical doctors) are directly accountable to the board and local elected officials. Quality of health care services has improved and Contract Based Budgeting makes it easier for them to limit costs while producing efficiently (Hyvönen and Järvinen, 2006). However, all that glitters is not gold. Much progress is still needed in these countries as well (Kurunmäki, 2008). Unfortunately, there is no room to discuss this any further in this writing.

It follows whether it would not be wise to try this kind of hybridisation in developing countries? In fact, poor quality and too expensive health care services lead to increasing number of loss of life and other humanitarian calamities in these countries to such a level that something fundamental must be done. International donors pump in medicine and equipments. But they can not be there to manage them permanently. As result, the most public health clinics collapse as soon as these international donors and their experts have left the area. In few stable public hospitals and health care centres available there, the situation is almost the same: poor management and lack of reliable accounting information lead to unsustainable health care system. Therefore, instead of looking for solutions from abroad, I suggest that national Governments consider offering management accounting training and high tech tools to medical professionals working in public health care institutions. This should be accompanied with some financial incentives in long run and budgetary decentralisation in short run. Accountability should be considered seriously and implemented consequently. There is strong evidence that there will be less institutional
pressures against these initiatives in developing countries as the case has been in Scandinavia (Järvinen, 2006). It would be absurd to talk about corporate government and accountability in the public sector in general and in public hospitals in particular without giving relevant public officials adequate management accounting skills and tools enabling them to take management accounting tasks and responsibility at the same level as it is done in the business sector. Sustainability of public health care management accounting in this context will arise from hybridised medical professionals themselves in collaboration with expert accountants, provided that there is political will to do so. The need for further empirical research in this area is therefore accurate.

CONCLUSION

Financial crises in late 1980s and early 1990s increased institutional pressures for management and accounting changes in the public sector around the world. This lead to New Public Management reforms whose founding father and promoter in the academic world is Hood (1991 and1995). The essence of this reform was and still is to import into the public sector management techniques and strategies whose scope had previously been limited to business organisations. Accounting information is central in the quest for performance management in this perspective. Implementing NPM reforms in Finland as in other Scandinavian countries passed through amendments of accounting and budgetary rules. It also became necessary to revise State subsidy and local government laws. Implementation of performance management in the public health care sector under NPM reforms required budgetary decentralisation; contract based budgeting and increased accountability, amongst other things. This could not have been achieved successfully without medical hybridisation in Scandinavia. Hybridisation is not an end itself. In fact, some other leading countries achieved the same result without it. Example: the UK. However, this country has other tools equally strong to implement any reform without requiring dual professionalism (Kurunmäki, 2004 and 2008; but read Lapsley, 2009).

It is therefore likely that hybridisation would be the key to sustainable health care accounting and accountability in developing countries. To what extent and in which way to implement this strategy requires positive political will amongst other tools. Wherever this will is available, all other tools can be found. It remains my personal view that it would be absurd to talk about corporate government and accountability in the public sector in general and in public hospitals in particular without giving relevant public officials adequate accounting skills and tools enabling them to take management accounting tasks and responsibility at the same level as it is done in the business sector. Whether and to what extent this can be achieved in developing countries with (or without) medical hybridisation is hot topic which merits further empirical research. The Scandinavian model, when applied somewhere else would probably lead to positive outcome as the case has been at home.

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The use of traditional payments and electronic payment systems in Nigeria: A discourse

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The paper introduces the historical perspective of the money we use today through which, it provided the hierarchical nature of traditional money. The paper further investigates the use of traditional payments and Electronic Payment systems in Nigeria. The paper further explores the development of electronic payment system, the features of the Nigerian payment system, legal issues and electronic payment revolution.

INTRODUCTION

According to Turban et al (2006) a currency can be anything that all members of a society agree it should be, prior to the tenth century BC, Shells often were used in trade and barter. Metal coins appeared in Greece and India between the tenth and sixth centuries BC and thereafter dominated trade for 2,000 years. In the middle ages, cheques were introduced by Italian merchants. In the United States, paper money was first used in Massachusetts in 1690. In 1950, credit cards were introduced in the United States by Diner’s Club. Until recently, cash was the King, at least for instore payments; cheques were dominant form of non-cash payment.

In the earliest human societies, goods were swapped or bartered. In other words, in barter trade, the ability to pay for goods and services was reflected in the physical existence of the goods, which could be used for exchange. Then, the hard cash in the form of coins made out of precious metals emerged. This was then followed by the advent of fiduciary money in the form of modern coins and paper notes (Turban et al 2006:216).

The Millennium’s most significant development that has substantially influenced business operations in the world is the emergence of the information age. The remarkable progress that has been achieved through Information and Communication Technology (ICT) has made it possible for information to be digitalized and transmitted faster and cheaper in mega or terra bytes.

Resulting from this rapid technological progress and financial market development, a number of innovative products for making payments have been developed in recent years in Nigeria. Payment involves the transfer of monetary value from one individual to the other, thus, a payment system consists of mechanisms, which include institutions, people, rules and technologies that make the exchange of payments possible.

Basically, transactions made using these innovative products are accounting for an increasing proportion of the volume and value of domestic, as well as cross border retail payments. Currency and notes are converted to data, that are in turn transmitted through the telephone lines and satellite transponders (Johnson, 2005). The new financial services created through electronic payment systems have resulted in a substantial reduction in financial costs as well as the ease of transfer of funds.

Electronic payment, commonly called e-payment is a payment system consisting of electronic mechanisms made over the Internet or a network of computers (Kulkarni, 2004). In other words, it
involves the provision of payment services and transfers through devices such as telephones, computers, internet, Automated Teller Machines (ATMs) and smartcards. It is a paperless system of payments that offers an alternative to the traditional system of payment, which involves the use of cash and cheques. E-payment system has the advantage of facilitating transactions more conveniently and is available 24 hours/7 days a week independent of the customer’s location.

Further, electronic payment system can be broadly classified into two groups namely; wholesale and retail payment systems. Wholesale payment system exists for non-consumer transactions, that is, large value payments initiated amongst and between banks, governments and other financial service firms. Examples include transactions handled by the Nigeria Interbank Settlement Systems (NIBSS) and

The Hierarchy of Monetary System

BARTER
Real value money
Token Money
Paper receipts → Currency notes
The coming of Banks
Cheque

Traditional Forms of Payments

Dinners club cards
American express cards
Visa cards
Master Cards
Automated Teller Machine
Debit cards
Smart cards

Specifications of E-payment system:

Worldwide Interbank Financial Telecommunications (WIFT). Retail payment systems include those low value transactions involving consumers through the use of such payment mechanisms such as Smartcards, ATMs, Home banking, Telephone banking, Electronic money transfer and e-banking. This is also applicable to wholesale payments. Given the importance of the electronic payment system in an economy, Nigeria in 1996, introduced the scheme with the approval of the Central Bank of Nigeria (CBN) under the auspices of African Development Consulting Group (ADCG).

The basis for the emergence of the modern electronic distribution channels is the evolution of the concept of money. Each stage of money came into existence in order to facilitate transactions of goods and services for economic growth. Each of the stages not only came with its advantages but also with its limitations. As the economy developed, a way around this problem was needed, which led to further evolution.
Today, an individual’s ability to pay for goods and services is simply reflected in the accounting records of his or her bank. Thus, it is important to appreciate at the outset that money as it is defined today is just simply information, which can be electronically transmitted to facilitate economic transactions. It is this new definition of money, which has resulted in the electronic revolution of financial institutions.

The most recent development in the Nigerian payment system is the venture into smartcards scheme, which involves prepaid and reloadable cards. Smartcard technology is the latest payment technology positively impacting on the efficiency of the payment system in Nigeria. This electronic system has grown rapidly in developed countries over the last few years due to its effectiveness, high level of security and convenience.

**The Electronic Payment Revolution in Nigeria**

The payments system plays a very crucial role in any economy, being the channel through which financial resources flow from one segment of the economy to the other. It therefore, represents the major foundation of the modern market economy. Essentially, there are three pivotal roles for the payments system namely: the monetary policy role, the financial stability role and the overall economic role. Given the important role that well functioning payment systems has on monetary policy, financial stability and overall economic activity, the Central Bank of Nigeria (CBN) has put in place set of national system initiatives (CBN 2003). In setting out the objectives of the National Payment System (NPS), the goal is to ensure that the system is available without interruption, meet as possible all users need and operate at minimum risk and reasonable cost. During the course of the past ten years, the Central Bank of Nigeria (CBN), in collaboration with the bankers committee, launched the first major initiative to modernize the payment system (CBN 2003).

In this instance, the starting point was to automate the cheque clearing system and making it a verifiable platform for development of electronic payment channels. Previously, cheque’s processing and computations of the net settlement position of banks were done manually. The implementation of the new procedures as well as rules based on new (electronic) technology revolutionized the cheque clearing system. Consequently, a Centralized Automated Clearing Process (CACP) was established in Lagos clearing zone, whereby with electronic reader, sorters, necessary information on cheques are captured, built into clearing files and electronically transmitted to the clearing house, from where the net settlement position of the participating banks are automatically computed and also electronically transmitted to the Central Bank for final settlement. As a result, the clearing cycle was subsequently reduced from 5 to 3 days for local instruments and from 9 days to six days in respect of up-country instruments.

Based on the CBN efforts as illustrated above, the importance of electronic payment system in any country can never be overemphasized. This is mainly due to the fact that the global financial industry is undergoing dramatic transformation in technological advancements. As a result of new technological developments, digital money soon replaced fiduciary currency in some developed countries. For instance, e-money is, intended to be made legal tender in Singapore by 2008 in a situation where many African countries are still seriously cash based. Other developments include: Wireless Application Protocol (WAP), which makes possible access to the internet and online banking services through mobile phone, pure internet bank, e-signature and authorization, self-service system and Automated Speech Recognition (ASR).

Advancements in Information and Communication Technology (ICT) have taken the center stage of the global financial world, and any country that does not wake-up to the challenges will most definitely have to face a continuous and negative risk management, infrastructure provision, monetary policy development and so on. In line with this statement, electronic payment (e-payments) started creeping into
the national psyche in 1999 when a group of Nigerian banks pooled resources together in order to form a company called Smartcard Nigeria Plc, which later become known as Valucard Nigeria Plc. The objective for Valucard was to put a structure in place, on behalf of the banking community, that would enable the banks offer to their customer secure and convenient means of making payments on a shared cost basis. Ultimately, Valucard Nigeria Plc went into operation in 2000, with what was then the most popular e-payment product in Nigeria the valucard e-purse.

Electronic payment system or electronic banking is a means whereby banking business are transacted through automated processes and electronic devices such as personal computers, telephones, fax machines, internet card payments and other electronic channels (Turban et al, 2006). Today in Nigeria, we are in the midst of payment revolution, with cards and electronic payments gradually taking the place of cash and cheques. In 2003, the combined use of credit and debit cards for in-store payments for the first time exceeded the combined use of cash and cheques in the United States. Debit and Credit cards accounted for 52 percent of in-store payments, with cash and cheques making up the rest. The growth in the use of plastic is attributed to the substantial growth in the use of debit card and the decline in the use of cash. From 1999 to 2003, debit cards payments went from 21 percent to 31 percent, while cash dropped from 39 percent to 32 percent.

Electronic payment transactions in the United State exceeded cheque payments for the first time in 2003. From 2000 to 2003, the volume of electronic payment transactions grew from 30.6 billion to 44.5 billion, while the volume of cheque declined from 41.9 to 36.7 billion over the same period. For instance, in North America in the online B2C world, 90 percent of all online consumer purchases are made with general – purpose credit cards. The same is true for the overwhelming majority of online purchase in Nigeria.

Essentially, similar trends are occurring in Nigeria today, as all banks in Nigeria have one form of e-banking product or the other, all of which is geared towards delighting customers and with the ultimate objectives by each of the banks to gain competitive advantage and market share. The latest of such product offering from the banking community is the electronic payment cards (e-payment cards). An e-payment card is a plastic payment instrument, provided by an issuing institution to the cardholders so that he/she by accessing a telecommunications network and based on the account associated, may purchase goods or services, make payments, withdraw cash and/or conduct other financial transactions.

**Features of the Nigerian Payments System**

Due to the unfamiliar nature of electronic payment system amongst the populace, majority of all transactions in Nigeria are done with cash as this remains the only universally acceptable form of payment. Cash is simply bank notes and coins that are used and easily acceptable for transfer and exchange of goods and services in an economy (CBN Briefs, 2002:2003). The Nigerian economy therefore, can be described as cash driven economy.

However, there are other non-cash payment systems that are available, which include, the *bankers clearing* or *interbank clearing system*, the *security clearing systems* and *electronic clearing systems*. The interbank clearing system involves the active participation of Deposit Money Banks under the supervision of the CBN, which also handles the settlement process. To further ensure proper monitoring and efficiency, the CBN adopted the Magnetic Ink Character Recognition (MICR) technology to guarantee the speedy operation of the cheques clearing system and also to curtail forgeries. The Nigeria Inter-Bank Settlement System (NIBSS) provides automated clearing services to the banking sector by netting their credit or debit positions on inter bank transactions. Collateral in form of treasury bills is provided by banks to eliminate settlement risks. The *security clearing system*, concentrates on the transfer of securities.
that involves debt services and money market instruments, thus payments are made by cheques and drafts (CBN 2003).

**Development of Electronic Payment System In Nigeria**

Despite the continued stronghold of traditional payment system by Nigeria consumers, changes in Payment system have been revolutionized. For instance in the past few years, Nigeria banks and the financial services industry in particular, had embraced the concept of (e-money). Changes are beginning to take place in the Nigerian financial landscape and customers are increasingly raising the hope of expectations for quality customer services. In Nigeria, after the introduction of the scheme with six banks, it was later extended to nineteen and today all the 24 banks in Nigeria have one form or the other of e-money. At the time of approval by the Central Bank of Nigeria (CBN), the then All States Trust Bank Plc introduced a closed system electronic package called Electronic Smart Card Account (ESCA) smart card. This was followed in February 1997, with the introduction of a similar product called “Diamond Pay Card” by Diamond Bank Nigeria Plc.

In February 1998, the scheme received a boost when a consortium of 19 banks floated a smartcard company called Valucard Nigeria Plc, with a mandate to produce and manage the distribution of cards (Valucards) issued by member banks of the consortium. Subsequently, in November, 1999, a consortium of more than 20 banks under the auspices of Gemcard Nigeria Limited obtained (CBN) approval to introduce the “Smartpay” scheme.

The CBN additionally granted approval to a number of banks to introduce international money transfer products, telephone banking and on-line banking via the Internet, though on a limited scale. However, nearly all the banks in Nigeria have gradually introduced the use of Automated Teller Machines (ATMs), which had further facilitated the use of payment cards. Some banks also introduced electronic bill payment services. Understandably, the electronic payment scheme is still at a relatively early stage of development in Nigeria, but the evolvement of electronic money provides an ample opportunity for banks to reduce the resort to cash transactions.

**Features of Electronic Payment System**

There are basically two generic methods of making payments. The first is the Account Transfer System (ATS), which involves customers issuing instruction to banks to debit the account of the person making the payment, and credit the account of the person receiving it. Payment methods which fall into this category include cheques, debit cards, credit cards, and telephone banking. The second is the Direct Transfer or Token system (DT or TS), where money is directly transferred from one person to another, without the direct involvement of any bank in the transaction. Cash phone cards and gift token are the most widespread example of the token system. However, the development of “electronic purse” using smartcards and other network falls into both categories. (Bukar 2007).

**Payment cards**

Payment cards consist of credit cards, debit cards and prepaid cards. Credit cards give indication that the holder has been granted a line of credit by the issuing bank. The revolving credit on the card allows repayment to be made installmentally. The credit that is granted is settled either in full by the end of the specified period or in part with the remaining balance extended as credit. International credit cards such as Visa and Master cards are presently known and accepted by customers. They are easily used on the Internet. This and pre-paid cards which incorporate a computer chip/integrated circuit on which value is loaded, either from the card holder’s bank account or in return for cash. Value is then removed from the card as purchases are made, using special point-of-sale (POS) terminals.
There are two types of card-based scheme in Nigeria. These are the single and the multipurpose stored value cards.

**Single-purpose Stored Cards**
The service provider is responsible for issuing the cards. For instance, for some years now the Nigeria Telecommunications Limited (NITEL), MTN, Econet, Globacom and other telephone service providers have been issuing this type of prepaid card, that is used exclusively for purchasing airtime and making telephone calls.

**Multi-purpose Stored Cards**
The cards are used to pay for goods and service at any retail outlet that accepts them. The smartcard is often used for this purpose.

**Smart card/valucard**
The smart card is already operational, it is an electronic payment scheme that was introduced by a special company, Smartcard Nigeria Plc now called Valucard Nigeria Plc, which was incorporated by a consortium of banks. The trial run commenced in some Nigerian cities in April 1999. Full and final implementation of the scheme began in 2000 and the cards are currently accepted by over 4,207 retail outlets in most of the major cities in Nigeria. As at 2004, about 184,924 cards were issued. Valucard Nigeria Plc, which acts as the clearing institution for the card scheme, also coordinates the hardware and software procurement.

The participating banks serve as card issuer, while cardholders’ are required to maintain an account with the issuing bank. The cards are PIN-protected and can be used for loading or withdrawal of funds at any of the participating banks, and for payment of goods and services. As at 2004, about 78,266 cards were issued and are acceptable by more than 760 retail outlets spread over some 200 cities in Nigeria (BIS, 2004:124).

Currently in Nigeria, 20 banks under the Valucard consortium have the Visa International network, the largest e-payment service provider. Visa is a membership association owned by more than 21,000 financial institutions around the world that provides member institutions with global payment platform development. The world that provides the Visa family following a partnership agreement between Valucard and Visa International. Vanguard (2004) findings showed that while about 500,000 Nigerians carry e-cards (300,000 Valucard and 200,000 Smart Card) only about 50,000 actually use them. The problem is basically in the area of inter-operability, with the major challenge being how to facilitate the use of different cards on one terminal (Babajide and Emma, Vanguard, 2004, p. 4). Presently, a carrier of one card is mostly not able to use it on the terminal of another operator and this has greatly limited the use of payment cards.

**Electronic Smart Card Account (ESCA)**
This is another reloadable electronic payment system in a scheme operated by First Bank Ltd. The bank, which is the issuer, also serves as the clearing institution for ESCA. Bank teller machines were supplied by Verifone, the Gemplus and the computers by Compaq. “To date, over 19,500 cards have been issued and ESCA is accepted at over 58 locations including at the bank’s 14 Automated Teller Machines. (Babajide 2004).

**Paycard**
This is an electronic purse which was introduced by Diamond Bank. Access to the value on the card is PIN restricted. A maximum of ₦20,000 only can be withdrawn at a time and not more than once a day. The security features include the encryption of transaction and processes.

**Naira Denominated Credit Card**
In the hope to be competitive in the card payment industry, Ecobank Nigeria Plc on December 7, 2006, formally launched the Ecobank Naira credit, the first to be denominated in Nigerian local currency, to enable customers with or without Ecobank account access a minimum credit facility of ₦25,000 and maximum of ₦5 million for a period of two years without collateral. This was followed a week later, by United Bank for Africa (UBA) credit card, equally available to both UBA customers and non-customers. Also in January 2007, Oceanic Bank Plc joined the list of the Naira credit card deployment. The introduction of various Naira credit is in existence and is expected to spread up the drive for a cash society, (Adeagbo, 2007).

**Automated Teller Machines (ATMs)**

These are electronic devices employed to withdraw funds, automatically without the need to complete withdrawal documentations. ATM works through an electronic system where an account holder is assigned specific code and identity that ensures access to the amount for withdrawal by the account holder. One of the advantages of ATM is that it can be installed at any location outside the bank office, especially in supermarkets, fastfood restaurants, reputable hotels and other public places, ensuring withdrawal of funds at any time for immediate use and recourse to the bank that holds the accounts. ATM and credit card networks are linked in such a way that will enable credit cards holders of any bank that operates with similar protocol to use any machine. To ensure growth as well as encourage the widespread use of Automated Teller Machine (ATM) cards in the country, many banks are forming partnerships to jointly own inter switch network, which will electronically link all the various ATMs of the banks. By linking the respective ATM systems of these financial institutions through the switch, cardholders and member institutions of the participating financial institutions find it more convenient to make transactions.

**Master Card International Products**

In 2003, approval was granted for some banks to serve as acquirers and issuers of Master Card International Products. Ecobank, United Bank for Africa (UBA), Afribank and Standard Trust Bank (STB) and several other banks in Nigeria issues Mastercard presently.

**Internet and Multiple Payment Systems.**

The development of internet payment system in Nigeria is still in its early stages. However, between 2000 and 2009, some banks have developed online banking where customers can execute a wide range or simple banking transactions over the internet, including balance enquiries, viewing and downloading of statements of accounts, confirmation of cheques, online shopping, bank drafts, traveler’s cheques, smartcards (Valucard, Smartpay etc), payment of bills, funds transfers and bulk payment such as salaries and monitoring of the trade and finance transactions. To ensure security, most of the systems provide for user authentication, data encryption, user entitlement and authorization in ensuring transactions.

**Mobile Banking Payments**

Following the launch of Global Systems for Mobile (GSM) services in 2001, several banks in Nigeria have launched the mobile banking services that enable customers to carry out simple transactions based on Short Message Services (SMS) technology with customer’s mobile phones serving as the terminals. Such transactions include account balance enquiries, funds transfers between customer’s own accounts and to other account with the same bank, transaction tracking and third party payments, such as bill payments, cheque book request and balance confirmation. As at 2004, over 10 banks have offered mobile banking/payments services with several other banks following in the development. The security controls used are PIN code and pass code identification (BIS, 2004:125).
CONCLUSION

In all, the Nigeria payment system is mainly based on cash transactions. However, Nigeria’s use of electronic payment systems has gradually gained prominence. All the major forms of e-payments are trading upwards and several new electronic payment instruments have emerged with several banks as illustrated in our paper. Clearly, cheques still remain the non-cash payment in Nigeria. From the consumer’s standpoint, cheques possess several attractive features such as its familiarity, wide acceptance and its relative convenience. Significantly, cheques like cash enable individual, government agencies, businesses, etc, to make payments to other persons or organizations.

REFERENCES

BIS (2004:124, 125).
Factors that cause non-performing loans in commercial banks in Tanzania and strategies to resolve them

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This paper reports reasons for non-performing loans (NPLs) in commercial banks (CBs) in Tanzania and strategies employed in dealing with NPLs. A semi-structured questionnaire was administered face to face to 48 bank officers from 14 CBs that provide corporate loans and had been in operations for at least five years. Bank officers participated were those involved in lending activities for at least five years. Findings suggest that use of funds for purposes different from agreed ones as a major factor that cause NPLs. Creating an environment to make banks seen as problem solvers and trusted advisor to borrowers was cited as the main strategy towards solving NPLs problems. Findings imply that close monitoring of borrowers is critical to lending business.

Introduction

Financial Institutions (FIs) are very important in any economy as they mobilize savings for productive investments and facilitating capital flows to various sectors in the economy, thus, stimulating investments and increase productivity (DFID, 2004). There is strong empirical evidence that robust financial sector support economic growth (Rajaraman and Visishtha, 2002). In most economies Commercial Banks (CBs) are the dominant FIs (Rose, 1997). The term commercial Bank in Tanzania refers to all banks that operate cheque accounts (BOT Act, 2006).

They are the principal source of credit for millions of households as well as business firms. CBs are key provider of financial services to different market segments; small, medium and large businesses. They play even a most critical role to emergent economies where most borrowers have no access to capital markets (Greuning and Bratanovic, 2003). The health of the CBs, and so as the financial sector as a whole is therefore a matter of policy concern most especially in developing countries where failure in financial intermediation can critically disrupt the development process (Rajaraman and Vasishtha, 2002). Well functioning CBs accelerate economic growth, while poorly functioning CBs impede economic progress and exacerbate poverty (Barth, Caprio and Levine, 2001; Khan and Senhadji, 2001).

Over the years, there has been increased number of significant bank problems in both, matured as well as emerging economies (Brownbridge and Harvey, 1998; Basel, 1999, 2004). Bank problems, mostly failures and financial distress have afflicted numerous banks, many of which have been closed down by the regulatory authorities (Brownbridge, 1998). This in turn led to contraction of activities, decline in output, and imposition of substantial costs on the economy (Chijoriga, 1997; Brownbridge and Harvey, 1998). Borio and Lowe (2002) observed that the cost of banking crises in terms of output loss has been high; typically double digit percentage of GDP. Studies in other countries show that most of the bank failures have been caused by non-performing loans (NPLs) (Brownbridge, 1998). Non-performing loan is defined as loans whose principal or interest remains unpaid 90 days or more after due date (BFIA, 2006). National economic downturn, insider lending, political connection of bank owners, customer failure to disclose vital information during the loan application process, lack of proper skills amongst loan officials
were among major factors identified in other countries to cause non performing loans (Santomero, 1997; Brownbridge and Harvey, 1998; Basel, 1999; Waweru and Kalani, 2009). Despite lessons obtained from these studies, CBs do still suffer from NPLs. It is thus the essence of this study to establish factors behind NPLs in CBs in Tanzania and strategies at place for catering for the same. The paper is organized as follows: the next section gives a review of literature on the subject. The third section presents a methodology. The fourth section presents finding while the last section provides discussion of results and conclusion.

Literature Review

The theory of asymmetric information tells us that it may be difficult to distinguish good from bad borrowers (Auronen, 2003), which may result into adverse selection and moral hazards problems. The theory explains that in the market, the party that possesses more information on specific item to be transacted (in this case the borrower) is in a position to negotiate optimal terms for the transaction than the other party (in this case, the lender) (Auronen, 2003). The party that knows less about the same specific item to be transacted is therefore in a position of making either right or wrong decision concerning the transaction (ibid). Adverse selection and moral hazards have led to substantial accumulation of non performing assets (NPAs) in banks (Bester, 1994; Bofondi and Gobbi, 2003). The very existence of banks however, is often interpreted in terms of its superior ability to overcome three basic problems of information asymmetry, namely, ex-ante, interim, and ex-post (Uyemura and Deventer, 1993), thus be able to reduce the NPLs.

Lending has been, and still is, the mainstay of banking business. This is more true to emerging economies like Tanzania where capital markets are not well developed (Richard, 2008). Firms in Tanzania on one hand are complaining about lack of credits and the stringent requirements set by banks, while banks on the other hand have suffered large losses on bad loans (Richard, 2008). The average loan loss in studied CBs as measured by a ratio of NPLs to total loans for the five years period from 1999 to 2004 is as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Loan Loss</td>
<td>30.8</td>
<td>30.6</td>
<td>29.1</td>
<td>28.3</td>
<td>26.7</td>
<td>24.9</td>
</tr>
</tbody>
</table>

Table 1: Loan Loss - Ratio of NPLs to Total Loans

There is a slightly decrease in the level of loan loss with time, however, the loss remain 25 percent and above. This situation caused CBs in Tanzania to be very risk averse and maintain a high liquidity level as indicated in table 2 despite the fact that they can lend up to a maximum of 80 percent of total deposits. This situation implies that CBs do not perform their key intended role and in turn they retard investments and economic growth.

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending to Deposit Ratio</td>
<td>37.91</td>
<td>33.65</td>
<td>32.29</td>
<td>36.42</td>
<td>42.66</td>
<td>45.65</td>
</tr>
</tbody>
</table>

Table 2: Lending to Deposit Ratio

Source: BOT Economic Bulletin for the Quarter Ended 30th September 2005
The level of NPLs can be compared to that of other countries. The ratios between 2001 and 2002 were: 33 in Kenya, 24 in Zimbabwe, 16.81 in Philippines, 11 in Nigeria, 7.7 in Taiwan and 3 in South Africa (Waweru & Kalani, 2009). Apart from Kenya, the rest of the countries had lower NPLs level than Tanzania. Performance of CBs in terms of performing loans is very crucial not only for sustainability and growth of the CBs, but also in the stability of currency and the economy as a whole (Greuning and Bratanovic, 2003). This is because NPLs create a credit risk that on one hand can cause CBs be more risk averse hence reduce the capital flow to different sectors in the economy and on the other hand can cause liquidity risk and can make CBs insolvent which in turn can influence payment system thus, destabilize the economy in the long run.

Studies to established reasons behind non performing loans have been conducted in other countries. In Spain, Fernandez, Jorge and Saurina, (2000) pointed out that despite bank supervisors being aware that most banking crises were directly related to inadequate management of credit risk by respective institutions, it was difficult for supervisors from central banks to pursue bank managers to follow more prudent credit policies during economic upturn, that even conservative managers might find market pressure for higher profits very difficult to overcome. Nishimura, Kazuhoito and Yukiko (2001) studied the situation in Japan and concluded that some of the loans made to companies during the bubble era became non-performing when the bubble burst. Gorton and Bloem (2002) argued that non-performing loans are mainly caused by an inevitable number of wrong economic decisions by individuals and plain bad luck (inclement weather, unexpected price changes for certain products, etc.). In Africa, Brownbridge, (1998) concluded that many of the bad debts in banks were attributable to moral hazards; the adverse incentives on bank owners to adopt imprudent lending strategies, in particular insider lending at high interest rates to borrowers in the most risky segments of the credit market. To the borrowers’ side, they also tend to divert the funds to risky investments once they are granted the loans.

CBs have employed different strategies in attempt to reduce the level of loss caused by NPLs. In Japan among other strategies, they pursue a lending strategy backed by appropriate credit risk evaluations (Bank of Japan, 2003 quoted in Waweru & Kalani, 2009). In China, turning over the NPLs to asset management companies was proved very successfully (China Daily, 2002 quoted in Waweru & Kalani, 2009). In Kenya banks shift away from concentration on security based lending and put more emphases on the customer ability to meet the loan repayment. Reduction of interest rates however, was observed to be a successful action taken by bank management. Others were mostly associated with proper appraisal of borrowers in particular use of credit limit ratios, based on cash flows, use of forecasts and feasibility studies and use of standard lending procedure (Waweru & Kalani, 2009). The nature of CBs business expose them to risks one of them being associated with default from borrowers. Literature shows that their default may be caused by factors external or/and internal to the bank. Given the fact that external factors are uncontrollable by CBs, emphasis on tackling internal factors was expected.

Research Methodology

Semi structured questionnaires which were face to face administered to bank officials were used. This is part of the PhD study whose data was collected in 2004 in banks providing loans to corporates and that were in operation for at least five years. The sample was constructed at two levels; the first level of sampling was choice of sample banks and the second level of sampling was choice of respondents. In 2004 there were 26 CBs operating in the country. Of these, one was in the process of being privatized, two focused on SMEs and four were in operation for less than five years. The seven banks therefore were removed from the basket. Four of the remaining 19 banks declined to participate in the study. Of the 15 remaining banks 14 had their head office in Dar es Salaam and of these, 7 had only one branch (which was the head office). The rest except the two banks had an average of two branches which mostly were located in Dar es Salaam, Arusha and/or Mwanza. The location is mostly related with business opportunity. For practical consideration and cost constraints, banks in Dar es Salaam, Arusha and Mwanza were selected thus made a total of 14 banks participated in the study. Two main reasons for the
selection of these regions; one is the high concentration of banks especially in Dar es Salaam, and two, the selected regions are considered to be amongst the leading commercial regions in the country, thus high business volume.

At the second level of sampling choice of respondents, a letter was sent to Credit Officers of selected banks with a list of targeted officers (using titles) intended to participate in the study and a note that they should be involved in corporate lending activities for at least five years was provided. 48 bank officials participated in the study. However, data from 41 respondents was used in this study as 7 respondents had working experience of less than five years. Frequencies, percentages and cross tabulations were used in analysis.

Findings

Respondent Profile

Table 4 provides working position of the respondents

<table>
<thead>
<tr>
<th>Current Role</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Analyst</td>
<td>15</td>
<td>37</td>
</tr>
<tr>
<td>Relationship Manager</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td>Credit Processing Officer</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Credit Approval Officer</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Credit Documentation Officer</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Branch Manager</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Director of Credits</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100</td>
</tr>
</tbody>
</table>

Most respondents were credit analysts, relationship managers and credit processing officers. Their working experience is indicated in table 5.

<table>
<thead>
<tr>
<th>Banking Working Experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 – 10 Years</td>
<td>19</td>
<td>46</td>
</tr>
<tr>
<td>More than 10 Years</td>
<td>22</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working Experience in Lending Activities</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 – 10 Years</td>
<td>34</td>
<td>83</td>
</tr>
<tr>
<td>More than 10 Years</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100</td>
</tr>
</tbody>
</table>

All respondents had worked with the bank for more than five years; majority however, had more than ten years in the banking industry. All respondents were also involved with lending activities for five years and above with 17 percent been involved in the lending activities for more than ten years. This shows that all respondents had enough knowledge of the lending activities. This was evidenced in the kind of training attended by respondents since they started working with the banking industry. The results showed that all respondents were trained on important aspects of loan management i.e. from credit appraisal, monitoring and supervision as well as loan structure and documentation (100 percent). Only very few respondents obtained training on issues like relationship management, legal issues in banking industry, management skills and computer and change management and customer services (2 percent). Relationship management has a significant influence on monitoring of borrowers. Lack of this training to
most of the respondents indicates weakness of the banks in managing its borrowers. When asked about value added from training attended, majority of respondents (78 percent) indicated that they gained knowledge on techniques used in analyzing borrowers’ financial position. Few of them (7 percent) added that they also gained techniques to communicate with borrowers and make them feel free to discuss any issue with the bank while 12 percent mentioned that they gained techniques to deal with problem loans.

**Causes of Non-Performing Loans**

Table 6 summarizes major factors pointed out to have caused non-performing loans. The higher the percentage indicates the most ranked factor.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification of funds/poor management of funds</td>
<td>25</td>
<td>61</td>
</tr>
<tr>
<td>Weak loan portfolio management by bank staff especially weak credit analysis from the beginning</td>
<td>13</td>
<td>32</td>
</tr>
<tr>
<td>Integrity of borrowers/lack of transparency by borrower</td>
<td>11</td>
<td>27</td>
</tr>
<tr>
<td>Change of country policies</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Court injunction instituted when bank intends to dispose properties/low prices fetched when disposing mortgaged assets/ Country law do not favor lending business</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Business failure/inexperienced or lack of entrepreneurial knowledge on borrowers side</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Natural calamities/change in economic conditions like inflation etc</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Death of key person</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Unfaithfulness of bank staff (corruption)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Lack of reliable market information</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most businesses actually they do have a single owner</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

The most ranked factor contributed to non-performing loans was allocation of funds by borrowers to businesses other than agreed one (61 percent). The second significant factor was weak loan portfolio management especially weak credit analysis at the application stage (32 percent) followed by lack of integrity of borrowers (27 percent). Change in country policies, court injunction instituted when bank intends to dispose properties, low prices fetched when disposing mortgaged assets and business failure were ranked as moderately. It may be concluded therefore that, factors internal to CBs were major causes of NPLs. This is contrary to what the researcher speculated earlier that CBs learned from other countries’ experiences.

**Strategies Used to Overcome the Problem of Non-Performing Loans**

Respondents were asked as to what did they do to tackle the problem of non-performing loans given that they knew what caused them. Table 7 below provides their responses.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequent contact with borrowers; Creating environment to make the bank seen as a problem solver and trusted advisor</td>
<td>21</td>
<td>51</td>
</tr>
<tr>
<td>Frequent contact with borrowers; Creating environment to make the bank seen as a problem solver and trusted advisor; Attend some of their (borrowers) business meetings</td>
<td>11</td>
<td>27</td>
</tr>
</tbody>
</table>
Creating environment to make the bank seen as a problem solver and trusted advisor  
Frequent contact with borrowers; Attend some of their (borrowers) business meetings  
Creating environment to make the bank seen as a problem solver and trusted advisor; Attend some of their (borrowers) business meetings  
**Total**  
**Others**  
Perform offsite supervision through management accounts.  
Conduct dinner party and other social events.  
Frequent follow up on key business issues.  
Through caring the customers and make sure we deliver good service and give reasonable charges.  

<table>
<thead>
<tr>
<th>Activity</th>
<th>CBs</th>
<th>PBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating environment to make the bank seen as a problem solver and trusted advisor</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Frequent contact with borrowers; Attend some of their (borrowers) business meetings</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Creating environment to make the bank seen as a problem solver and trusted advisor; Attend some of their (borrowers) business meetings</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41</td>
<td>100</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>14</td>
<td>34</td>
</tr>
<tr>
<td>Perform offsite supervision through management accounts.</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Conduct dinner party and other social events.</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Frequent follow up on key business issues.</td>
<td>8</td>
<td>20</td>
</tr>
</tbody>
</table>

All respondents mentioned a strategy of creating an environment to make the bank seen as a problem solver and trusted advisor to borrowers. 83 percent mentioned further that they make sure they contact their borrowers frequently and 34 percent added that they attend some of their borrowers’ business meetings. Also performing offsite supervision through management accounts (34 percent) was implemented in the effort of reducing NPLs. Groups that indicate attending some of borrowers’ business meeting are the relationship managers (24 percent), credit processing officers (15 percent) and credit approval officers (7 percent). In banking business, relationship managers are the ones responsible for monitoring borrowers. These results suggest their innovative ways of monitoring borrowers.

### Discussion and Conclusion

Findings suggest that factors controllable by CBs to be the major contributor to non-performing loans specifically, the diversification of funds and weak credit analysis. This is inconsistent with what was established in Kenya (Waweru & Kalani, 2009) who found unfavourable economic environment specifically the national economic downturn leading to the depression of business to be perceived as the most important factor that caused NPLs. The results however, are consistent with moral hazards concept explained in asymmetric information theory. Debt contracts require borrowers to pay a fixed amount to the lender and let them keep any profits above this fixed amount. This situation provides an incentive to borrowers to take on investment projects that are riskier than the lender would like due to ‘high risk high return’ principal (Bester, 1994; Cornett and Saunders, 1999; Mishkin, 2001). The situation becomes worse if the borrower is not honest and decides to hide the actual performance of the investment in order to avoid paying his/her obligations to the lender. This was also evidenced in this study where results show that some borrowers lack integrity and are not transparent.

Weak credit analysis might have also been caused by unfaithful staff (though this was found out to be a minor contributing factor). Fernandez et al., (2000) and Waweru & Kalani (2009) found that most banking crises have directly led to the inadequate management of credit risk by institutions and lack of skills amongst loan officers respectively. Our findings are slightly consistent with the above two studies although the data indicated that all respondent were trained of how to appraise, monitor and supervise borrowers. Allan and Olomi (2003) however, concluded that banks have capacity constraints in credit and risk management. These findings therefore suggest that maybe the trainings obtained were not satisfactory or probably the number of staff do not tally with the number of borrower to monitor and supervise. Factors uncontrollable by CBs were court injunction instituted when bank intends to dispose properties, low prices fetched when disposing mortgaged assets and change in policies. An example here was the issue of exportation of hard wood logs business which was stopped when several banks had issued loans in respect to that business. Others were natural calamities, change in economic conditions
like inflation etc, and death of key person (borrower’s side) as well as lack of reliable borrowers information. The World Bank (2002) during their study on establishing business environment in Tanzania used a credit information index\(^1\) while establishing the situation of getting credit information. Tanzania scored zero compared with the regional average of 2.1. By the time the WB study was conducted, the Tanzania Credit Information Bureau (TCIB)\(^2\) was not launched yet. The results from the study however, inform us that on average, in Tanzania getting credit information even from other sources is problematic.

Establishing a good relationship with borrowers was found to be the most favourable strategy employed by banks in the effort of reducing non-performing loans. This was done through assisting borrowers by advising them on how to solve their problems, attend some of borrowers’ business meetings, deliver good services and provide reasonable charges and also go further and organize dinner party and other social events where banks invite their borrowers. These findings suggest that innovation on new ways of dealing with borrowers is necessary for banks to be able to recover their money. CBs in Tanzania need to strengthen their loan management process especially in monitoring their borrowers and probably come up with new ways of monitoring them. As to whether these strategies worked our positively is another issue to be studied further though results in this study suggest so. Also, further research may be conducted to include corporate borrowers in the sample thus enriches further the body of knowledge.

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\(^1\) The index measures the scope, access and quality of credit information available through public and/or private bureau. The index ranges from 0 – 6, with higher values indicating the availability of information.

\(^2\) TCIB was launched in 2003


The impact of product price changes on the profitability of SMEs in Nigeria

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Pricing decision has been a crucial decision made by all business enterprises at all levels and has posed a great challenge for Small and Medium Enterprises in Nigeria. This research work treats the impact of pricing on the profitability of organizations, a study of SMEs in Nigeria. The methodology adopted was the survey and empirical approach, with the administration of questionnaires to some SMEs in Nigeria, evaluating the effect change in product price has on profitability. The financial report of a major sample company was also evaluated to measure the significant impact of pricing on profitability. The Pearson Correlation Coefficient statistical tool was used, as well as the student t-test, to measure the relationship between the variables. The profitability ratios were used to measure the impact of change in price on the profitability of the sample company. The work found that there is a relationship between effective pricing and profitability and that any significant change in the price of a product will have its own effect on the turnover as well as the profit of the organization. Recommendations were made for the close monitoring of SMEs and that SMEs should employ the service of price experts when making pricing decisions.

Introduction

For any organization that is involved in the production of goods and rendering of services, after answering the question what to produce, and who to produce for, there is need to answer the question how much will our potential customers be willing to pay for the good? This difficulty of price fixture and the effect changes in the price of products has on the profitability, has posed a sense of concern to most business enterprises in Nigeria. Pricing decision is a crucial decision every organization has to make, because this will eventually affect their corporate objectives, either directly or indirectly (Monroe 2003:8). For every business entity, irrespective of their line of business and objective, cost minimization and profit maximization is a general factor to be considered and for non-profit making organizations, there will always be the need to reduce cost at all means and to maximize output. A business whether small or big, simple or complex, private or public, is created to provide competitive prices (Ayozie 2008:10). According to Hilton (2005:634), setting the price for an organization’s product or service is one of the most crucial decisions a manager faces, and one of the most difficult, due to the number of factors that must be considered. Horngren, et al (1996:428), buttresses this point by stating that managers are frequently faced with decisions on pricing and profitability of their products.

Some of the objectives of business enterprises vary from maximization of profit, minimization of cost, maximization of shareholders fund, becoming a market leader, etc. From the various objectives of business organizations, the primary objective of any business enterprise is to maximize profit and minimize cost, except for charity organizations that are set up primarily not to make profit, but there will be need to minimize cost by all means, therefore the need to set prices, which therefore connotes that pricing decision arises in virtually all types of organizations, irrespective of their level of activities. According to Lovelock & Wirtz (2004:151), the principal approach to an effective pricing strategy is to manage revenues in ways that support the firms’ profitability objectives, which leads to the question; how well can we complement the various factors that influence pricing decision, to achieve our overall objective, which is maximization of profit.
This study is aimed at evaluating the various factors that influence pricing decision and how well an organization can manage these factors effectively to maximize profit. The study focuses on how product price changes affect the profit of an organization with a close assessment of the profit of a sample company.

**Literature Review**

Pricing is a major subject matter in the management sciences and has been viewed from different perspectives and dimensions. For this study three major backgrounds to the pricing theory will be considered and this consists of the Economists’ perspective, the Accountants’ perspective as well as from the Marketers’ perspective. The accountants have given a background look at the study at hand giving it a comparison to how well a relationship can be established between total cost, price and profit. The marketers are mainly concerned with how well price can be set to suit the value the customers will be willing to pay (customer satisfaction). The economists have provided much of the theoretical background to pricing. The theory states that firms should seek the price which maximizes profit and will thereby obtain the most efficient use of the economic resources held by the firm. From the Accountants’ point of view, pricing theory is based on the concept that a relationship can be established between price, quantity demanded, quantity sold and total revenue. Demand sympathizes with price and therefore varies with it, and if an estimate can be made of demand at different price levels it should be possible to derive a profit maximizing price, and a revenue maximizing price. Except if realistic estimates of demand at different price levels can be made, pricing theory is difficult to apply in practice (Asaolu & Nassar 2007:212).

From the Economists’ point of view, firms should seek the price which maximizes profit and will thereby obtain the most efficient use of the economic resources held by the firm. This price is at that level of sales where the addition to total revenue from the sale of the last unit (the marginal revenue, $MR$) is equal to the addition to total costs resulting from the production of that last unit (the marginal cost, $MC$). The economic theory is more concerned with the behavior of aggregates or markets, particularly how persistent and widespread behavior leads to stable results called equilibrium. One important aspect of the economic perspective is to realize that it views the firm as a price-taker rather than a price-maker. This means that management only determines the quantity of a product to produce, and the market sets price through the forces of supply and demand. In contrast to the economists’ point of view, the marketing perspective views price as a decision variable, instead of a given variable. In line with the marketers point of view, price is a decision variable influenced by various factors (Lucey 1996:302-303, Monroe 2003:25-27). Pricing is the only element in the marketing mix that creates sales revenue, the other elements are costs. Price is the amount of money we must sacrifice to acquire something we desire. (Monroe (2003: 4-5; Oyeniyi 2004:140). Prices determine what products and services should be produced and in what amounts. Prices determine how these products and services should be produced, and for whom the products and services should be produced (Lawal et al 2007:157).

For the purpose of this study, pricing will be looked at from the accountants’ point of view, which looks at how a relationship can be established between price, quantity demanded, quantity sold and total revenue. Demand sympathises with price and therefore varies with it, and if an estimate can be made of demand at different price levels, it should be possible to derive:-

1. A profit maximizing price
2. A revenue maximizing price

Except if realistic estimates of demand at different price levels can be made, pricing theory is difficult to apply in practice (Asaolu & Nassar 2007:212).

Price changes, is the process of either increasing or reducing the selling price of a product or service. It involves the process of responding to the various factors influencing the pricing decision. There are
various ways of changing price, with respect to changes in cost of production and changes in other intervening variables, which may at the long run affect the long term objectives of the company, if not changed. Most organizations only pay attention to the amount of money to be received from the customer, without taking a close look at the quantity of goods delivered. One way to change price is to change the quantity of money or goods and services to be paid by the buyer. Another way is to change the quantity of goods or services provided by the seller. Hilton (2005:635) stated that most industries, both market forces and cost considerations heavily influence prices. No organization or industry can price its products below their production costs indefinitely. And no company’s management can set prices blindly at cost plus a markup without keeping an eye on the market. Therefore, the need for price changes, which is carried out strategically, through the use of good market survey and strategic pricing. Companies are sometimes price takers, which mean their products’ prices are determined totally by the market. In most cases, however, firms have some flexibility in setting prices. The demand law, which is what obtains in most cases is the fact that as the price of a commodity increases, there will be a decline in the quantity demanded of that product.

Causes of Product Price Changes

At every point in time when an organization discovers that the price charged on the sales of its product or services is too high or low, there will be need to make a pricing decision on whether to increase or reduce the current price charged, so that it does not affect the company pricing objective. When pricing decision is to be made, some factors have to be put into consideration, so that the decision will not affect the overall objective of the company. Some of the factors which must be considered among other things include:

1. **Cost of Production:** For effective pricing, the total cost of production must be fully ascertained, leaving no stone unturned. The fixed cost as well as the variable cost must be determined and all the various costs that may be incurred in the marketing process must be inculcated e.g. advertising expense, transportation, etc. When cost is not fully ascertained, pricing decision becomes faulty and when the price is wrong, it will definitely affect the income of the company and eventually may affect the survival of the business, especially for the new business and also the small and medium enterprises. Alongside with the other factors that affect pricing decision, cost is a factor that must be looked into critically. When it is discovered that there is a significant increase or decrease in the cost of production, there will be need to either increase or reduce the product price as the case may be.

2. **Nature of market competition:** The nature of market competition must also be considered when pricing decision is made. For a business that is in a monopolistic market, competition may not really affect the pricing decision, but a business in the oligopolistic market or a free market, where competition is tense, this has to be considered before price is set.

3. **Customers and market segment:** When a producer knows his customers, he will be able to set his prices accurately. The market segment must be carefully identified and the amount they will be willing to pay for the product identified.

4. **Demand:** For a new product, there is need to price such product strategically in such a way that it penetrates the market, even if it will be at par with the total cost, while for a highly demanded product, an increase in price may not really have a high effect on the demand for such products, so is the need for management when making pricing decisions to consider the demand for the product.

5. **Consumer behavior and perception:** Consumers attitude and perception about the product must be considered, when making pricing decisions. The company should consider if an increase in price will lead to an increase or a decrease in demand, and vice versa. When the consumer behavior has been established, the producers, will then need to effect the necessary change as at when due.

6. **Channel of distribution:** The cost of distribution and the channel of distribution must also be considered when the price of a product is to be set. It must be considered if the product will be supplied directly to the final consumer or has to pass through the various channels of distribution.
7. **Macroeconomic trends**: The macroeconomic trends of the country must also be put into consideration when pricing decisions are made. In an unstable economy, where cost of living increases, without a change in the income of the people, an increase in the price of a product may affect demand for that product.

8. **Company Objective**: When pricing decisions are made, they must be in line with the overall company objectives, as this will inform what the pricing objective really is, so that the pricing decisions made will not be against the company objective, and when it is discovered along the line that the present price is against the company overall objective, there will be need to change the price is such a way that the company objective is achieved.

**THE EFFECT OF PRODUCT PRICE CHANGES ON PROFIT**

A change in the price of a product will affect the quantity demanded, which will in turn affect the sales turnover and eventually affect the profit of the company. In accounting, the equation for calculating the profit is:  

\[
\text{Profit} = \text{Turnover} - \text{Cost of Sales} - \text{Overheads}
\]

This also shows that when turnover reduces, it will eventually have an effect on the profit. When there is a 5% increase in the cost of sales, with overheads remaining constant, with an increase in the price of the product, which will result in a reduction in quantity demanded and finally on the sales turnover. A decrease in demand, resulting in a decrease in turnover less cost of sales and overheads will eventually affect the profit generated by the company.

From the economists point of view, if price is constant, the total revenue curve must go through the origin (if zero units are sold, total revenue will be zero); but because some costs are fixed in the short run, the total cost curve does not go through the origin. As long as revenue received from the sale of an additional unit of output (marginal revenue) is greater than the additional costs of producing and selling that unit (marginal cost), the firm will expand output (Hilton 2005:637). Because price is constant, marginal revenue equals price, and the firm will produce at the quantity level where marginal revenue (price) equals marginal cost. (In economic analysis marginal is defined as the change resulting from a unit increase in effort). Profits are at a maximum where total revenue minus total cost is the greatest or where the slope of the total revenue curve equals the slope of the total cost curve. (In quantitative analysis, slope measures the amount of change in the dependent variable (revenue or costs) produced by a unit increase in the independent variable (quantity).

**DATA ANALYSIS**

Below is a summary of the profit and loss account of a company that changed its price (increase in price) in February, thus two months before the change in price and two months after the change in price.

**Table 1: Data from the sample company (Sales Reaction to Change in Price)**

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
<th>January Sales (₦)</th>
<th>Price</th>
<th>February Sales (₦)</th>
<th>Price</th>
<th>May Sales (₦)</th>
<th>Price</th>
<th>July Sales (₦)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Loaf</td>
<td>₦120</td>
<td>1,880,550</td>
<td>₦120</td>
<td>1,795,204</td>
<td>₦140</td>
<td>2,336,730</td>
<td>₦140</td>
<td>3,083,702.8</td>
</tr>
<tr>
<td>Medium Loaf</td>
<td>₦30</td>
<td>166,785</td>
<td>₦30</td>
<td>45,090</td>
<td>₦40</td>
<td>70,125</td>
<td>₦40</td>
<td>124,197.5</td>
</tr>
<tr>
<td>Small Loaf</td>
<td>₦25</td>
<td>152,640</td>
<td>₦25</td>
<td>205,535</td>
<td>₦30</td>
<td>134,395</td>
<td>₦30</td>
<td>195,310</td>
</tr>
<tr>
<td>Mini Loaf</td>
<td>₦20</td>
<td>524,920</td>
<td>₦20</td>
<td>87,160</td>
<td>₦25</td>
<td>159,455</td>
<td>₦25</td>
<td>164,900</td>
</tr>
<tr>
<td>Big Fruit Loaf</td>
<td>₦140</td>
<td>102,890</td>
<td>₦140</td>
<td>141,970</td>
<td>₦150</td>
<td>402,580</td>
<td>₦150</td>
<td>786,720</td>
</tr>
<tr>
<td>Small Fruit Loaf</td>
<td>₦70</td>
<td>183,370</td>
<td>₦70</td>
<td>128,770</td>
<td>₦80</td>
<td>272,600</td>
<td>₦80</td>
<td>377,630</td>
</tr>
</tbody>
</table>

Source: Data collected by Researcher (2008)
From table 1 above, it can be seen that there was an initial decrease in the sales revenue between the month of January and February, and in May, due to the increase in price there was an increase in sales revenue as well as the month of July, but this change can be said to be non-commensurate to the change in price. There was a change of 17%, 33.3%, 25% & 7.1% increase in the price of the products. The change in revenue from the month of January to July is 27.9%, but quantity demanded as disclosed by the management of the company declined for some weeks, before there was a gradual increase in quantity demanded. The change in sales turnover was not evident, as a result of the inability to determine the quantity demanded.

### Table 2 - Correlation of Price Changes and Profitability

<table>
<thead>
<tr>
<th>Changed Price</th>
<th>Pearson Correlation</th>
<th>Pricing profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td>1</td>
<td>-.111</td>
</tr>
<tr>
<td>N</td>
<td>166</td>
<td>166</td>
</tr>
<tr>
<td>Pricing profit</td>
<td>Pearson Correlation</td>
<td>-.111</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.155</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>166</td>
<td>166</td>
</tr>
</tbody>
</table>

Source: Data collected by Researcher (2008)

### One-Sample Test

<table>
<thead>
<tr>
<th></th>
<th>Test Value = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
</tr>
<tr>
<td>pricingprofit</td>
<td>43.530</td>
</tr>
<tr>
<td>ChangedPrice</td>
<td>51.556</td>
</tr>
</tbody>
</table>

Source: Data collected by Researcher (2008)

From the tables above, there is a significant negative correlation between the two variables (Profit and Price Changes) at 0.05 level of significance. It can be decoded that there is a negative significant relationship between change in price and profit, thus, an increase in price will not necessarily result in an increase in profit.

### Table 3 - Changes in Gross Profit, Net Profit, Operating Expenses & Sales

<table>
<thead>
<tr>
<th>Month</th>
<th>Gross Profit (₦)</th>
<th>Net Profit (₦)</th>
<th>Operating Expenses (₦)</th>
<th>Sales (₦)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>3,061,050.91</td>
<td>2,824,408.91</td>
<td>356,343.96</td>
<td>5,738,160</td>
</tr>
<tr>
<td>February</td>
<td>2,455,971.20</td>
<td>2,068,965.20</td>
<td>506,707.96</td>
<td>4,771,884</td>
</tr>
<tr>
<td>May</td>
<td>2,191,552.20</td>
<td>1,800,630.85</td>
<td>510,623.31</td>
<td>6,141,000</td>
</tr>
<tr>
<td>July</td>
<td>3,154,538.32</td>
<td>2,987,176.82</td>
<td>287,063.46</td>
<td>7,336,429.30</td>
</tr>
</tbody>
</table>

Source: Data collected by Researcher (2008)

To measure the impact of change in price on the profit of organizations, three profitability ratios will be used.

### Table 4 - Profitability Ratios

<table>
<thead>
<tr>
<th>Month</th>
<th>Gross Profit Margin</th>
<th>Net Profit Margin</th>
<th>Operating Expenses Ratio</th>
</tr>
</thead>
</table>

28
From the above calculations, it can be seen that the company had a favourable Gross profit margin of 53.30% in January, which later dropped to 51.50% in February, but in May, due to the change in price of the products, and other concealed factors, there was a drastic reduction in the gross profit margin to 35.70% and in July, the company picked up and moved to 43%, but was unable to reach the 53.30%. The same trend occurred for the Net profit margin and a close look at the Operating expenses ratio, it can be said that the company had the highest operating expenses ratio in the month of February, which is the month preceding the change in price, thus in the month of May, this ratio reduced to 8.30% but was unable to get to 6.20% which is the figure for January, but in July, the Operating expenses ratio reduced drastically.

From the analysis above, it can be said that when there is a significant change in the price of a product, it will have an effect on the sales turnover generated, which will in turn affect the profit margin on the product, which may be either positive or negative, depending on the type of change and how this change is effectively executed and managed.

Conclusion and Implications

From the various discussions above, it can be said conclusively that price changes is an inevitable factor in the operations of a business enterprise, and that any significant change in the price of a product will have an effect on the quantity demanded for the product which will in turn have an effect on the sales turnover and finally on the profit margin generated from that product, which will eventually have an effect on the corporate objective for a profit oriented company. To this end, it is expected that managers of business enterprises take cautious efforts in evaluating the market as well as the effect a one percent change will have on the profit of the business enterprise. Therefore if SME are a major tool for economic growth and development, there must be a close monitoring of the SMEs up to the point of maturity to reduce the rate of liquidation and collapse of SMEs in Nigeria and Africa at large. Also lack of adequate information about the various pricing techniques will affect the pricing decision of SMEs, which may in turn affect their survival and profitability.

References

Consumer loan Processing and Monitoring in Tanzanian Banks: A strategy for Growth and Empowerment of Micro and Small Enterprises

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This paper examines the link between the loan processing and monitoring in banks, and asset growth and empowerment of individual customers. The analysis of findings of this study revealed that effective loan processing, monitoring and management has a greater role to play in assets growth and empowerment of both financial institution and their clients over time. The better allocation and utilization of financial institution’s economic capital not only facilitates outreach to more under banked and unbanked productive poor people but also empowering them by stimulating investments and increase productivity in a cost- effective way for poverty reduction. It was observed that credit facilities provided by banks in Tanzania have helped the beneficiaries to gain material benefit like operating capital and also socially and psychologically empowerment. On the other hand, unplanned implementation of credit risk management, frauds, misconduct, none commitment and dishonest among employees, accounts for the greater part of non-performing loans and portfolio performance problem among banks.

Introduction

Financial institutions mobilize savings for productive investments which facilitating capital flows to various sectors in the economy (Sufian, and Parman, 2009 and Shanmugan and Bourde, 1990). In most economies commercial banks are the dominant financial institutions and they grant more instalment loans to consumers than any other financial institutions (Rose, 1997 and Greuning and Bratanovic, 2003). Despite their roles, there are evidences that well functioning commercial banks accelerate economic growth, while poorly functioning commercial banks impede economic progress and exacerbate poverty (Barth, Caprio and Levine, 2001). In this regard, performance of commercial banks is highly needed in order to achieve their objectives. Credit risk management, which is one among the problems facing banks is very crucial to not only sustainability and growth of the commercial banks, but also to the stability of currency and the economy as a whole (Greuning and Bratonovic, 2003). Poor credit risk management can cause liquidity risk and can make a commercial bank insolvent. The existing risk is also attached to their products. This includes on balance sheet products like short and long-term loans, and off balance sheet like letter of credits and other guarantees. Loans however, constitute a large proportion of credit risk as they normally, account for ten to fifteen times the equity of a bank (Kitua, 1996). Thus, banking business is likely to collapse in case of a slight deterioration in quality of loans.

Despite the existing risks, loans provided by banks are considered as important service that assist the owner of micro and small enterprises to acquire capital for investment in productive activities. This is based on the fact that most micro and small firms are constrained by internally generated finance (see Carpenter and Petersen, 2002; Binks and Ennew, 1996, Reid, 1996 and Chijoriga and Cassimon, 1999). Therefore micro credits are considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal (Sonfield and Barbato, 1999). Access to credit enables the MSEs owner to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. It helps existing or would-be entrepreneurs acquire the means for establishing or expanding a business (e.g. building premises and working capital) (ILO/UNDP, 2000). Credit can also
assist the business owner to cover cash flow shortage, to purchase inventories, to invest in new technology, expanding the market and being able to take advantages of the suppliers’ discount. Without sufficient capital therefore, MSEs are unable to develop new products and services or grow to meet demand (Coleman, 2000 and Kuzilwa, 2005).

The importance of credit calls for help from banks to extend their financial facilities to the enterprises. However, credit management should be at the centre of banks operations in order to maintain financial sustainability and reaching more clients. Despite these facts, over the years there has been increased number of significant bank problems in both, matured as well as emerging economies (Brownbridge and Harvey, 1998 and Basel, 2004). Bank problems, mostly failures and financial distress have afflicted numerous banks, many of which have been closed down by the regulatory authorities (Brownbridge, 1998). Among other factors, weakness in credit risk management has all along been cited as the main cause for the bank problems (Richard, et al, 2008 and Chijoriga, 1997). In Tanzania for example, Meridian BIAO Bank and the Tanzania Housing Bank (THB) were closed in 1990s, and almost in the same period, i.e. 1995/1996 the National Bank of Commerce (NBC) and the Cooperative and Rural Development Bank (CRDB) combined wrote off loans equivalent to Tshs 122 billion (US$ 112million) (IMF, 1999). These findings indicate that there is a lack of proper credit risk management system. One of the reasons may be the weaknesses in collecting enough relevant information on borrowers, which create inability in screening out bad from good credits. Also poor follow up and control over the borrowers, account for the poor performance. These unfavourable trends of loan non-performance in Tanzania, create a subject matter for this study. This paper therefore examined the factors for consumer – non-performing loans and procedures in lending. It also examined how loan processing, monitoring and management affect assets growth and empowerment of both the financial institutions and their customers.

**Importance of Credit Management on Asset Growth and Empowerment**

Banks as part of financial institutions face various risks. These risks can be categorized into three major groups, financial, operation and strategic risks (Koch and MacDonald, 2003). Financial risk includes capital adequacy, liquidity and credit risk. Operation risks involve risk associated with people and process, mismanagement and fraud, internal system failures, technology, legal, marketing and regulatory as well as external events. While the strategic risks include reputation risk, system risk and risk associated with changes in variables of businesses and strategy. According to Chijoriga (1997), credit risk is a most expensive risk in financial institutions and its effect is more significant as compared to other risk as it directly threaten the solvency of financial institutions. The magnitude and level of loss caused by the credit risk as compared to other kind of risks is severe to cause high level of loan losses and even bank failure. Also loan portfolio not only believed to be the largest asset and pre-dominate source of revenue but also is one of the greatest sources of risk to financial institution’s safety and soundness (Richard, et al, 2008). An effective credit loan management, is one of the road maps toward safety and the soundness of financial institution through performance, monitoring and prudent actions. This facilitates sustainability which empowers the financial institution through cost- effective provision of financial services. Furthermore sustainability assures access to services over time, raises the probability of expanding both the range of products suited to needs of poor clients and outreach to bankable men and women to urban and pre-urban or rural clients (Kuzilwa, 2005, Richard, et al, 2008 and Fatemi and Fooladi, 2006).

Additionally, the existence and survival of these financial institutions enable the current and potential customers to have an access of loans over time. These loans enable entrepreneurs or small group of people to start, develop, diversify or expand their businesses (Kessy, 2007). Loans can change peoples’ lives for the better especially the lives of those who need it most. A small loan can make all the difference to a poor or low-income family. With access to loans, they can earn more; build-up assets, and better protect themselves against unexpected setbacks and losses. They can move beyond day-to-day survival toward planning for the future, they can invest in better nutrition, housing, health and education for their
children. In short, loans can break the vicious circle of poverty. Loans are the fuel of private sector development because they leverage the productivity and raise the income levels of poor and low-income people. They also support the poor households to manage critical financial transactions, stimulate local markets and extend employment opportunities as businesses grow. Different studies have also found that loans offer more than just material benefits; they can also address issues associated with “non-material” poverty, which includes social and psychological effects that prevent people from realizing their potential (Kessy and Urio, 2006 and Hulme, Moore and Shepherd, 2001). The process of taking a credit, investing and repaying of loans, seems to empower the poor through a personal transformation from a feeling of “I cannot” to one of “I can”. I can do something about my poverty. In theory at least, this self-financing feature (financial sustainability) allows for massive-expansion of financial institution to reach tens if not hundreds of millions of underserved people. Getting cash into the hands of poor people for example helps increase self-esteem among the poor. It translates them into control over a financial resource which, in turn, builds their economic empowerment, voice and status within the family and ultimately within the community. This again improves family welfare because they can channel more of their incomes to meeting the needs of their households.

Methodological Considerations

In order to achieve the objectives of this study Tanzania Postal Bank was selected as a case study whereby the units of inquiry include head of consumer credit division, senior manager responsible for follow up, monitoring and recovery, head office consumer credit supervisor, two credit officers and data entry officer – placed at credit department head office, four (4) credit officers at Kariakoo branches in Dar es Salaam and five (5) beneficial customers of the lending scheme. The choice of the above unit of inquiry has been influenced by their knowledge on the subject matter and types of data required. Interviews were conducted among the respondents to explore crucial issues like procedure and terms of giving consumer credit, time taken from loan application to the disbursement, time for repayment of loan and actions taken when they fail to pay. Also information on impact to the users was collected from the beneficiaries of loans.

In data management and analysis, the researcher thoroughly read all the relevant documents and wrote notes. Also the information collected through interviews was summarised in the form of reports. Then the relevant information was organized in similar topics and those that were in line with study objectives were put together into major topics.

Findings

Credit Processing and Monitoring

The findings of this study rely on different stages of consumer credit scheme (i.e. loan processing and approval, disbursement procedures, loan recovery) and remarks made by the interviewed beneficiaries of consumer credit scheme. The consumer credit scheme focuses on employees of different organisations. In this regard, the employer had to execute the consumer credit loan scheme agreement with Tanzania Postal Bank, in order to guarantee their employees. After executing the agreement, the employer has to nominate two to three authorized signatories who are responsible to verify and guarantee the employees application forms. The signatories have to sign two specimen signature cards of which one is placed at the branch and another at head office, credit department. Furthermore only confirmed and pensionable employees from the organizations or institutions that are eligible for this service. The applicants must properly fill application forms which will then be authenticated and endorsed by the head of department and guarantor’s authorized officer together with endorsement of advocate or magistrate of district level or above. The form is supported by the following attachments; an application letter, which has to pass through his/her employer to the bank, most recent original salary slips of two months, photocopy of
identity card and most recent taken passport size. In addition to that the applicant has to have or open a quick account with Tanzania Postal bank.

Upon returned of dully filled in application form by the employee, the branch credit officer verifies, if the employee come from the organization or institution which have a contract with the bank, if the form is properly filled in all space provided, endorsed by authorized signatory, and whether the form is stamped and endorsed by an advocate/magistrate. The credit officer also checks if the form is inserted with customer’s quick account number and payroll particulars. After fulfilling the conditions, the credit officer computes the eligible amount of loan, so as to make sure that the monthly loan repayment (deduction) is not result to an individual’s take home pay fall below one third of the client’s gross salary. Then, the credit officer passes the application form to branch manager for review. The repayment period ranges from one year to two years, and the interest rate charged is 1.6% per month (or 19.2% per annum) in diminishing amount. After review, the branch manager, may ask for corrections or make a decision of rejection in case the customer does not qualify and inform him/her accordingly. Otherwise, approve, if the loan amount is within his/her approving power and if not, forwards the application form with recommendation to the head of credit for decision.

After review at this stage, the credit officer forwards the application forms to the divisional manager of consumer loans for verification, review and approval, if fall within his/her approving powers. If the application is above his/her approving powers, he/she recommends the loan by signing in the application forms and forwards to head of credit for approval/rejection. If the recommended amount exceeds the approval limit of head of credit then it is recommended to chief executive officer for decision. Once the loan application is approved by the relevant approving authority, the credit officer at division of consumer loans enters the necessary information in the database, and prepare the offer letter which are to be signed by the head of division for issuance to the respective applicant’s branch. The division manager sends the details of the approved loans of that month to the respectively employers. Remittances of instalment deductions details are done not later than 12th of the following month. Upon the acceptance of the terms and condition, the manager disburses the loan to applicant’s account, after a fully repayment of administration fee of 1% of the loan amount approved.

The loan follow-up and monitoring is the primary responsibility of the respective branch manager. The mechanisms used in follow up and monitoring start with spooling and printing the personal loan report from the system in order to reveal the list of borrowers with missed loan instalments and their respective institutions. Then, follow -up with the employer to establish the reasons for non-payment or demand cheque from the employer if it is established that the employee’s salaries were deducted. If the employee has been terminated, died or absconded, the follow-up is made on the terminal benefits from his/her employer or from pension fund. If the branch manager fails to recover the instalment arrears after making a follow-up with the employer, he/she informs the division manager consumer loan immediately. The division manager of consumer loans carries out vigorous recovery measures until when all loans in arrears are regularizes. Otherwise, recommends to secretary to the bank to take legal measures against all hard-core defaulters after fruitless negotiations with them, like issuing three months termination notice to the employer who is uncooperative. Once the agreement is terminated the bank, stop to issue repeat loans. However the employer is supposed to continue to remit to the bank deductions in respect of outstanding loans of its employees until when all their loans are fully repaid.

Credit Review

The findings of the study also revealed that both quantitative and qualitative reviews of consumer loans are carried out at both branch and head office credit department. This involves assessment of employer’s attitude toward remittance of instalments. This is done at the head office by the division of personal loans and at the branch by the branch manager/credit officer in case of local upcountry employers. In case of
non-submission of instalments for three consecutive months, the head of credit informs the employer on
the bank’s intention to terminate the contract. Critical credit review is conducted by using different
methods; however age analysis for classifying loans is commonly used. Different categories are defined
by the bank by considering the length of outstanding loan. Table 1 summarises the categories.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Class</th>
<th>No. of days outstanding</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Unclassified</td>
<td>1-90</td>
</tr>
<tr>
<td>2</td>
<td>Especially Mentioned</td>
<td>91-120</td>
</tr>
<tr>
<td>3</td>
<td>Substandard</td>
<td>121-150</td>
</tr>
<tr>
<td>4</td>
<td>Doubtful</td>
<td>151-180</td>
</tr>
<tr>
<td>5</td>
<td>Loss</td>
<td>181 and above</td>
</tr>
</tbody>
</table>

When classifying loans and advances using the provision matrix, the branch manager ages them
according to maturity. Those which are not yet due are considered as “current” and those which are not
paid at maturity are considered “past due”. From table 1, there are five classes of outstanding loans; these
are unclassified, especially mentioned, substandard, doubtful and loss. The bank considers any
outstanding loan for more than 181 days to be a loss.

**Problems Facing Banks in Provision of Consumer Loans**

The findings of this study revealed that there are number of problems that are facing banks especially in
offering loans. The first and most pressing problem is a risk associated to non-repayment of loans. In line
with this there is also a reputation risk, which is caused by delay in loan processing. The delays are
caused by credit officer in forwarding the applications to the appropriate stage. Fraud which is done by
some dishonest credit officers and or branch managers by granting loan resulting in deductions to above
two-third of gross salary contrary to the policy is another problem. Sometime they disburse the loan
without the approval of the manager for credit officer or head of consumer division or head of credit for
the case of collusion between the credit officer and the branch manager. The same staff, can change the
loan terms, can make unauthorized rescheduling or automatic transfer of consumer loan deductions as
well as open ghost loans for the purpose of taking the money. Another problem is associated with poor
arrears reporting, which is caused by weak communication and follow up between the disbursing branch
and the assigned branch to collect cheque from employers. Also inability to recover the loans from
terminal benefits is among the problems. This is caused by either terminal benefit been already pledged
elsewhere or insufficient to liquidate the outstanding loan amount and length legal process to get rights of
administration of assets. The study also found that inaccurate provisioning which is caused by poor
equinox reporting to determine the amount of portfolio in the various risk bands as per regulatory
requirement, inadequate bank capacity to compute and pass the provisions in the system and limitation in
report writing and data extraction by IT and credit staff. There are also some problems on part of
employers in term of not only delay in guaranteed the employees application forms and remitting
repayments (especially private companies), but also financial/liquidity problem on their part resulting in
salary arrears.

**Consumer Credit Client’s Success Stories**

Despite the above shortfalls, consumer credit services provided by Tanzania Postal Bank have to a greater
extent helped the beneficiaries to gain not only access to operating capital to their businesses, but also
boosting their living standards and then gradually building their assets up to the level of becoming micro-
entrepreneurs. This goes in hand with literature review, which explains the importance of credit in
empowering the enterprising active people, so that they can sustainably engage in business that will
liberate them from the bondage of poverty and contribute to community development. The following are remarks made by the five interviewed beneficiaries of consumer credit.

“I appreciate the consumer loan scheme very much, with a little savings possessed, I was granted a loan of Tsh 3,500,000/= on March 2005, for the purpose of buying a pick up for personal use and hiring business. After one year of operation, I succeeded to buy a salon car; the business assured me of school fees for my children and better life” (Interview with one employee of National Printing Company). The second remark came from a secondary teacher at Lindi district in Lindi Region. Who appreciated the consumer loan of Tanzania Postal Bank, which enabled him to start a dairy cattle farming in 2005. He started with two dairy cattle and currently, he owns five of them, he goes further by saying that “the project improved my family living standard tremendously”. Another secondary school teacher in Mwanza, admitted that “I was empowered by consumer loan to finish my study at Agency for Development of Education Management (ADEM) at Bagamoyo in Coast Region by paying the college fees and thanks God for promotion to headmistress”. Another respondent said that the purpose of taking the loan was to start a small business of selling the second hand clothes for the motive of growing her income. She lamented that contrary to her expectations “the business is not growing but remain constant”. It was noted that one of the main reasons that contributed much for many businesses not to grow is lack of business skills that is entrepreneur’s knowledge and experience. It is therefore argued that all stakeholders (the government, financial institutions, and learning institutions) should come with strategies on how to impart the entrepreneurship knowledge to the potential customers. Also one of the respondents took the loan for the purpose of buying a plot for house building, but end-up by diversifying the fund to college fee for his young brother and house rent. From this observation it is suggested that the most prerequisite for success is proper use of available fund. This is true because there is no substitute for good planning, effective organization and execution with accountability for effective performance. Therefore, for beneficiaries whose purpose of taking loans are for injecting in their businesses, they must be developed and equipped with good managerial skills on how to run their economic activities. This will assure sufficient cash flow to finance other human initiatives.

Conclusion and Implications

From the research results, it has been found that the credit scheme helps in increasing income of the beneficiaries. Increase in income helps in improving standard of living like food and nutrition, better housing, education opportunities as well as empowerment particularly in decision-making and provides individual self-esteem. Hence, there is a relationship between credit management objectives and attainment of an institution and current customers’ assets growth and empowerment. In other words, effective loan credit management means survival, efficiency and cost effective provisioning of financial services. Banks can help unbanked and under banked enterprises and households to break poverty vicious cycle. This is done through accessing the credit funds over time, which creates jobs and income.

The study has also revealed that dishonest, frauds and misconduct among employees are looming. As incidences impair the functions of banks, there should be a question on functionality and effectiveness of internal control procedure of loan approval. In this regard, the banks should improve the remunerations to its employees, in order to motivate them for effective and efficient performance. The management of banks should revisit their internal procedures in a bid to seal off loopholes that facilitates frauds and misconduct among employees. For example Tanzania Postal Bank policy is not addressing the delinquent loan problems aggressively. Instead the policy creates more loopholes for the frauds and misconduct among the dishonest employees through extending the aging maturity for unclassified loans from normal 30 days to 90 days. This situation actually seems to be attractive options for financial institution with arrears problem. Such a short –term “solution” offers only a temporary respite, as a measure to reduce the number and amount of classified loans. It is also argued that one of the most important factors for repayment is the “mentality of the entity that generates the portfolio”. Some of the best payment records
among the financial institutions have been attained by programs that begin under the premise that no level of late payment will be accepted even though the borrowers are from the poorest segments of the economically active population. The management of the banks through policies and their action should create an institutional culture in which late payments are unacceptable. That culture should fully ingrained in the entire staff and consequently in each borrower permeates all contacts with the borrowers, from program marketing, to selection / screening, to loan approval, to loan disbursement, through final loan payback.

Reference


Improved revenue generation in nigeria through E-taxation (a study of selected states)

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Revenue generation in Nigeria has generally been poor in recent years. The manual tax system built to operate in physical environment has been found to be inefficient. This research is aimed at finding out whether electronic taxation will significantly curb tax evasion and avoidance and improve revenue generation. Survey method was adopted. The data for the study were collected from primary and secondary sources. The primary data were collected mainly from questionnaires. The data collected were analyzed using simple percentages and presented in tables. The model specification for the test of hypotheses is Analysis of Variance (ANOVA). From the Analysis it was discovered that electronic taxation will enhance revenue generation in the states studied. Also large data base of the citizenry achieved through proper record keeping will enhance revenue generation. The researcher equally found out that e-government is an indispensable factor in achieving the objective of e-taxation. Computer literacy will enhance electronic tax administration which will significantly curb tax evasion and avoidance and reduce operational compliance cost. The researcher recommended that the studied states and their likes should fully introduce their own electronic tax system and provide the necessary infrastructure for its implementation. The creation of an online searchable database of all tax districts and tax rates in the states and tax transparency through e-government are also recommended. The government should evolve stricter penalties for tax evasion and avoidance and computer literacy should be made a pre-requisite for working in revenue offices and other government establishment. The government should also ensure availability and access to relevant information to both rural and urban dwellers. Proper implementation of the above recommendations will undoubtedly improve revenue generation in Nigeria.

INTRODUCTION

Though, taxation may not be the most important source of revenue to the government in terms of magnitude of revenue derivable from it, its importance stem from the point of view of certainty and consistency of taxation. Also, depending on the economic system of the government, revenue from taxation may vary significantly. In a social orientated economy only small percentage of revenue may be derived from taxation while in a capitalist economy a greater percentage of government revenue is derivable from taxation. Nigeria is a mixed economy possessing qualities of both socially and capitalist system of government.

Over the previous decade poor revenue generation in public sector has been a repeated reason by the government for their inability to provide essential services to the populace. So in this study, the researcher intends to examine how the use of electronic systems for the administration of tax will help boost the effectiveness of revenue generation in Anambra and Enugu States of Nigeria.

Prior to the advent of e-taxation, Nigeria’s tax systems were conducted manually which has its many problems, like tax evasion and avoidance, improper segregation of duties and other ugly corrupt practices leading to high financial losses to the government, hence low revenue generation. It is expected that electronic taxation will help to resolve all these problems, provide convenience, save time and cost for both the tax administrator and tax payer, and be transparent, above all improve revenue generation.

The major objective of this study is to examine how the use of electronic system of tax administration will help boost the effectiveness of revenue generation. Others include:

- To determine whether the use of electronic means of taxation will raise service quality and administrative efficiency at tax offices.
• Whether electronic taxation will significantly curb tax evasion and avoidance
• To find out whether online taxation system will lower operating costs
• To discover the effect of computer literacy in the use of electronic means of tax administration.
• To find out how e-government can help in achieving the objectives of e-taxation
• To determine the relevance of digital record keeping in enhancing revenue generation

The following research questions were used for the study;
1. To what extent is electronic system of taxation operational in Anambra and Enugu states?
2. How will electronic system of taxation impact on revenue generation in Anambra and Enugu states?
3. To what extent can service quality and administrative efficiency be achieved at tax offices through electronic taxation?
4. What effect will electronic taxation have on tax evasion and avoidance?
5. How relevant is computer literacy on the effectiveness of electronic tax administration?
6. To what extent can electronic system of taxation help to reduce operating/business compliance costs?
7. To what extent is electronic government necessary for improved revenue through e-taxation?
8. How relevant is proper record keeping such as digital registration of birth, employment, new business, residency and death to enhanced revenue through e-taxation.

Research Hypotheses (Null)
1. Revenue generation in Anambra and Enugu state will not be enhanced through electronic taxation
2. Electronic taxation will not significantly curb tax evasion and avoidance
3. Digital record keeping of births, employments, new business, residency and death will not enhance revenue generation through e-taxation.

REVIEW OF RELATED LITERATURE

The relationship of electronic to physical worlds is relatively a new field for tax research but one in which it is possible to explore the constraints of existing tax systems. Deloitte and Touché (1997) emphasized the important relationship between electronic and physical worlds for tax policy creation, thus “The greatest challenge to tax regime is its ability to adjust and adapt to a changing world. The coming of age of electronic commerce, the increased mobility it brings to business and the greater flexibility it offers to the way that transaction and communication are made is the latest and perhaps the most demanding of these challenges”. In reaction to these a conference was held by Organization for Economic Cooperation and Development (OECD) in 1998 on electronic taxation, and was the first of its kind in this subject matter. The OECD conference in Ottawa in October 1998 provided a natural break in the development of global thinking in this area. The focus of the discussion was on the suitable tax system to deal with the electronic environment. The conference was the last major world conference the OECD organized before launching its more subject specific work groups and technical advisory groups (TAGS) to continue the debate brought a head at the Ottawa conference the TAGS are due to report back to the OECD. The next key meeting was held in June 2001 again hosted by Canada. The conference titled “Tax Administration in an Electronic world” was the first global gathering of tax administrators to specifically address this issue.

On July, 26 2006 the Nigerian Federal Inland Revenue Service (FIRS) embarked on special reform strategy. As a part of this reform strategy, the Federal Inland Revenue Service (FIRS) announced the introduction of automated bank collection system by the agency which will provide convenience, save
time and costs for the tax payer the announcement was followed by deployment of automated system also known as “FACT” solution in phases to its integrated tax offices (ITOs), Large Tax Offices (LTOs) as well as Stamp Duties Offices (SDOs) Spread Across the Country. According to the agency, under this scheme the tax payers are to obtain stamped deposited slip and electronic tickets from the banks as evidence of payment into FIRS account in the bank. With this system, FIRS would no longer accept manual manifest form collecting banks.

On September, 12, 2006, Akwa Ibom State Internal Revenue Services inaugurated its electronic strategic Tax Administration and Revenue Accounting System called E-STARS aimed at easing the problem of tax payment in the state.

Before now, tax administration in Nigeria was in the era of bricks and mortar collection by manual manifest and by agents usually “banks” on behalf of the Inland Revenue Services. This was characterized by corruption and has ended with the introduction of automated bank collection system. This provides convenience and saves time and cost for tax payers. The introduction of electronic taxation has the following impacts

1. It allows taxpayer to pay cash/local cheque only to any of the participating banks for all tax types and tax offices. It generates a constant electronic ticket as part of tax payment.
2. Enhancing administrative business via the internet the public will be able to use the internet to file and pay taxes and conduct other tax related matters.
3. Internet taxation allow tax payers to obtain stamped deposited slip and electronic ticket from the bank as evidence of payment into FIRS account in the bank
4. Prior to the implantation of e-taxation FIRS mostly could not determine the amount collected neither could it ascertain when money was collected. The use of computer for tax administration has removed this ugly incident. With the new system tax data will be transmitted via the internet to tax offices. This enhances remittance procedures, saving their time and manpower, acceleration payment of tax into national treasury.

The introduction of on – line tax system seems to proffer some solutions as is seen on the impact of electronic taxation above, the new system can only help effectively if all taxable persons, properties, businesses, etc., are captured in the system for tax payment.

Nigerian tax system has not been fully designed to achieve her desired objective, despite e – taxation, which has been partially implemented in some areas our revenue has not improved. Nigerians are still in the habit of avoiding and evading tax. The problem lies mostly on not being able to capture all taxable persons in Nigeria to be paying tax to government, a situation where only registered companies and those in civil service pay tax.

Research Methodology

In order to determine whether electronic taxation will help to improve revenue generation in Nigeria and solve other tax related problems a survey research was conducted on diversities of tax officers and administrators, including commercial banks, accounting officers other categories of staff top management personal with good accounting knowledge from the selected sample areas.

Questionnaires and interview were used for data collection. Secondary data were generated from text books, journals, magazines, financial reports and internet facilities. Out of 150 questionnaires administered to the respondents in the area studied only 138 were returned. Simple percentages were used to analyze the question and the hypotheses were tested using Analysis of Variance (ANOVA).

The decision rule is reject Ho if $F_{calculated} > F_{critical}$ and vice versa.

Note:
“Great” denotes total positive responses
“None” denotes total negative responses and
“Not certain” for neutral responses.

### Analysis of Data and Discussion of Findings

Table 3: Response to research questions one to eight

<table>
<thead>
<tr>
<th>Questions</th>
<th>Great</th>
<th>%</th>
<th>None</th>
<th>%</th>
<th>Not certain</th>
<th>%</th>
<th>Total</th>
<th>%</th>
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<tbody>
<tr>
<td>1. To what extent is electronic system of taxation operational in Anambra and Enugu State?</td>
<td>36</td>
<td>26.7</td>
<td>100</td>
<td>72.4</td>
<td>2</td>
<td>1.5</td>
<td>138</td>
<td>100</td>
</tr>
<tr>
<td>2. How will electronic system of taxation impact on revenue generation in Anambra and Enugu States?</td>
<td>102</td>
<td>73.9</td>
<td>30</td>
<td>21.7</td>
<td>6</td>
<td>4.3</td>
<td>138</td>
<td>100</td>
</tr>
<tr>
<td>3. To what extent can services quality and administrative efficiency be achieved at tax office through e-taxation?</td>
<td>100</td>
<td>72.5</td>
<td>27</td>
<td>19.6</td>
<td>11</td>
<td>7.9</td>
<td>138</td>
<td>100</td>
</tr>
<tr>
<td>4. What effect will electronic taxation have on tax evasion and tax avoidance?</td>
<td>92</td>
<td>66.7</td>
<td>30</td>
<td>21.7</td>
<td>16</td>
<td>11.76</td>
<td>138</td>
<td>100</td>
</tr>
<tr>
<td>5. How relevant is computer literally on the effectiveness of electronic tax administration?</td>
<td>122</td>
<td>88.4</td>
<td>9</td>
<td>6.5</td>
<td>7</td>
<td>5.1</td>
<td>138</td>
<td>100</td>
</tr>
<tr>
<td>6. To what extent can electronic system of taxation help to reduce operating business compliance cost</td>
<td>80</td>
<td>58.0</td>
<td>30</td>
<td>21.7</td>
<td>28</td>
<td>20.3</td>
<td>138</td>
<td>100</td>
</tr>
</tbody>
</table>
7. To what extent is electronic government necessary for improved revenue through e-taxation

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<tbody>
<tr>
<td>86</td>
<td>62.3</td>
<td>40</td>
<td>29.00</td>
<td>12</td>
<td>8.7</td>
<td>138</td>
<td>100</td>
</tr>
</tbody>
</table>

8. How relevant is proper record keeping of births, employments, residency and deaths in enhancing revenue generation?

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<tbody>
<tr>
<td>128</td>
<td>92.8</td>
<td>8</td>
<td>5.8</td>
<td>2</td>
<td>1.4</td>
<td>138</td>
<td>100</td>
</tr>
</tbody>
</table>


Hypothesis 1:
Ho: Revenue generation in Anambra and Enugu State will not be enhanced through electronic taxation
Decision: The result from the test of hypothesis shows that the calculated value of F is 7.01, while the critical or table value of F is 3.89 at 5% level of significance and 2 and 12 degrees of freedom, it then means that ‘Ho’ should be rejected and ‘Hi’ should be accepted. This is because the calculated F table value is greater than the F table value (Cal Val 7.01 > tab Val. 3.89). Therefore, revenue generation in Anambra and Enugu State will be enhanced through electronic taxation.

Hypothesis 2:
Ho: Electronic taxation will not significantly curb tax evasion and avoidance.
Decision: Since the calculated F value (14.1) is greater than the critical or table value of F (3.89) at 5% level of significance and 2 and 12 degrees of freedom, we accept the alternative hypothesis that electronic taxation will significantly curb tax evasion and avoidance and reject the null hypothesis.

Hypothesis 3:
Ho: Digital registration of births employments new business residency and death will not enhance revenue generation through e-taxation.
Decision: The result from the test of hypothesis shows that the calculated value of F is 47.8, and F critical to be 3.89, we therefore, accept the alternate hypothesis and reject the null hypothesis. It therefore means that proper record keeping like digital registration of births employment, new business, residency and deaths will enhance revenue generation through e-taxation.

Summary of Findings, Conclusion Implication and Recommendations.

Findings:
The data analyses reveal that
- Electronic taxation is not yet fully operational in Enugu and Anambra States
- Revenue generation in Anambra and Enugu state will be enhanced through e-taxation.
- Tax offices will achieve services quality and administrative efficiency through electronics taxation
- Computer literacy is an indispensable factor for electronic tax administration
- Electronic taxation will significantly curb tax evasion and avoidance and lower operational cost.
Electronics government which embodies transparency will enhance revenue generation through electronic taxation
Digital record keeping of birth, employment, new business, residency and death is relevant for improved revenue generation.

Conclusion:
It is obvious that the manual system of taxation which operates in a physical environment is very inefficient and yield low revenue.
This is as a result of non compliance by tax payers and abuse of office and corruption among tax administrators.
To tackle these problems the researcher suggests the option of electronic taxation. Unless effort is made to replace manual system of tax administration with the electronic system, the problem of low revenue generation from the states with high incidence of tax evasion and avoidance will continue to exist.

Research Implication: This research requires further empirical research on the extent of application of e-government in Nigeria to enhance revenue generation through e-taxation.

Recommendations

Based on the findings made in the courses of this work, the researcher made the following recommendations:

- The government of Anambra and Enugu state should make effort to inaugurate their electronic tax administration so as to start enjoying its innumerable benefits.
- The states government should as a matter of urgency make computer literacy a pre-requisite for working in all government establishments with particular reference to tax and revenue offices.
- All stake holders in revenue generation should often organize training and workshop for their staff to raise manpower capable of understanding and interpreting on-line tax issues.
- The government should ensure availability and access to relevant information by:
  - Fostering the adaptation of information into formula and languages relevant for rural users.
  - Supporting technical innovation for rural connectivity such as wireless, broadband connections or solar powered system.
- For improved revenue generation through e-taxation, it is also necessary that the government should legalize the creation of searchable website detailing state spending. The state should advance its impressive digital empowerment of the public by giving every one access to the same type of information about his or her state and local taxes.
- Moreover, states should be empowered to assess taxes on their citizens and on activities that occur within their borders so long as those taxes do not infringe on a power reserved for Federal Government.
- Finally we recommend digital record keeping of births, employments, new business, residency and death for this will provide the necessary data base needed for unproved revenue through electronic taxation.

References

Jason M (2009) Improving Tax Disclosure is the Next Step in the States Transparency Reforms” www.washingtonpolicy.org. retrieved 20/07/09
Non-Compliance with the CC Act: A Study on Close Corporations.

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The Close Corporation Act No. 69 of 1984 as amended provides close corporations (CCs) with the requirements they are obliged to abide by in order to carry on their enterprise in such a manner that the government deems fit. The Act covers regulations concerning formation of CCs; appointment of financial officers and the financial statements that should be prepared along with required disclosures. Despite the provisions of this government gazette, many close corporations are either not aware of these requirements or simply carry on their businesses in a manner that contravenes the Act. Many members of CCs do not understand the formation process and the requirements expected of them by Registrar of CCs and the South African Revenue Services (SARS). This may be attributed to the fact that the registration process of the CC is outsourced to third parties. In many cases, members do not know who, or where, their Accounting Officers are. Consequently, they do not prepare the end of year financial statements as required by section 16 of the CC Act.

This is an exploratory study on how members of CCs comply with the CC Act. This study focused on the Hilbrow, Berea and Yoeville part of Johannesburg; Gauteng Province of South Africa. Data collection was structured interview based. A total number of 150 members of different CCs were sampled. In conclusion, the study indicates that a many of CC members that are already in business and potential entrepreneurs need to be educated on the formation process, requirements by governing authorities and the advantages and disadvantages of choosing a particular business type. It also shows that practitioners in business and financial services need to be more socially responsible when dealing with CC clients and members. They need to, at least, explain important requirements to the members; advice them about SARS and introduce them to their Accounting Officers.

INTRODUCTION AND PROBLEM STATEMENT

In South Africa, the formal company structure that is most widely used to operate a small business is the close corporation (CC). This, according to Parker (2004:17) can be attributed to the fact that, among other factors. Unlike a sole proprietor and partnership, a CC exists in perpetuity and does not need to be wound up in the event of the death or permanent disability of one of its members. Transfer of ownership is a simple matter of selling the member’s interest of the retiring member. CCs are inexpensive to setup and the process is relatively straightforward when compared to the formation of public or private companies. Of more importance to many business owners, member can save money and time because the administrative burden of compliance is minimal as statutory requirements are relatively modest. These statutory requirements are stated in the Close Corporation Act (CC Act) No. 69 of 1984 as amended.

The CC Act is a government gazette that provides for the formation, registration, incorporation, management, control and liquidation of close corporations; and for matters connected therewith (CC Act, 2004:1). Even though the statutory requirements for CCs and its members are relatively modest, the question is: are close corporations complying with the requirements of the CC Act? The purpose of this paper is to highlight the major important factors that CC members took into consideration before opting for a CC as a form of business and how they went about the business formation process. Of more significance, the paper explores the non-compliance of CCs to the CC Act. The characteristics of CCs that make it more preferable to other forms of businesses were reviewed first, after which some particular requirements in the CC Act were relayed. The focus was then placed on the non-compliance of the CCs and their member to the CC Act; in the ensuing discussion. The
methodologies used were; review of relevant literature and an empirical study that entailed interviewing some close corporations in the designated population. Collected data were captured and statistical analyses were generated using SPSS. It is important to note that this particular topic has not been widely researched, as literatures thereon are not readily available. However, some relevant texts as well as the government gazette on CCs that were reviewed hereafter may suffice.

CLOSE CORPORATIONS AND REQUIREMENTS OF THE ACT

To have a broad understanding of the topic of this paper, it is necessary to briefly expound the nature and characteristics of CCs, and then highlight some of the requirements of the CC Act. For the purpose of this paper, this section is merely to serve as a background to the discussion on the non-compliance of CCs with CC Act. It is not an in-depth review of literature on this topic.

An overview of the nature of CCs.

A CC is the most common form of business, whose formation, registration, incorporation, management, control and liquidation is provided for in the CC Act. According to SAICA (2001), a CC can be a suitable medium for an enterprise that is owned by a few people who are actively involved in the running of the business. The members of a corporation are entitled under the CC Act to participate in running the business and to act on behalf of the CC. There is no distinction envisaged, as there is in companies, between the owners and the management of a CC. These have contributed to the popularity of this form of business to many entrepreneurs as in practice; the CC has been used by a whole variety of businesses as their trading vehicle. These businesses also vary in size from small one-man organisations to some very large ones (SAICA, 2001).

A CC, being a juristic person, has the capacity and powers of a natural person of full capacity, insofar as these are appropriate to a legal person. The profits made by a CC belong to the corporation and not to the members until properly declared as a distribution. Along the going concern principle, another major advantage is that a CC has perpetual succession and continues to exist as a juristic person despite changes in its membership and may not have more than ten members all of whom must be natural persons.

Section 2 of the CC Act – Formation and Juristic Personality of CCs:

(1) Any one or more persons, not exceeding ten, who qualify for membership of a close corporation in the terms of the Act, may form a close corporation and secure its incorporation by complying with the requirements of this Act in respect of the registration of its foundation statement referred to in section 12.

(2) A corporation formed in accordance with the provisions of this Act is on registration in terms of those provisions a juristic person and continues, subject to the provisions of this Act, to exist as a juristic person notwithstanding changes in its membership until it is in terms of this Act deregistered or dissolved.

Some advantages of CCs.

There is no formal decision making structure. A corporation is not required to hold any meetings, and although members may request meetings, decisions can be taken informally based on consultation between members; actions requiring written agreement by all members can be dealt with by a written resolution signed by all members without the need for a formal meeting. There is no separate board of directors and management is the responsibility of members. To cut the cost of outsourcing, member or employee of a corporation may be appointed as its accounting officer if he is qualified to be so appointed and all members agree in writing to such appointment. Annual financial statements are not required to be audited, resulting in more cost reduction. A CC provides limited liability to its members; however, members may be held jointly and severally liable for the corporation’s debts should they have contravened certain of the provisions of the CC Act (CC Act, 1984).
Section 60 of the CC Act – Qualification of Accounting Officer:
(3) A member or employee of a corporation, and a firm whose partner or employee is a member or employee of a corporation, shall not qualify for appointment as an accounting officer of such corporation unless all the members consent in writing to such appointment.

Despite the popularity of CCs as a form of business because of the aforementioned advantages, there are, however, some disadvantages of which many members are oblivious. The following section highlights some of the disadvantages of CCs.

Some disadvantages of CCs.
A member can be personally liable to the CC for a breach of his fiduciary duty or for loss through failure to act with the skill and care that can reasonably be expected from a person of his skill and experience.

Section 43 of the CC Act – Liability of Members for Negligence:
(1) A member of a corporation shall be liable to the corporation for loss caused by his failure in the carrying on of the business of the corporation to act with the degree of care and skill that may reasonably be expected from a person of his knowledge and experience.
(2) Liability referred to in subsection (1) shall not be incurred if the relevant conduct was preceded or followed by the written approval of all the members where such members were or are cognizant of all the material facts.

Every member is an agent for the CC; can act on its behalf and can participate in its management. Where the power of a member to bind the corporation is restricted by an association agreement, or he is otherwise disqualified from so doing, his actions will still bind the CC in respect of transactions with a third party, unless that third party ought reasonably to have had knowledge of such restriction or disqualification. A CC cannot become a subsidiary of a company or another corporation. Consequently, it is not possible to include a CC in a group structure other than as the top holding enterprise. A CC cannot be sold to a company. It would first have to be converted to a company before it could be sold as a going concern. Although not as stringent as companies, unlike the sole proprietors and partnerships, CCs are required to comply with some provisions in the Close Corporation Act No. 69 of 1984 as amended.

Some requirements of the CC Act.
Broadly speaking, CCs have accounting requirements somewhat similar to those of companies. Section 56 of the CC Act lays down the records that must be maintained. These include accounting records showing assets (and revaluation of fixed assets), liabilities, members’ contributions and loans to and by members. A comprehensive fixed assets register must be maintained, plus records of the day-to-day transactions whether cash or credit. (McLeary, 2002:228).

Section 56 of the CC Act – Accounting Records:
(1) A corporation shall keep in one of the official languages of the Republic such accounting records as are necessary fairly to present the state of affairs and business of the corporation, and to explain the transactions and financial position of the business of the corporation, including –
(a) records showing its assets and liabilities, members’ contributions, undrawn profits, revaluations of fixed assets and amounts of loans to and from members;
(b) a register of fixed assets showing in respect thereof the respective dates of any acquisition and the cost thereof, depreciation (if any), and where any assets have been revalued, the date of the revaluation and the revalued amount thereof, the respective dates of any disposals and the consideration received in respect thereof...
(c) records containing entries from day to day of all cash received and paid out, in sufficient detail to enable the nature of the transactions and, except in the case of cash sales, the names of the parties to the transactions to be identified;
(5) (a) Any corporation which fails to comply with any provisions of any of the preceding subsections of this section, and every member thereof who is party to such failure or who fails to take all reasonable steps to secure compliance by the corporation with any such provision, shall be guilty of an offence.

Since it is possible that not all members of all corporations will be able to keep up with the accounting functions of a CC, the CC Act makes provision for that by stating that all CCs must appoint an accounting officer. The duties of the accounting officers are stated in section (62) of the Cc Act. The Act stresses the importance of the accounting officer by indicating that the post should not be vacant for more than 28 days and lays down procedures to be observed in case of resignation or removal of an accounting officer.

**Section 59 of the CC Act – Appointment of Accounting Officers:**
(1) Every corporation shall appoint an accounting officer in accordance with the provision of this Act.
(2) The appointment of the first accounting officer of a corporation ...shall take effect on the date of the registration of the corporation.

**Section 62 of the CC Act – Duties of Accounting Officers:**
(1) The accounting officer of a corporation shall, not later than three months after completion of the annual financial statements –
(a) subject to the provisions of section 58 (2) (d), determine whether the annual financial statements are in agreement with the accounting records of the corporation.

The CC Act also lays down that there must be adequate safeguard against falsification of the records, which have to be kept at places of business of the registered office of the corporation where they must be available for inspection by members during all reasonable times.

**Section 58 of the CC Act – Annual Financial Statements:**
(1) The members of a corporation shall within nine months after the end of every financial year of the corporation cause annual financial statements in respect of that financial year to be made out in one of the official languages in the Republic.
(2) The annual financial statements of a corporation –
(a) shall consist of –
   (i) a balance sheet and any notes thereon; and
   (ii) an income statement or any similar financial statement where such form is appropriate, and any notes thereon;

Earlier in the CC Act, to enable the Registrar of CCs to ascertain the validity of information disclosed by the CCs, CCs are required to submit annual returns.

**Section 15A of the CC Act – Annual Returns:**
(1) In order to assist the Registrar to determine whether the information required to be disclosed in terms of this Act by a corporation has been disclosed and is still valid, every corporation shall not later than the end of the month following upon the month within which the anniversary of the date of its incorporation occurs, on payment of the prescribed fee, lodge with the Registrar a return in the prescribed form.

**RESEARCH METHODOLOGY**

As earlier indicated, a brief review of relevant literatures and interview of respondents are the methods used for this paper. After the problem has been identified and relevant literatures on the topic have been
consulted, interview questionnaires were formulated. Data from the scheduled interview were captured and then analysed to obtain statistical and inferential results.

**Population and samples.**
The population used in the empirical study consisted CCs in the Johannesburg Central (particularly Hillbrow, Berea and Yeoville). Samples were selected purposively, selecting only businesses that are of the CC form. A total number of 150 CCs were selected and engaged in this study. Some service providers responsible for business registration and officials at the South African Revenue Service (SARS) were also interviewed. Even though their responses did not form part of the core studies, inferences were drawn from these responses and included in the discussion.

**Data collection and analysis.**
Scheduled interviews were used for data collection, after which collected data were coded and captured with the SPSS for analyses and presentation of results. Statistical analyses and inferential analyses were generated to aid the discussion. Other collected data were not analysed using the software, nor presented hereafter, but were presented in the form discussion.

**PRESENTATION OF RESULTS**

Presentation of results is clustered into three aspects: business formation and registration, accounting records and non-compliance with CC Act. Presentation is in the form of percentages, charts, cross tabulations and inferential statistics.

**Business formation and registration.**
Majority of the respondents are one-member CCs that carry on businesses as traders. They do not have particular reasons for choosing CC as a form of business. Registration of the CCs and lodging of statutory documents with the Registrar of CCs was not done the members.

<table>
<thead>
<tr>
<th>What is the nature of your business?</th>
<th>How many members are you in the CC?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Frequency</td>
</tr>
<tr>
<td>Trading</td>
<td>124</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16</td>
</tr>
<tr>
<td>Service</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For how many years has the CC being registered?</th>
<th>Who was responsible for the CC registration?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Frequency</td>
</tr>
<tr>
<td>One year</td>
<td>6</td>
</tr>
<tr>
<td>Two to Five years</td>
<td>134</td>
</tr>
<tr>
<td>Six to Ten years</td>
<td>7</td>
</tr>
<tr>
<td>More than Ten years</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
</tr>
</tbody>
</table>

| Valid                                           | Frequency | Percent | Valid Percent | Cumulative Percent |
| Members                                        | 2         | 1.3     | 1.3           | 1.3               |
| Outsourced                                     | 146       | 97.3    | 97.3          | 98.7              |
| Government                                     | 2         | 1.3     | 1.3           | 100.0             |
| Total                                         | 150       | 100.0   | 100.0         | 100.0             |

**Keeping accounting records and preparing financial statements.**
Less than 25% of the respondents keep a register for assets, liabilities and loans to, and from members. Others either keep them partially or do not keep them at all.
Majority of the CCs do not prepare end of the year financial statements. This is however anticipated as majority either does not keep the vital accounting records or only partially keep them.

Non-compliance with the CC Act and SARS requirements.

The CC Act states that every CC must appoint an accounting officer. Majority of the respondents (96%) do not know their accounting officer and less than 7% of the respondent ever saw the CC Act document. On registration with the SARS, 36% responded to have registered as income tax payers; while 28% actually pay tax.

DISCUSSION ON NON-COMPLIANCE WITH THE CC ACT
Discussion is based on the results obtained from the data analysis, and how they indicate non-compliance of the CCs with some of the requirements of the CC Act. Statistical and inferential analyses, in the guise of correlation tables generated from the data analysis software, are presented to buttress the discussion.

Factors contributing to non-compliance of CCs with the CC Act.

As stated by (Suttner, 2007), statutory compliance is an essential, but can be a time consuming administrative functions, especially when seen in the light of constantly needing to update knowledge as requirements change. Many member, thus, prefer to outsource these functions to other service providers. In the same understanding, majority of the respondents outsourced the registration function of their CCs to third parties. These third parties are mainly business developers and financial service providers.

<table>
<thead>
<tr>
<th>Do you keep a register for liabilities?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>30</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Yes</td>
<td>58</td>
<td>38.7</td>
<td>38.7</td>
<td>58.7</td>
</tr>
<tr>
<td>Partially</td>
<td>62</td>
<td>41.3</td>
<td>41.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you keep an asset register?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>35</td>
<td>23.3</td>
<td>23.3</td>
<td>23.3</td>
</tr>
<tr>
<td>Yes</td>
<td>51</td>
<td>34.0</td>
<td>34.0</td>
<td>57.3</td>
</tr>
<tr>
<td>Partially</td>
<td>64</td>
<td>42.7</td>
<td>42.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you prepare end of the year financial statements?</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>130</td>
</tr>
<tr>
<td>No</td>
<td>20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Have you ever read the CC Act?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Yes: never seen such a document</td>
<td>141</td>
<td>94.0</td>
<td>94.0</td>
<td>100.0</td>
</tr>
<tr>
<td>No: seen it but never read</td>
<td>7</td>
<td>4.7</td>
<td>4.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you keep a record of loan to, and from members?</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>130</td>
</tr>
<tr>
<td>No</td>
<td>20</td>
</tr>
<tr>
<td>Partially</td>
<td>0</td>
</tr>
</tbody>
</table>

Non-compliance with the CC Act and SARS requirements.
providers. Information gathered from interviews with some of these service providers indicates that CC registration is a lucrative business where some register as many as 300 CCs per month with an average service charge of R264 to R900 per registration. The major issue to this study, however, is the fact that non-compliance with the CC Act is fostered by outsourcing the registration of CCs. This is evident in the oblivion of the requirements of the CC Act by the members.

The function of an accounting officer is paramount when it comes to compliance with the provisions of the CC Acts as earlier indicated in the literature review. Incidentally, majority of the CCs do not know the accounting officers that were appointed on their behalves by the third parties. The appointment of accounting officers was, to the third parties, just a necessary step to facilitate the CC registration process and nothing more. This is because they do not make any effort to introduce the members to the appointed accounting officers or vice versa. The correlation table below shows that there is a correlation between preparation of end year financial statements and knowing or having met the accounting officers. Less than 25% of the respondents keep the basic accounting records as required by the CC Act. There is a correlation indicating that those who do not keep one of the records do not keep all. Inferably, it is not possible to prepare end of year financial statements without proper records of some accounts. So, one may deduce that the major factor contributing to non-compliance with the CC Act, apart from the obvious unawareness of the CC Act document itself, is the fact that the members do not know communicate with their accounting officers, who are more equipped professionally to help them with compliance matters.

| Who was responsible for the CC registration? | Do you know your Accounting Officer? | Do you keep an asset register? | Do you keep a register for liabilities? | Do you keep a record of loan to, and from members? | Do you prepare end of the year financial statements?
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who was responsible for the CC registration?</strong></td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td><strong>Who was responsible for the CC registration?</strong></td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
</tr>
<tr>
<td>Who was responsible for the CC registration? Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
<td>.208*</td>
<td>.052</td>
<td>.054</td>
<td>-.167*</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Do you know your Accounting Officer? Pearson Correlation Sig. (2-tailed)</td>
<td>.208*</td>
<td>1</td>
<td>.050</td>
<td>.058</td>
<td>-.091</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Do you keep an asset register? Pearson Correlation Sig. (2-tailed)</td>
<td>.052</td>
<td>.050</td>
<td>1</td>
<td>.727**</td>
<td>.604**</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Do you keep a register for liabilities? Pearson Correlation Sig. (2-tailed)</td>
<td>.054</td>
<td>.058</td>
<td>.727**</td>
<td>1</td>
<td>.597**</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Do you keep a record of loan to, and from members? Pearson Correlation Sig. (2-tailed)</td>
<td>-.167*</td>
<td>.091</td>
<td>.604**</td>
<td>.597**</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Do you prepare end of the year financial statements? Pearson Correlation Sig. (2-tailed)</td>
<td>.292**</td>
<td>.457**</td>
<td>.035</td>
<td>.040</td>
<td>.064</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Implication to South African Revenue Service (SARS).
It is not practicable to determine a business’s tax expenses or liabilities if proper accounting records are not maintained and financial statements are not prepared. As evident in this study, there is a correlation between lack of accounting records keeping and payment of tax. Thirty six percent of the respondents registered as income tax payers and 28% pay their income taxes. The remaining percentages are either not paying or not in the threshold of tax payment. The major issue here is that there is a correlation between compliance with the CC Act, income tax registration and tax payment.
presentation. This will allow the CCs and their members to easily comply, not only with the requirements of the CC Act but also, with the requirements of SARS and tax responsibilities.

CONCLUSION
CCs remains one form of business that is very common among small business and those who want to enter into new businesses. The formation and registration process is relatively simple, and without much effort from the members as the registration is often outsourced to some business development and management service providers. The problem is that the requirements of the CC Act, which are in place to guide the modus operandi of the CCs, is not complied with in many ways. These results in CCs not keeping their accounting records and preparing financial statements as required by the Act. In addition, since there are no adequate records in place, the responsibility of paying taxes is easily dodged.

Even though the onus of tax payment and responsibility of CC registration lie on the members of such business, business developers, accounting officer and other service providers can be of more valuable service if they educate their clients about the requirements of the CC Act and guide them in the way to comply with these requirements. This is a win-win situation for all parties involved as the CCs eradicate non-compliance to an extent, SARS receives more money from now-complying CCs and the service providers extend the services rendered for more fees in a socially responsible manner.

REFERENCES
Brokers and Control of Precontractual Opportunism in the Nigerian Insurance Market

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Introduction

Insurance opportunism or fraud has been recognised as a serious economic problem whereby insurance customers deprive the system of resources as well as cheat it out on resources (Derrig and Krauss, 1994). This happens when they mask their true risk-type while applying for insurance and when they are making claims for fabricated or genuine claims. It is a common knowledge that policyholders have the ability to use their informational advantage to make false declarations in order to be effectively covered or to pay lower premium (Alary and Besfamille, 2001). Suprisingly, applications, underwriting or premium fraud go largely under-studied.

Consequently, insurers have deviced various strategies to control the fraudulent trend. Such strategies involve contract-design (Townsend, 1979; Picard, 2000; Boyer, 2004) and audit (Crocker and Morgan, 1998; Major and Riedinger, 2002; Morse, 2005; Morley et al, 2006) approaches. But these two major approaches in the literature have achieved minimal results with insurance fraud assuming increasingly global dimension. But, this may not be unconnected with several factors.

Firstly, insurance contracts are inherently conducted under the atmosphere of informational asymmetry. This means that the information of the subject matter of insurance is tilted more to the side of the applicant (prospective insured) than the insurer. The second factor relates to bad attitudes on the part of the public which view insurance fraud as a crime of easy money with little risk of getting caught, or of few serious consequences if they are caught. Thirdly, people believe they are entitled to commit fraud after paying high premiums with no or few losses for many years. Fourthly, too many insurers are in denial about the scope of fraud and its impact on their bottom lines (CAIF, 2000).

While insurance intermediaries contribute to enhancing transparency in insurance markets due to the information asymmetries characterising them, they have been systematically excluded from using their position to deterring opportunistic tendencies of insurance customers. As a result, there seems to be a begging vacuum in the area of study of operational model of bridging of information gap by insurance intermediaries to stem the tide of all forms of opportunism in the insurance market.

Scholars have also observed that under adverse selection in insurance markets, the insured has no incentive to reveal his true risk which is costly to observe by the insurer (Dionne and Lasserre (1985). This is insurance opportunism that takes place at the precontractual stage of the insurance contract.

It is founded on the assumption that the more rigorous is the information gathering at the precontractual stage, the more difficult it is for customers to perpetrate opportunism. Insurance customers, particularly, the commercial clients, are aware that the insurers rate their risks on the amount of information they give. They, as a result, would like to give less “high risk” information in order to pay less premium. Two examples of this ex ante behaviours are such as: failing to report an accurate medical history when applying for health insurance (concealment), and in automobile insurance, declaring that the usual driver is the middle-aged car’s owner while, in fact, it will be his young son (misrepresentation).
The first objective of this article is to explore how insurance brokers gather information from clients to control insurance opportunism perpetrated by the customers when they apply for insurance ex ante (precontractual). This is because they do not have the incentive to reveal all about their risks so as to pay less amount of premium. Secondly, the paper also aims to examine how brokers resolve the stakeholders’ pressures that face them at this stage of the insurance contract in the interests of both clients and insurers.

Opportunism is defined as "self-interest seeking with guile. This includes but is scarcely limited to more blatant forms, such as lying, stealing, and cheating...More generally, opportunism refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse" (Williamson, 1985, p. 47). Translated into insurance parlance, this refers to the attempt by the insurance customer behaving opportunistically to obtain undue advantage while applying for insurance (precontractual) and while making a claim (postcontractual). Opportunism in this study is a compound word encompassing all kinds of guiles and deceit, whether calculated or not, from petty to organised scam and which serve the purpose of obtaining undue advantage from the insurance system at precontractual and postcontractual stages of the contract. The present focus is the precontractual phenomenon.

To address these objectives the paper is structured as follows. Section 2 contextualises the study while third section reviews some relevant literature on asymmetry information and conflicts of interest for insurance brokers. The theoretical framework is addressed in section four while section five presents the research methodology. Section six presents the findings; which are discussed in section seven while section eight concludes.

The Nigerian Insurance Broking Sector

The Nigerian insurance market is, in many respects the next frontier in the Nigerian financial space but unlike the banking story, the growth opportunity of the Nigerian insurance industry has been stagnated for too long. It is obvious that the Nigeria insurance market cannot be treated in isolation of the national economy. The Nigerian insurance market has been highly under-penetrated, particularly when compared with other African insurance markets. Of the estimated 20m people in formal employment across Nigeria, less than 1m currently holds personal insurance policies. This is despite a steady growth in incomes across the working population in recent years, and the emergence of a new middle-class group in Nigeria (Wiggle, 2009).

The industry is less ‘highly’ competitive, considering the slow pace of growth in overall market size; and the stringent conditions of entry of new policy. The competitive structure of the Nigerian insurance industry is complicated by the presence of a large number of insurance brokers (510 as at 2006), who are major intermediaries in the flow of business between corporate customers and insurance underwriters.

Over 70% of industry premiums are controlled by this large group of brokers. Corporate accounts in particular, can often only be secured with the involvement of a broker, as companies are comfortable with the competitive pricing and claims management support that brokers typically provide. Brokers have thus leveraged on this position of strength to dominate the industry. This situation might have been accentuated by the problem of asymmetric information characterizing the insurance market.

Asymmetric Information

According to Puelz and Snow (1994: 237), information asymmetries arise in insurance markets because underwriters cannot judge with certainty the magnitude and frequency of the risks underwritten and consequently, the actuarially fair rate at which those risks should be priced. Therefore, in order to mitigate
this problem, underwriters instigate appropriate contracting and contract monitoring solutions. D’Arcy and Doherty (1990) mention the three approaches that have gained currency in the literature namely; 1) \textit{separating equilibria} or self-selection; 2) \textit{multiperiod contracts} or experience rating and 3) the integrative contract.

Hence insurance opportunism (fraud) can be traced to the underlying origin—\textit{information asymmetry} (Derrig, 2002) present in every insurance contract. Hence, it can be said that insurance opportunism (fraud) is traceable to the manipulations of information asymmetry by-products; namely adverse selection and moral hazard (Chiappori et al., 2004). But the focus of the present study is restricted to the precontractual opportunism resulting in adverse selection. This results when the insurance customer masks his true risk-type while applying for insurance at the precontractual stage. The insurer, also, without the insurance broker will consequently charge lesser than he should receive had the customer not misrepresented/concealed his true risk-type. This is called precontractual opportunism where one person seizes the opportunity of presence of private information to lie prior to a contract taking place (Molho, 1997). The implication of this scenario for the insurance market is depicted in Figure 1 below.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{asymmetric_information.png}
\caption{Asymmetric information in the insurance market without intermediaries}
\end{figure}

\textbf{Adverse Selection}

According to Akerlof (1970), adverse selection refers to the risk that contracting parties have incentives to actively withhold private information from each other ex-ante in order to secure economic advantages later on. In his famous landmark piece: "The Market for “Lemon”: Quality Uncertainty and Market Mechanism", the author applies this concept to the insurance market by arguing that because it is not always commercially favourable for insurers to sell policies for applicants above the age 65 even if price levels are raised for this set of people. The reason for this is tied to the fact that the people who insure themselves will be those who are increasingly certain that they will need the insurance; for error in the medical check-ups, doctors’ sympathy with older patients and so on make it much easier for the applicant
to access the risk involved than the insurance company. The result is that the average medical condition of insurance applicants deteriorates as the price level rises—with the result that no insurance sales may take place at any price.

Formally stating this, *Adverse selection* arises when one party—generally, the subscriber—has a better information than the other party—the insurer—about some parameters that are relevant for the relationship (Chiappori, 2000: 367). Alary and Besfamille (2001) focus on this particular type of information asymmetry that takes place during insurance policy negotiation. The authors argue that it is well acknowledged by practitioners that at this stage, many policyholders often lie and misreport their private information. They do this on the understanding that the insurers decide to cover them or determine their rate upon those declarations. They may probably make false declarations in order to pay lower premiums. The authors further argue against this behaviors by citing two instances of either failing to report an accurate medical history when applying for health insurance (concealment), or declaring that the usual driver would be the middle-aged car’s owner while, in fact, it would be his young son (misrepresentation) in the case of automobile insurance.

**Assumptions of the conceptual framework**

The conceptual framework adopted for this study is based on the following assumptions:

- There is principal-agent relationship between the broker and client on the demand side of the market and between broker and the insurer on the supply side.
- The broker serves as agent for both insurer and client.
- The broker maintains relational repetitive contract with client.
- The broker is remunerated sometimes by either parties (client or insurer) or both of them at the sometimes by commissions to mitigate asymmetric information (adverse selection) in the market.
- The broker is a risk averse agent incentivized to control insurance opportunism.
- The broker is weary of reputational damage that professional indemnity could cause him should he fail to report all the information gathered and verified from the client to the insurer.
- The regulatory environment is cost effective to control insurance opportunism.

The implication of these assumptions of the framework is that the agent or broker who fails to provide accurate information on the short-run faces the loss of his relationship with the insurer because the insurer would be required to sustain underwriting losses to identify the dishonest agents. The same consequence is equally applicable to the client who is in the habit of masking his true risk-type *ex ante*.

**Research methodology**

A case method was adopted of the Nigerian insurance broking sector. Using the unusual case sampling strategy (Auerbach, 2003), Lagos city was selected where over 80% of the insurance brokers head offices are located. In all, 45 interviews were conducted among various insurance broking executives with titles such as Managing Director, Head of Property-Liability Department, Accounts executives, and other insurance experts working with the regulatory authority as well as loss adjusters. (See Appendix 2).

Being a study in the area of incentives and agency relationships, qualitative approach may enable the observation and discursive evaluation of best-and-worst-practice examples that the proponents of such practices may be unaware of, or which they may be unable or unwilling to report or evaluate without bias (Lewis, 1998; Morley et al. 2006). Although, semi-structured face-to-face interviews constituted the primary method of data collection, other methods were used to supplement these interviews—reviews of professional journal articles, magazines, annual reports, information gathering templates, claim forms templates and so on. The number of interviews was not pre-set, but was determined in part by pragmatic considerations, such as time constraints, and also by the attainment of theoretical saturation (Glaser and Strauss, 1967; Flick, 2002).
For strategic reason, the researcher adopted an approach that completely refrained from using the word, “opportunism” throughout correspondence and actual meeting with broker-interviewees so as not create negative and suspicious mindset. Rather, the word, ‘bridging information gap’ was used in substitution. In most interview sessions, the word ’opportunism (fraud)’ was only used when the researcher had exhausted the main research questions and smoother relationship had developed with respondents. And as expected, this researcher found the approach quite useful to corroborate Davies’s (2007) view that the interview method would assist while exploring individual or situational perspectives and gain an in-depth understanding of personal feelings and experience.

After collecting the data which spanned for four months, the analysis is presented drawing from Auerbach’s (2003) three-phase (six-step) coding method and data analysis. This process is broken down into i) Making the text manageable, ii) Hearing what was said, and iii) developing theory.

Findings and Discussion

The information gathering role of brokers entails collecting detail information about the risks to be insured. This would include sourcing for prospects, meetings, tools for gathering information, verification, and prospect’ management quality and presenting the information to insurers to obtain actuarially fair quotes from which the prospect would make a choice. This procedure is taken up next.

a) Verification tools: How effective?

How effective are these information gathering tools in eliciting the required information before insurers are invited for quotations? Brokers generally believe that they are credible and effective; based on the experience they have garnered while doing the same job time and time again. The verification process often makes brokers to cross-check with published annual report figures of the clients’ assets—movable and fixed while any discrepancy is ironed out with the client. The verification exercise would involve brokers contracting with technical experts for surveying the clients’ premises and operations where these are of complex and highly industrialised nature. Some of them justify the relevance of this procedure as:

“…safeguard(ing) us in terms of what we are presenting to the insurer because they can go out there and get their own facts as well. So that does help. Sometimes, we also obtain surveys from the particular place from qualified surveyors, property surveyors and liability surveyors and we would pay them to take…prior to signing an agreement with the client” (New Business Executive).

The brokers are not contented only on the aforementioned verification exercise; they would also authenticate such information by carrying out a check on the past claim history of the prospects with past insurers:

“…all insurance quotes are all subject to authenticated (previous) claim experience being provided. So, if the client withholds, and we incept cover and we get the experience, and it doesn’t match up with what client had told us, then insurers have the right to review terms already quoted” (Commercial Department).

The implication of this point is to underscore the credibility and usefulness of the service of the brokers. The report on past claim history would reveal the risk level of the new prospect and this might mitigate adverse selection to ensure actuarially fair rating of the new risks being brought on board. The further usefulness of this is prevention of insurance opportunism of clients who might want to present less “high risk” information to pay less premium. This role is also akin to Rejda’s (2003) “first underwriting” and Hall’s (2000) “field underwriting”—a process meant to select and classify applicants according to the risk that they represent. “Failure to effectively underwrite or classify potential insureds can lead to the problems of adverse selection and price inequity” (Hoyt et al, 2006: 3).
More importantly, the underwriting survey provides broker with a valuable source of information and is important in obtaining favourable terms. Insurers feel more confident in providing their best terms when they have the fullest understanding of the risks.

**b) Transmitting Information to Insurers**

Presenting information gathered from new prospects to insurer is a crucial function of the broker at the precontractual stage. Brokers, having gathered and verified the information from new prospects must present it properly without which the initial purpose of fact-finding would be defeated. Bad presentation could mar comprehensive and well collected information. Findings suggest that all the information gathered from new prospects is often vetted by brokers while passing only that part which the insurers require to quote for the risk exposures.

"We, in the main, we would disclose to the insurers all the information which we gathered from client which is material fact and pertinent to placing the insurance cover with them. Once we have obtained information, due to the duty of disclosure the information to the underwriters to allow them to quote. We are not allowed to withhold any information which is considered to be material fact in placing insurance cover “(Manager, Oil and Gas Department).

In whose interest is the vetting done? The client, the insurer or the broker? How material is the material fact passed on to the insurer? These and other types of conflict of interests which are inherently present in the intermediary role of brokers are treated later in the next section.

**Brokers’ Role in Controlling Opportunism at the Pre-contractual and Renewal stages**

Brokers agree that they are very relevant in deterring and controlling insurance opportunism at the precontractual stage for their invaluable services in eliciting the proper information from prospective clients. Apart from marketing the products of the insurers, they base such claim on the fact-finding exercises they embark upon in building trust with the client. In the literature, asymmetric information has been mostly alleged as the underlying cause of the fraud phenomenon. This implies that insurance customers have the ability to use their informational advantage about the nature of their risks to obtain cheaper quotes. The information gathered by the brokers helps to improve the efficiency of the insurance markets by reducing adverse selection. From the findings, brokers do go extra length to identify the extent of their clients’ risks:

"It is easier for clients to hide something when they are dealing directly with insurers and it would be for brokers to make a visit to the clients and say, well, you told us that the building was metal-roofed, while in fact it was a timber roofed. That’s where we can gather information to see whether the information from client is providing is correct". (Head, Broking Team).

More importantly, in Nigeria where insurance culture is still very low, the brokers’ role could prove quite invaluable. In the first place, most commercial prospects—small-scale businesses are just being introduced into the insurance market to be aware of their risk exposures. The visit by the brokers might be their first experience of the workings of insurance and its usefulness. At this first visit, they tend to be as honest as much as they can. With a skilful broker versed in the art of eliciting facts from people, the most relevant questions are asked and later translated into the insurance language. Brokers, though working for their own self-interests are saving the insurers the hassles of discovering such ‘innocent’ clients who have scanty knowledge about insurance to want to mask their risk-type at the precontractual stage. They are able to collect raw facts from this set of prospects; from where their risk profiles are developed. These raw facts are subsequently improved upon at the renewal stage when new developments crop up in the client’s business in terms of additions and deletions as well as the need for revaluation of the insured assets.
Stakeholders’ Pressures on brokers
The findings from the study has revealed that insurance brokers which play the role of information agents in the insurance market are under immense pressures to deliver and not to soil their reputation through conflicts of interest induced by economic gains. What is evident from this study is that these pressures may have varying effects on the brokers depending on the level of development of the insurance environment and how well they are regulated to ensure compliance with the rules of the business.

**a) Lawsuits and reputational damage for professional negligence**
Most reputable brokerage firms or those that are upcoming are often confronted and influenced by the fear of facing legal suits from their clients should they be involved in any act of professional negligence. Such fears are a function of the regulatory and legal environment as well as the level of enforcement of such rules. Hence, there is the need for regulatory dimensions of controlling conflicts of interest in financial firms generally and in the broking sector especially; thereby bolstering their prospective role in the governance process. It reflects in the study where senior members of staff of broking firms are monitoring the junior ones responsible for gathering information.

Professional reputation management has quite simply become every company’s duty. For the broker, trust is a key component of relationship quality with customers which gives the broker a competitive edge and also determines whether the relationship will continue in the future. High service quality leads to satisfaction in the service provider which in turn leads to ‘relationship quality’ or a long-term relationship between the service provider (the broker) and the client. A slip up in this area by the broker could prove fatal for its existence and survival in the long-run. A broker has this to say:

> Everybody gets to know much about you that any job from that place should be suspicious. The next day, they either avoid you or they jack your rate up. They would not accept your terms and they would always insist that you must pay before...no credit insurance for you again and no more latitude for you to play around with in terms of any of those considerations they may give to other brokers”( General Manager, Underwriting).

Hence, brokers are always weary of suffering reputation loss with both clients and insurers in their information bridging role to maintain high level quality service.

**b) Sanctions by regulatory authority**
Another external pressure confronting the insurance brokers from the finding is the fear of sanctions for breach of the rules when the monitoring team of the regulatory authority comes to inspect the records of the brokerage firms. Apart from examination of the broking records, complaints received from members of the public or clients are taken seriously to ensure that brokers to treat their customers fairly. Sanctions for erring brokers could be in form of fines, suspension, and license withdrawal and so on to serve as deterrence. The Nigerian regulatory body—NAICOM—recently sanctioned some brokers for failing to remit premiums to the insurer within the stipulated 90 days of signing of the contract.

Implication and Conclusions
This article sought to explore the effectiveness of the insurance brokers’ information gathering role at the precontractual of the insurance contract to control opportunism caused by adverse selection in the insurance market. It also set to examine stakeholders’ pressure effect on the brokers to control insurance opportunism. The findings suggest that this role, to a great extent, is performed creditably well in the markets. Expectedly, this has reinforced the theoretical framework that the insurance intermediaries are relevant information agents that enhance the competitiveness and efficiency of the insurance market through the resolution of adverse selection. The effectiveness of this role enhances competitive biddings.
which ensure that insurance customers receive fair deals from their brokers while also safeguarding the interest of the insurers in the control of insurance opportunism.

Through the discussion on stakeholders’ pressures on the brokers, the study has highlighted the reality of this phenomenon in the insurance market from the regulators, insurers and the clients. It situates the broker as standing between two principals with differing interests. The client-customer wants the widest coverage at the cheapest price while the insurer wants to maximize profits and the value of the company by attracting only the good risks. Through the involvement of the broker, the transaction costs of searching for the best-match by the two parties are overcome through the mitigation of the adverse selection problem. The regulators are also involved in putting pressures on the brokers to ensure that customers are treated fairly through threats of various forms of sanction. Hence, it can be reasonably concluded that insurance intermediaries (brokers) are vital agents in the insurance market to control opportunism resulting from adverse selection due to asymmetric information.

Reference
The Nigerian Banking Crisis: Accounting for the Auditors

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In market societies people routinely have to transact with faceless corporations about whom they have little personal knowledge. In such societies external auditing and auditors are promoted as a trust engendering technology and watchdog with the capacity to promote a particular kind of social order. The bourgeoning literature on the commercialisation of the professions has paid little attention to the predatory practices of professionals even though such practices affect a wide variety of arenas and stakeholders. The paper seeks to understand the role of accountants and auditing firms in causing the collapse of banks. It explores the socio-political and economic contexts that underlie auditing in Nigeria. The paper locates the role of auditors within the broader dynamics of professionalism and pursuit of profits, to argue that major accountancy firms are increasingly willing to increase profits through indulging in anti-social practices that show scant regard for social norms and even laws. The involvement of accounting firms and auditing is explained through the use of a case study of the recent banking crisis in Nigeria. The paper uses publicly available data to show the role accountants and auditors have played in the recent banking crisis. The paper finds that contrary to the claim of protecting the public interest, accountants and auditors may be partly responsible for cases of distress and the collapse of banks in Nigeria as they have failed to qualify their reports when there are indications of financial inadequacies in such banks. This paper argues that the basic auditing model is flawed since it makes auditors financially dependent on companies. Such events raise questions about the value of company audits, auditor independence and the quality of audit work. The paper suggests that conventional approach to ‘audit quality’ is also incomplete as it pays little attention to the organisational pursuit of profits and the social context of auditing. The paper encourages reflections on contemporary practices and the role of accountants and auditing firms in corporate collapse, and offers some suggestions for reforms.

Introduction

In a society marked by divisions of expert labour, external auditing is promoted as a trust engendering technology with the capacity to promote a certain kind of social order (Power, 1999). Accountants, as auditors, have cemented their status and privileges on the basis of claims that their expertise enables them to mediate uncertainty and construct independent, objective, true and fair accounts of corporate affairs (Sikka, 2009). It has been argued, however, that such claims are uncertain as measures of corporate performance, because capitalist economies are inherently prone to crises (O’Connor, 1987; Sikka, 2009). Furthermore, the claims of expertise are frequently punctured by unexpected corporate collapses, fraud, financial crime and a general crisis of capitalism (Baker, 2007; Sikka, 2009; Sikka et al, 2009; Guénin-Paracini and Gendron, 2010)

Since late 2007, major Western economies have experienced a deepening banking and financial crisis arising from subprime lending practices by banks, which in turn has restricted the availability of credit and has led to what has been described as the ‘credit crunch’ (Sikka et al, 2009). Some commentators have attributed this to unethical practices by corporate managers of banks and the inability of auditors to expose such predatory practices from previous audits (Broad Street Journal, 21 October 2009; Sikka, 2009). It also shows that auditors have fallen below the expected standards. If a company fails shortly after being audited, the auditors may be blamed for conducting an inferior audit (Dopuch, 1988). Thus,
whenever there is a financial scandal, the question is raised as to whether the auditors carried out their duties and obligations with due care.

In Nigeria the spate of corporate failure witnessed in the financial sector in the early 1990s brought auditors into sharp focus and caused the Nigerian public to question the role of accountants and auditors (Okike, 2004; Bakre, 2007; Ajibolade, 2008). Furthermore the investigations launched into these cases of distress and disclosure by regulators and other stakeholders revealed that accountants and auditors were implicated (NDIC, 1995). With the recent banking crisis in Nigeria, members of the auditing profession in Nigeria are once again in the limelight. Thus the recent banking crisis and the revelation of unethical practices by bank executives and board members has raised many questions about the ethical standards of the accounting profession as well as the integrity of financial reports issued by professional accountants (ThisDay, 9 December 2009). This has been as a result of the failure of accountants and auditors to alert regulators when they discover fraud and other irregularities in company records (Bakre, 2007; Ajibolade, 2008; Okike, 2009; Neu et al., forthcoming).

The social cost of the banking crisis is difficult to estimate, but huge amounts of public money are being used to bail out distressed banks (Sikka, 2009). In 2008, almost every Reserve Bank, in collaboration with finance ministries, across the globe was forced to adopt extraordinary measures to stave off the collapse of the financial institutions and restore confidence in the banking system. Some countries, such as the UK, took direct stakes in their banks as a temporary measure, in order to ensure they kept lending. In Germany and France the government offered to guarantee inter-bank deposits to achieve the same purpose, while the US government rolled out the Emergency Economic Stabilisation Act authorising the US Treasury Department to spend up to $700 billion to purchase distressed assets from sick banks and make a direct capital injection into the institutions (The Guardian, 30 August 2009). While in 2009, Nigeria government through its Central Bank injected N620 billion ($4.13 billion) into nine troubled bank (Nigerian Tribune, 8 December, 2009; This Day, 12 December 2009).

The global financial and banking crises have attracted the attention of policy-makers (TI, 2009) and scholars (Njanike et al, 2009; Sikka, 2009; Sikka et al, 2009), but comparatively little scholarly attention has been focussed on the role of auditing firms in facilitating the mismanagement of bank assets, liabilities and depositors’ funds in developing countries. In this study we examine how auditing process and auditors come to be implicated in the recent Nigerian banking crisis? It also examines the relationships of auditors and their client’s management, about auditors and supervisor as a result of the current crisis? The paper provides evidence on the inadequacy of audit reports to disclose non-performing loans and the mismanagement of banking assets. Such evidence can help understand the auditing practices which have been adopted, but which are in direct conflict with the express claims of auditors and accountants to be acting in an ethical and socially responsible way. This paper contributes to the ongoing debate on the usefulness of auditing and the need for accounting professionals to ensure that they continue to play a leading role in lending credibility to published financial statements and in maintaining the confidence of depositors in banks and investors in the capital market.

The paper is organised as follows. The next section examines the literature on the auditing environment in Nigeria in order to understand the socio-political and economic contexts within which such professional practices are embedded. It also examines the role of auditing in corporate collapse, particularly in respect of banking failures. The second section offers some theoretical framing of professionalism and pursuit of profits. In this section it is argued that, despite the regulatory framework which governs the professional activities of auditors and accountants, the pursuit of profits and systemic pressure to increase corporate performance have been prioritised. It also discusses the research methods adopted in this paper. The third section provides empirical evidence on the role of auditors in bank failures and the recent banking crisis in Nigeria. The last section concludes the paper by providing a summary and discussion of the issues raised and offers suggestions for reform.
A Review of the Literature

This section examines the extant studies on the role of auditing, accountants and auditors in corporate collapse and in Nigerian banking crisis in particular. The implication and culpability of accounting firms and auditors in unethical practice and conflict of interest have long been documented in critical accounting literature (Neu and Wright, 1992; Bakre, 2007; Sikka, 2009; Sikka et al, 2009; Guénin-Paracini and Gendron, 2010). It has been argued that the nature and environment in which auditors operate will normally determine the extent to which they can successfully discharge their role as society watchdog (Okike, 2004; Bakre, 2007). This is considered in the next sub-section.

The socio-political and economic context of auditing in Nigeria

Nigeria is located in West Africa in the Eastern corner of the Gulf of Guinea, an arm of the Atlantic Ocean (Sklar, 2004; Uzoigwe, 2004). It is the second largest country in Africa (Uzoigwe, 2004). It has a population of about 145 million (US Senate Sub-Committee on Investigations, 2010). Nigeria grew from three regions at independence to a federation of 36 states and a Federal Capital Territory.

Since independence, in 1960, Nigeria has been ruled mainly by military regimes with some democratic interludes. Thus, stable and accountable democratic institutions have never really been established. In addition, Nigeria has had a long history of gross mismanagement of the economy and corruption at all levels of government (Okike, 2004; Bakre, 2008). Accountability in all facets of the economy is an essential ingredient to the economic development of any nation. Achieving adequate accountability in Nigeria has become a major problem, which successive governments have had to contend with, because of widespread corruption and anti-social practices in almost all spheres of public and private endeavours (Okike, 2004). It has been argued that, despite successive governments claiming to have implemented various economic and political programmes to curb anti-social practices, yet the country continues to be enmeshed in huge financial criminal practices (Bakre, 2008).

Financial statement quality is an indispensable component of the infrastructure needed to develop a mature capital market and a viable banking sector. Thus accountants and auditors play a key role in ensuring adequate internal controls in business organisations (such as banks) and the reliability of the financial information reported in company financial statements (Okike, 2009, Evbodaghe, 2009). For example, the Companies and Allied Matters Act 1990 (CAMA 1990) placed a huge responsibility on chartered accountants as external auditors to examine financial statements not only to determine whether they represent a true and fair view of the state of affairs of the entity and are free of any material misstatements, but also to ascertain whether they conform to the General Accepted Accounting Principles (GAAP), other relevant legislation and standards, and whether there are errors, misstatements or fraud in the accounts (Okike, 2004; Guardian, 30 August 2009).

In addition, CAMA 1990 provides that public companies should have an audit committee comprised of an equal number of directors and representatives of the shareholders of the company (subject to a maximum number of six members) (See ss.359(3),(4) Companies and Allied Matters Act (CAMA) 1990 Cap 20 laws of the Federation of Nigeria). However, members of the audit committee are not entitled to remuneration and they are subject to annual re-election. In addition, the audit committee is also expected to be independent and to be able to understand basic financial statements. The committee ought, on behalf of other members (shareholders) make valuable contributions to the efficient running of the bank or company. In contrast, the members of audit committees are weak and can be compromised because of fringe benefits, executive remuneration and rewards by directors of the company.

Regulators and investors have traditionally relied upon corporate financial statements to make sense of bank liabilities, risk and economic exposure, but this has been highly problematic (Stiglitz, 2003).
Scholars have argued that in the process of constructing a web of regulatory environment, the accountants and auditing profession was enlisted to provide the necessary assurance of ‘fairness in the conduct of banking business (Mitchell and Sikka, 2002; Nue et al, (forthcoming)). In Nigeria, there are two main professional accountancy bodies: the Institute of Chartered Accountants of Nigeria (ICAN); and the Association of National Accountants of Nigeria (ANAN) (Uche, 2002; Okike, 2004; Bakre, 2007; Iyoha and Oyerinde (forthcoming)). The Federal Parliament Act No. 15 of 1965 gave ICAN charter status and a monopoly to regulate the accountancy profession in Nigeria and to make regulations governing disciplinary actions against erring members (see ICAN Act 1965; Uche, 2002; Okike 2004; Bakre, 2007; Adegite, 2009).

Auditing has been a real boom for accountancy firms in Nigeria, where there are nearly 700,000 registered companies plus hospitals, universities, local authorities, pension funds, schools, trade unions, housing associations and charities which all need to have their books audited by an accountant (Adegite, 2009). Not surprisingly, accountancy is an attractive career. Nigeria has approximately 40,000 qualified accountants. Thus, ICAN has produced 27,000 chartered accountants since inception (Adegite, 2009), while ANAN has 13,000 registered members (ANAN Membership Register).

It has been argued that ICAN’s inability to maintain its state-granted chartered status and monopoly, especially to control the behaviour of its erring members, led to the recognition of ANAN in order to provide more competition in the accountancy profession (Uche, 2002; Bakre, 2007). As a result, the ICAN Act 1965 and the ANAN Act 1993 gave ICAN and ANAN statutory powers to control and regulate the accountancy market, to determine the future direction of the profession and, most essentially, to control the behaviour of their respective members (Uche, 2002; Okike, 2004; Bakre, 2007). Thus, for instance, in order to be admitted as a member of the accountancy profession, a person must pass ICAN’s examinations and complete the practical training prescribed (s.8(1)(a) ICAN Act 1965). Similarly, in the case of ANNA, a prospective accountant must have a university degree in accountancy or its equivalent, and thereafter, he must go into the College of Accountancy for one year (Uche, 2002).

Under the provisions of the ICAN Act 1965 the accounting and auditing profession is required to provide the necessary assurance of ‘fairness in the conduct of banking businesses’. In addition, Section 29(1) of the Banks and Other Financial Institutions Act 1991 (BOFIA 1991) provides that:

‘Every bank shall appoint annually a person approved by the bank . . . [an ‘approved auditor’] whose duties shall be to make to the shareholders a report upon the annual balance sheet and profit and loss account of the bank and such report shall contain a statement as to the matters and other information as may be prescribed, from time to time, by the bank’

In the 1980s, a mixture of local and international firms provided accounting services. Thus, for example, Arthur Andersen, Coopers and Lybrand, Peat Marwick and PriceWaterhouse had offices in Nigeria. In terms of the banking industry, international auditing firms conducted 65 per cent of the audits, with Peat Marwick being the auditor of record for Nigeria’s three largest banks (Nue et al, (forthcoming)). In terms of the banks that would ultimately fail, international auditing firms provided the audits in 63 per cent of the cases, suggesting little difference in audit quality between international and local firms (Nue et al, (forthcoming)). The next section therefore reviews the related cases in which professional accountants, auditors and accounting firms have been implicated in unethical practices.

The role of accountants and auditors in corporate collapse

Within the agency framework, conflict between principal and agent is managed through a variety of incentives, bonding and monitoring arrangements (Sikka et al, 2009). One of such arrangement requires companies and their directors to submit to an annual audit by auditors who are independent of the agent and able to construct and objective state of corporate affairs. Therefore, shareholders seek to hire expert labour in the guise of independent auditors. As independent experts, auditor claim to be able to mediate...
uncertainty and construct an objective account of business affairs to enable shareholders and other stakeholders to manage risks. It has been argued that such claims are precarious as they are routinely undermined by periodic scandals, crisis and frauds (Bakre, 2007; Sikka et al, 2009). In the above context, this section examines the role of accountants and auditors in unethical practices, a role which seems to deviate from their primary role as external watchdogs of shareholders’ wealth and as protectors of the public interest. In recent times accountants have been accused of being involved in what has been described as harmful and unethical behaviour purely for the sake of high fees (Christensen, 2006; Bakre, 2007). Their involvement in facilitating unethical practices is now discussed.

Traditionally, regulators, investors and financial analysts relied upon corporate financial statements to make sense of bank liabilities, risk and economic exposure, but this has been highly problematic (Stiglitz, 2003; Arnold and Sikka, 2001). The credibility of the financial statements prepared by directors of limited liability companies and audited by external auditors remains the primary means of informing shareholders and other stakeholders about the financial performance, progress and position of the business (Okike, 2004; Bakre, 2007; Sikka et al, 2009; Dabor and Adeyemi, 2009; Evbodaghe, 2009). The key in the field of auditing and assurance is to recognise that auditing can be of even greater value if it looks beyond the traditional financial issues and focuses on areas that matter to a wide range of stakeholders and the public (Sikka, 2009; Evbodaghe, 2009). It has been argued that audit methodology which was appropriate for the industrial age may not be sufficiently broad enough for the information technology age when assets are intangible, commerce is electronic, markets are global and the pace of change is ever-accelerating (Sikka, 2009; Sikka et al, 2009; Asein, 2009). However, in moving to the latter assurance-based approach, auditors face credibility issues that go beyond the much discussed expectation gap. There are widespread public perceptions of lack of independence of auditors from the company’s executives and the quality of audit conducted by auditors (Evbodaghe, 2009; Sikka et al, 2009; Sikka, 2009).

The implications and culpability of accountants and auditors in questionable practices and conflicts of interest have been documented by critical accounting scholars in developed and developing countries (García-Benau and Humphrey, 1992; McHugh and Stamp, 1992; Sikka and Willmott, 1995; Cousin et al, 2000; Mitchell et al, 2001; Bakre 2007; Sikka, 2009; Sikka et al, 2009). Recent time have witnessed the collapse of a number of corporate giants, such as Enron, WorldCom, Arthur Andersen in the USA and BCCI in the UK. The Nigerian business community is also plagued with ethical problems associated with business collapse (Bakre, 2007). Unethical business behaviour and corporate scandals involving large companies, such as African Petroleum Plc, Cadbury Nigeria Plc and Lever Brothers Plc, have been reported (Bakre, 2007; Ajibolade, 2008).

Enron, the Texas-based energy trading company, caused one of the major scandals which shook up the auditing profession. Enron caused a crisis to the confidence placed in auditors and the reliability of financial reporting. Arthur Andersen was accused of a conflict of interest which later led to them being accused of professional misconduct and other unethical accounting practices (Mitchell and Sikka, 2002). The quality of the audit and the independence of the auditors were questionable, because Arthur Andersen received not just audit fees but fees for non-audit services. For example, it earned $55 million for non-audit services and there were regular exchanges of employees within Enron from Arthur Andersen, thereby affecting their independence and causing a conflict of interest. In 2002 Arthur Andersen was also implicated in the collapse of WorldCom, one of the biggest telecommunications companies in the US. Arthur Andersen, as auditor, was found not to have taken proper steps to detect accounting irregularities (Wong, 2004).

The investigations into the collapse of BCCI implicated the external auditor, PricewaterhouseCoopers (PwC), who acted as both the private consultant and tax advisor to the bank’s management in order to enhance its private profits (Arnold and Sikka, 2001; Mitchell et al, 2001). The auditing of BCCI provided evidence where the auditor, PwC, compromised its independence by accepting loans and financial
benefits from BCCI’s management (Arnold and Sikka, 2001). Barings Bank collapsed in 1995 amid unauthorised transactions in excess of £800m by the rogue trader Nick Leeson (Accountancy Age, 29 April 2002). The liquidator of Barings, KPMG, blamed the former auditors, Coopers and Lybrand and Deloitte and Touche, for negligently failing to detect the losses caused by Nick Leeson in Singapore (Accountancy Age, 8 May 2002). As a result, in 2002 Coopers and Lybrand was fined £250,000 and Gareth Maldwyn Davies, a Coopers and Lybrand partner, was fined £25,000 for their role in the collapse of the Baring bank (Accountancy Age, 29 April 2002).

On 25 August 1991, the world’s financial institution auditor, KPMG Peat Marwick, was fired from the audit of Fokus Bank (the third largest bank in Norway) by a governmental agency. The reason given by the head of the Governmental Bank Insurance Fund, Tormod Hermansen, was that KPMG had gone beyond its auditing remit by providing the Bank with advice (Ruud, 1992). Thus, it was reported that KPMG Peat Marwick charged Fokus Bank NOK 4.4 million examining the 1990 financial report, of which only one-third of the fee (NOK 1.4 million) related to audit services while the remaining two-thirds was for advisory services. It has been argued that the advisory services provided assisted the Bank in its decision-making, and thus threatened the independence of the auditor (Ruud, 1992).

A number of recent studies have questioned the value of company audits, auditor independence, the quality of audit work, economic incentives for good audits and the knowledge base of auditors (Sikka, 2009; Sikka et al., 2009). These studies have argued that the issuance of audit reports is subject to organisational and regulatory politics, that fee dependency impairs claims of independence and has the capacity to silence auditors, and that the intensification of financial capitalism poses questions about the knowledge base of auditors (Sikka, 2009; Sikka et al., 2009). A study by Sikka (2009) has shown that distressed financial enterprises, whether in the UK, USA, Germany, Iceland, The Netherlands, France or Switzerland, have received unqualified audit opinions on their financial statements published immediately prior to the public declaration of financial difficulties; and that ‘these opinions were provided by the Big Four accounting firms – PricewaterhouseCoopers, Deloitte and Touche, Ernst & Young, and KPMG’ (p. 869).

A number of studies have documented the role of accountants and auditors in unethical practices and other professional misconduct in the public service and in the corporate sector in Nigeria (Adedayemi, 2004; Bakre, 2007; Ajibolade, 2008). A study by Bakre (2007) documented the various cases in which accountants and external auditors in collaboration with the management and directors of companies falsified and deliberately overstated company accounts. Investigations into the financial report of Afribank implicated Akintola Williams & Deloitte in facilitating an overstatement of the bank’s account by the management (Bakre, 2007). Other Nigerian cases were also documented in which a number of professional accounting firms were involved in, and indicted for, anti-social practices in conflict with their professional claims to be acting in the public interest; and it was suggested that there was a need to investigate those involved (Bakre, 2007).

The causes of audit failure have been attributed to the poor quality of audit reporting resulting from sloppy accounting, inadequate regulation, crony capitalism, multiple regulations, and economic and political factors influencing the incentives of managers and auditors (Dabor and Adeyemi, 2009; Sikka 2009). It has also been argued that, where there is a separation of ownership from the control of a business, there is a tendency for managers of such companies to engage in fraudulent financial reporting in order to maximise their own personal welfare to the detriment of the interests of users of financial statements and to the investing public and to bank depositors (Sikka et al., 2009; Dabor and Adeyemi, 2009). Bank failures have also been associated with endogenous forces; lack of scruple, lack of knowledge and information, poor judgement, speculation, greed and fraud. In Nigeria the bank failures of the Abacha era were attributed to an inadequate capital base, the fraudulent, self-serving and corrupt...
practices of the owners and managers, the meddlesome interference of board members in the day to day running of the institutions, and to regulatory laxity (ThisDay, 18 August 2009).

The recent banking crisis in Nigeria has shown the role that regulatory laxity, greed and avarice have played in the management of banks in Nigeria. It has been argued that towards the end of former CBN Governor Soludo’s era at the Apex Bank that the regulator got too close to some banks for comfort and ‘the damage that did to credibility was enormous because at a point it became difficult to ascertain what was happening between the banks and the CBN’ (ThisDay, 18 August 2009). In respect of the banking crisis, attention has focused on the role of accountants and auditors who have been involved. Accountants and auditors may be expected to report financial irregularities in company accounts by enhancing transparency and accountability and by developing techniques for fraud detection. However, an emerging body of literature argues that accounting professionals have increasingly used their expertise to conceal and promote anti-social practices (Sikka, 2008a; US Senate Permanent Sub-Committee on Investigations, 2005; Bakre 2007). For example, Akintola Williams and Deloitte (AWD) was indicted for facilitating the falsification of the accounts of Afribank Plc and the deliberate overstatement of profits by Cadbury Nigeria Plc. It has been reported that between 1990 and 1994 the Nigerian economy lost more than N6 billion ($42.9 million) to fraud within the banking sector alone (Bakre, 2007).

While the global recession bites hard on advanced economics, the former CBN governors at the time stated that ‘what the rest of the world is now trying to do as the bailout option was what Nigeria did about four years ago, through a pro-active initiative, the result of which we are celebrating today’ (ThisDay, 16 October 2008). Less than a year later, Nigerians were awoken to the reality that the banks are not so stable after all in Nigeria (The Guardian, 21 August 2009). The audit conducted by the Central Bank of Nigeria (CBN) into the activities of the 24 registered banks in 2009 revealed that they were experiencing huge financial difficulties in their operation. As a consequence, in August 2009, CBN injected N420 billion ($2.8 billion) into the first five banks (Afribank, Finbank, Intercontinental Bank, Oceanic Bank and Union Bank) which had failed the CBN audit. Two months later, an additional N200 billion ($1.33 billion) was injected to stimulate the liquidity of four other banks, namely BankPHB, Equitorial Trust Bank, Spring Bank and Wema Bank (Nigerian Tribune, 8 December 2009; ThisDay, 12 December 2009). This was done in order to stabilise the banks and to ensure that they remained going concerns after their former managers had been sacked for reckless lending and lax corporate governance, which had rendered the institutions undercapitalised (Nigerian Tribune, 17 August 2009; ThisDay, 12 December 2009).

A number of scholars have shown that many accountants, particularly members of the Institute of Chartered Accountants of Nigeria (ICAN), have been responsible for the crisis in the banking and manufacturing sectors in Nigeria (Okike, 2004; Bakre, 2007). These studies have demonstrated that regulatory framework in Nigeria is weak, because members of the professional firms implicated in a number of unethical practices in Nigeria have not yet been sanctioned (Okike, 2004; Bakre, 2007). They have also suggested that the accounting profession in Nigeria and other regulators (such as Central Bank of Nigeria, National Deposit Insurance Corporation, Nigerian Accounting Standard Board) must continue to monitor developments in both the external and internal reporting environments.

Though agency theory offers a conceptual mechanism for explaining the reproduction of audit practice, it does not offer guidance on what an ‘expert’ is and how claims of expertise are enacted since they are shaped by broader social power and politics. In order words, it does not offer explanations as to why the social actors take a particular action, while others are excluded or marginalised from such practice. It is widely acknowledge that through a variety of strategies professionals have mobilised auditing market to advance their credentials as experts and secure control of the external auditing jurisdiction (Okike, 2004, Sikka, 2009; Sikka et al, 2009). In this context, the next section locates professional behaviour within broader dynamics of professionalism and the pursuit of profits.
Professionalism and the Pursuit of Profits

Traditionally, the literature on the professions draws attention to the processes by which professionals (such as accountants, bankers and lawyers) have mobilised claims of ethical codes, higher education, the command of knowledge and claims to be serving the public interest in order to cement their own social power. In other words, such claims are used to advance the professional social, economic and political interests and to secure control of markets and niches (Millerson, 1964; Willmott, 1986; Macdonald, 1995; Grey, 1998; Morris and Empson, 1998; Leicht and Fennell, 2001).

The professional claims include ethical codes which mirror professionals to have a theoretical and practical knowledge, a high level of skill, technical conduct and social responsibility. Appeals to such idealised self-images help to solicit trust and legitimise professional power responsibility (Sikka, and Hampton, 2005). Such an exclusive privilege over auditing market provides a substantial economic and financial benefit to members of the accounting profession. In return, the public have a right to expect benefits in the form of improved financial reporting and the assurance of a stable banking sector and capital market (Okike, 2004). However, the right to improved financial reporting cannot be assumed in a society that is highly infested with corruption and anti-social financial practices. This is because, in a corrupt society, the quality of the accounting system and accounting data generated may be doubtful, and so may the reliability of information presented in audited financial statements (Okike, 2004; Bakre 2008).

It has been argued that in market societies, auditors are remunerated by the client company rather than by an independent body. This inevitably makes them dependent upon directors for their fees and profits (Sikka, et al, 2009). Auditing firms may legitimise their status by appealing to ‘professionalism’ but in common with other capitalist enterprises they seek to increase profits and market niches (Mitchell and Sikka, 2002; Sikka and Hampton, 2005). The internationalisation of professional services shaped by intense competition and pressure to increase earnings and accumulate wealth by the social actors has continuously created opportunities for professionals and the process has been driven by both economic and financial gain. Hanlon (1994) has argued:

‘In respect of professionals in the private sector the emphasis is very firmly placed on them being commercial and on performing services to customers, rather than on them being public spirited on behalf of either the public or the state’. (p. 150.)

The professional accounting organisations prioritise private profits and encourage competitive individualism, with an emphasis on retaining the client, pleasing the customer and promoting business virtues that increase profits (Grey, 1998; Leicht and Fennell, 2001; Gunz and Gunz, 2006; Suddaby, Cooper and Greenwood, 2007). It has been argued that auditing firms have used their control of auditing markets to colonise adjacent markets in order to sell consultancy services to auditing clients. It has also been argued that the profit motive informs the dynamics of accounting firms (Sikka et al, 2009).

Generally, the auditing model positions auditors as the guardian at the gate, watching over firms with the public interest in mind. Sikka et al (2009) have argued that ‘the success of both corporate watchdog and protector of public interest is measured by revenues, profits and market shares rather than by pursuit of any broader social goals’ (p. 139). Mitchell and Sikka (2002) have argued that:

‘The expansion of the entrepreneurial accountancy firm has not been accompanied by moral constraints that require consideration of the social consequences of their organisational practices. In such an environment, numerous practices are considered to be acceptable as long as they generate private profits’. (p. 10.)

The commercialisation of audits produces a fault-line. This is because commercialisation of audit makes the auditor dependent upon directors for their fees and, as a result, they may not be able to retain sufficient distance to deliver independent audits. They may also develop strategies that maximise audit profits, possibly performing less stringent audits or by developing strategies which increases private profits but reduce quality (Sikka et al, 2009). The public is persuaded to believe that auditors collect relevant and reliable evidence to form their opinion. The reality is that in their pursuit of profits, auditors
do not always bother with such niceties (Mitchell and Sikka, 2002). This is because audit assignments are based on tight budget and idealised procedures which limit the audit verifications and examination of records to specific items.

The quality of audits is dependent not only on the technical skills of audit teams, but also on the organisational values and labour processes embedded within the audit firms. Audit firms may impose tight time budgets on audit staff even though time constraints have played a major part in audit failures and in the incompleteness of audit work. As a consequence, they audit staff accepted doubtful audit evidence, failed to test the required number of items in a sample, or simply falsified the audit working papers to give the impression that the work had been done (Mitchell and Sikka, 2002). Such unprofessional practices are carried out by members of audit teams. As the audit review process cannot completely reperform the audit, irregular audit practices rarely come to light before the completion of audit engagement. In this audit environment of tight time constraints, competition and the pursuit of higher profits, auditing firms look for ways of achieving efficiency. A common practice is to use checklists for controlling, planning and recording an audit. Such devices standardise audits and also make the process much more mechanical and predictable. It has been claimed that this checklist mentality encourages irregular practices because it is subjective and discretionary (see Mitchell and Sikka, 2002).

The following section outlines the research methods deployed to discuss the role of professionals in unethical practices.

Research methods

To understand the role and involvement of accountancy firm and external auditors in banking crisis in Nigeria, this paper relied primarily on archival records which include press reports, regulator and government reports on the bank crisis, annual reports, evidence of falsification of accounts and evidence on the role of auditors to construct a case study. Although this evidence may be incomplete and somewhat biased, it nevertheless provides evidence of anti-social financial practices. It is extremely rare for participant or auditors to volunteer details of their practice. There are considerable problems in collecting data because unethical behaviour is masked with secrecy. Thus, it is only possible to refer to publicly available evidence which provide a glimpse of bigger problems. Information on ethical practices by regulators who have conducted investigations on the activities of the banks, may, however, shed light on the role of auditors in company collapse and the recent banking crisis in Nigeria. Hence a comprehensive critique of the politics and problems of auditing is beyond the scope of this paper. However, it seeks to explore some basic issues which are deeply embedded within the current auditing practices. These relate to the appropriateness of the basic auditing model, quality of audits and variability of financial statements. The analysis of documentary reports is particularly useful in this respect in that it not only serves to highlight the role and value of audit practices, but also helps to frame and contextualise the active role of professionals and auditors in facilitating unethical practices in Nigeria. The following section provides the relevant evidence which substantiate the role and involvement of accountants and auditors in bank failure in Nigeria

The Big Four and the Recent Banking Crisis

The audit services in the banking sector of Nigeria has been dominated by the ‘big four’ accounting firms, KPMG, Ernst and Young, PricewaterhouseCoopers, and Akintola Williams and Deloitte. Although the professional accountants and accounting firms claim to act in the public interest, yet a number of accountants and auditing firms have been implicated in the crisis in banking and manufacturing companies in Nigeria (Bakre, 2007; Okike , 2004). Thus, it has been argued that, despite unqualified auditors’ reports, a number of companies still collapse, thereby raising the spectre of unethical behaviour
on the part of professional accountants. Paradoxically, this suggests that the way in which professional firms conduct their audit has financial implications for the financial sector and the capital market in Nigeria which has not been under public scrutiny in recent years. The recent pronouncement by the Central Bank of Nigeria (CBN) on the state of Nigerian Banks has been a cause of concern for regulators, depositors and shareholders. This case provides evidence of the role of auditors in the recent banking crisis in Nigeria.

Despite the enlistment of auditors as corporate watchdog, Nigeria has witness a number of bank failure since her independence in 1960. The spate of banking distress experienced in the 1980s, prompted the regulatory framework for Nigerian banking industry. In 1995 another bout of distress occurred in the banking industry when 57 commercial and merchant banks went into distress in the first three months of that year. Their illiquidity was put at N47.9 billion, constituting 24.6 per cent of the total deposits in the banking sub-sector at that time, out of the reach of their depositors (Newswatch, 24 August 2009).

As a consequence of inadequacies liquidity problems often experienced by banks in Nigeria led to the raising of the minimum capital base of banks to N25 billion ($167 million) in 2004. The re-capitalisation led to the emergence of 25 banks in 2006 from 89 in 2004. Nigerian banks saw explosive balance sheet growth in the wake of consolidation four years ago, and they went on massive capital raising sprees which increased their capacity to lend to companies and to individuals. Risk management did not keep pace (Nigerian Tribune, 17 August 2009).

Evidence shows that, out of the 25 big banks operating in Nigeria after re-capitalisation, three international accounting firms have been the major auditors of the banks (see Table 1). The audit monopoly has provided them with stability of income and a springboard for selling other services. Their income runs into hundreds of millions, yet audit stakeholders have no way of checking the efficiency and standards of audit work. As Cousins et al (1998) explained:

> 'In the absence of a ‘duty of care’ to individual stakeholders and public accountability, the auditing industry does not have a strong economic incentive to improve the quality of audits. If by hook or by crook a company survives, no external party knows that audits were botched. . . . The auditing industry is pre-occupied with fees and client appeasement'. (p. 9.)

It has been argued that auditing firms are concerned only with mechanical compliance with auditing standards rather than with audit quality; and that the whole emphasis is on covering up deficiencies (Cousins et al, 1998).

<table>
<thead>
<tr>
<th>KPMG Professional Services</th>
<th>Akintola Williams Deloitte &amp; Touche</th>
<th>PriceWaterhouse Coopers</th>
<th>Ernst &amp; Young</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Bank</td>
<td>Afribank</td>
<td>BankPHB</td>
<td>Skye Bank</td>
</tr>
<tr>
<td>Guaranty Trust Bank</td>
<td>Fidelity Bank</td>
<td>Diamond Bank</td>
<td></td>
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<tr>
<td>Wema Bank</td>
<td>First Bank</td>
<td>EcoBank</td>
<td></td>
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<tr>
<td>Nigerian Int. Bank</td>
<td>First Inland Bank</td>
<td>FCMB</td>
<td></td>
</tr>
<tr>
<td>Sterling Bank</td>
<td>Union Bank</td>
<td>IBTC Stanbic</td>
<td></td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>Unity Bank</td>
<td>Intercontinental Bank</td>
<td></td>
</tr>
<tr>
<td>United Bank of Africa</td>
<td>Equatorial Trust Bank</td>
<td>Zenith Bank</td>
<td></td>
</tr>
<tr>
<td>Spring Bank</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**SOURCE**: Extracted from the Audited Reports of the various Banks

Table 1 shows that KPMG Professional Services audited six banks, Akintola Williams Deloitte and PricewaterhouseCoopers nine banks, and Ernst and Young one bank since the post consolidation period. Explaining the level of discontent with the development and the quality of audit produced by big
accounting firms, a commentator stated that ‘the crash of financial institutions in the Western countries has shown that foreign auditors are no better than their local counterparts’ (The Guardian, 9 August 2009).

Attention of stakeholders has focused on auditors worldwide because of the belief that an auditor’s unqualified report signifies that a company is healthy. Before the CBN announced its findings on the state of affairs of the banks and their activities in the Expanded Discount Window (EDW), the external auditors to these banks were unable to properly scrutinise and bring into the public domain the true state of these reports including their loan portfolio which CBN put at N2.8 trillion ($18.67 billion) (Business Day, 19 August 2009). In 2007, the Nigerian Deposit Insurance Corporation (NDIC) annual report showed signs of insolvency amongst Nigerian banks which indicated that that four banks were sound, 17 were rated satisfactory, two marginal and one rated unsound (NDIC Annual Report, 2007), and yet the audit report of these banks had shown that they were sound (Daily Sun, 22 August 2009).

As part of the statutory requirement CAMA 1990 and BOFIA 1991, external auditors of quoted companies have stated that their financial statements of companies gives a true and fair view of the state of the companies’ financial affairs (in this case the troubled banks) and that their profits and cashflows are in accordance with the Companies and Allied Matters Act 1990, the Banks and Other Financial Institutions Act 1991 and the Nigerian Statement of Accounting Standards. In contrast, accounting has become a new exercise in creative fiction, with the result that banks are carrying a lot of unreported non-performing interest in their statement of financial position. As a consequence, the Deputy Chairman, House of Representatives Committee on Drugs, Narcotics and Financial Crimes, has challenged the regulatory framework of relevant institutions charged with the responsibility of auditing and supervising the commercial banks (ThisDay, 18 August 2009).

Table 2 below shows that the distressed banks received unqualified audit reports on their financial statements published immediately prior to the regulatory pronouncement of their financial difficulties. Evidence shows that audit opinions as contained in the banks annual reports were provided by the ‘big four’ accounting firms in Nigeria: Akintola Williams Deloitte (AWD), PricewaterhouseCoopers (PwC), KPMG Professional Services, and Ernst & Young (E&Y). Despite the deepening financial crisis in Nigeria in 2009, auditors did not express any reservations about the value of non-performing loans or any scenarios under which a company might be unable to honour its obligations. However, just some few months later, these banks were declared by the regulators to be distressed.

The list of banks in Table 2 is useful for highlighting a number of issues. The Nigerian auditing standards state:

‘The auditor’s procedures necessarily involve a consideration of the entity’s ability to continue in operational existence for the foreseeable future. In turn that necessitates consideration of both the current and the possible future circumstances of the business and the environment in which it operates’ (Nigerian Auditing Standards, 2003).

How the auditors constructed the audits to satisfy themselves that the banks were going concerns is open to conjecture, but the financial difficulties of many banks became publicly evident soon after they had received unqualified audit reports.

Table 2 Auditors and Distressed Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Year end</th>
<th>Auditor</th>
<th>Date of last Audit report</th>
<th>Audit Opinion</th>
<th>Auditor’s Remuneration (N’millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afribank</td>
<td>31/3/2008</td>
<td>Akintola Williams Deloitte</td>
<td>Mar. 2008</td>
<td>Unqualified</td>
<td>N/A</td>
</tr>
</tbody>
</table>
The nature of the recent banking crisis in Nigeria, which has resulted in concern being voiced about the apparent lack of independence or technical incompetence of the auditors involved, has cast doubt on the functional capacity of audit technologies. Table 2 shows the financial institutions which failed the CBN audit in 2009, even though they had all received unqualified audit reports in the prior accounting year. For example, Oceanic International Bank Plc received an unqualified audit opinion on its annual accounts on 31 December 2008, followed by a ‘clean bill of health’ in respect of its annual accounts on 28 May 2009. The external auditor of Oceanic Bank Plc, one of the banks that was bailed out, was reported to have asserted that:

> We have audited the accompanying consolidated financial statements of Oceanic Bank International Plc ‘the bank’ and its subsidiaries (together ‘the group’) which comprises of the consolidated cash balance sheet as at 31 December 2008 and the consolidated profit and loss account and consolidated cash flow statements for the period ended and a statement of significant accounting policies and other explanatory notes. . . . In our opinion, the financial statement gives a true and fair view of the state of the financial affairs of the banks and group as at 31 December 2008 and of their profits and cash flows for the period ended in accordance with the Nigerian Statement of Accounting Standards, the Companies and Allied Matters Act 1990 and the Banks and Other Financial Institutions Act 1991’. (Annual Report, 2008, p. 31).

The CBN findings on Oceanic Bank International Plc appear to give a contrary view and raise questions on the credibility of the auditors especially on the disclosures of debt exposure (Business Day, 15 October 2009). Oceanic Bank’s annual report for the 2008 financial year shows that it had N5 billion non-performing loans in 2007 and N36 billion in 2008 (Annual Report, 2008, p. 53). However, by 14 August 2009, just three months later, the Central Bank of Nigeria had declared the bank unhealthy with N278.2 billion non-performing loans representing 37 per cent of the total non-performing loans of the first five distress banks which was put at N747 billion (ThisDay 25 August 2009; Newswatch, 24 August 2009). This was against the bank’s 2008 figures for non-performing loans which stood at N36 billion (Annual Report, 2008, p. 53). In the case of Intercontinental Bank Plc, PwC did not qualify the audited report of the bank as at 14 May 2008, with about N16.6 billion non-performing loans, and yet the CBN report showed that the bank had N210.9 billion in non-performing loans representing 28 per cent of the total bad loans (This Day, 25 August 2009).

A reflection on the complexity of verifying operating activities of a bank with networks of branches and the normal time it takes external audit team to produce an expression on a statements of financial position, is in contrast with the time it has taken regulators to trace and determine the financial inadequacies in the banks. Such a comparison of time and the depth of work questions the level of assurance being provided by a standard audit investigation and the source of evidence on which an audit opinion is based. This presupposes that the auditor’s assessment of the truth and fairness of a bank’s set of financial statements is influenced by assurances from the corporate manager.

The increased commercialisation of the accounting profession and of the big four accounting firms and their emphasis on non-audit work has clear implications for auditor independence. Company auditors, the
private ‘police force’ of capitalism, make millions of Naira in fees from company audits; and company audits are used to obtain easy access to senior management and to sell a variety of consultancy services. The fear of diversification of audit firms into other services areas compromises their independence and may result in the audit being sold as a ‘lost leader’ in the hope of selling the more profitable management consultancy services, with subsequent implications for audit quality and the willingness to qualify where necessary. The Nigerian Economic and Financial Crimes Commission (EFCC) Chairman, Farida Waziri, alleged that the auditors conspired with the managing directors of erring banks to defraud the banks. She stated that:

‘During our investigations, we found that all the erring bank chief executives were given a clean bill to operate by both the external and the internal auditors who are paid to do so. It was gathered that these auditors connived with the chief executives to cook the books and cover the tracks while the frauds were being perpetrated’ (Saturday Tribune, 22 August 2009; ThisDay, 22 August 2009.)

Table 2 above also shows that the auditors received a considerable income from their audit clients. Fee dependency and career advancement exert pressure on auditors to acquiesce with management, which can create a conflict of interest. PwC received N112 million (in 2007) and N208 million (in 2008) in audit fees from Intercontinental Bank Plc (Annual Report, 2008, p. 82). During 2007, PwC collected N100 million and N168.4 million in 2008 from Oceanic Bank Plc. In 2009 PwC had a global gross revenue of $26.2 billion with Middle East and Africa including Nigeria contributing $704 million (PwC Global Annual Review, 2009, p. 43). The scale of fees raises questions about auditor independence. This suggests that auditors are too close to the companies and that they ‘cannot bite the hand that feeds them’. How can one group of commercial entrepreneurs audit another group of commercial entrepreneurs? According to Sikka (2009) that model is broken and cannot work.

In the case of Afribank Plc, Union Bank Plc and Finbank Plc, their accounts were audited by Akintola Williams Deloitte (AWD), another giant accounting firm, with a global revenue of nearly $26.1 billion in 2009, with auditing contributing $11.9 billion and Europe/Middle East/Africa including Nigeria contributed $10.2 billion (Corporate Responsibility Report, 2009, p. 35). It was reported in Union Bank Plc annual report that the joint auditors AWD and Baker Tilly Nigeria, received N146 million in 2009, N118 million in 2008, and N113 million in 2007 as fees for audit and accountancy services from Union Bank Plc. On April 2009, AWD gave the accounts a clean bill of health, but barely six months later, the bank was declared distressed.

The contemporary auditing model makes auditors dependent on companies and their directors for fees and profits. As a result, auditors may become too subservient to directors and even ‘bend the rules’ in order to accommodate directors (Sikka, 2008a). Audit opinions are akin to financial mirage (Sikka, 2008). It has been argued that the basic audit model is faulty (Sikka, 2009; Sikka et al, 2009). Private sector auditors cannot be independent of the companies they audit. The auditing model in practice is further complicated by the fact that auditors are permitted to sell other accountancy services to their audit clients. This increases auditor fee dependency upon companies and can impair their perceived and actual independence.

Concerns about auditing practices have been raised by a number of commentators. The shareholders, the majority of whom were investors in the affected banks, blamed the external auditors as well as the audit committees of the banks for negligence and compromise in carrying out their responsibilities (Guardian, 30 August 2009). One commentator said that the subjective nature of accounting and the tight relationship between accounting firms and their clients means that even the most honest and meticulous of auditors can unintentionally distort the numbers in ways that mask a company’s true financial status, thereby misleading investors, regulators, and sometimes management (The Sun, 1 September 2009). Patrick Gaye, an accountant, pointed out the level of auditors’ independence that:

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‘There was no way the auditors especially the external auditors could have done what is expected of them because, the external auditors in particular, are just like contractors who dance to the tune of their hirers. Auditors are on a retainership and for the banks to retain them on the job, they would not want to rock the boat through exposing the banks shortcomings to the regulators’. (Guardian, 30 August 2009.)

It has been argued that, as a matter of law, external auditors are appointed by and are required to submit their reports to the shareholders during the Annual General Meeting (AGM), but that in practice the management of companies engage the services of the auditors which is ratified formally at the AGM by the shareholders, who have little or no power at all to influence such appointment (Guardian, 28 August 2009).

There have been considerable concerns about audit quality, especially when companies experience unforeseen financial difficulties or collapse soon after receiving unqualified audit reports (Mitchell et al, 1992; Sikka, 2009, Sikka et al, 2009). What counts as ‘quality’ in auditing is inevitably the outcome of power, politics and social relations (Power, 2003). However, the dominant view is that ‘quality’ or objectivity is constructed by using appropriate auditing techniques and having a good set of working papers to demonstrate professional judgement (Mitchell and Sikka, 2002). It has been argued that this worldview is deeply embedded within institutions and a variety of auditing standards that require auditors to evaluate internal control, conduct analytical reviews and make assessment of whether a bank is a going concern (Sikka et al, 2009). For example, PwC in its 2009 Global Annual Review claimed that:

‘Around the world, our clients rely on PwC to help them explore opportunities and deal with complex business challenges. We work closely with our clients to deliver sustainable solutions, tapping into the breadth of our global network and our in-depth industry expertise’. (p. 46.)

Such professional market strategies lay claim to knowledge bases, equate quality with compliance with techniques and rules, and portray auditors as experts who can mediate uncertainty and construct an objective state of business affairs (Sikka et al, 2009). The evidence demonstrates that the bodies which monitor their activities and supposedly uphold their professional standards are often not subject to any form of external scrutiny. The capitalist environment in which the accountants operate arguably allows auditors to engage in anti-social related activities to boost profits.

Regulators pay little attention to the social and organisational context of auditing. Little connection is made between the profit motive of accounting firms and how accountants are socialised in serving their clients (Grey, 1998; Leicht and Fennell, 2001; Gunz and Gunz, 2006; Suddaby, Cooper and Greenwood, 2007). Company audits, in common with other products and services, are manufactured within a social and organisational setting, which naturalises worldviews and values, and also have unanticipated outcomes (Sikka, et al, 2009). Individuals are subjected to performance appraisals and often their promotion and financial rewards depend on their contribution to profits. Firms can increase profits by charging higher fees, but in a competitive market clients may be able to resist such a move. As a consequence, accounting firms might use more junior auditors or change the mix of junior and senior staff to reduce costs. A partner of a Lagos-based chartered accounting firm, Femi Dinah, who has defended the role of auditors in the recent banking crisis, observed that:

‘It is not the job of the accountants to go deep into the papers. The law places the onus of preparing the account on the directors of the company. What the auditors are doing is to ascertain that the account is well prepared and that all the necessary checks and balances are there and that all the regulations that should have been followed are followed. If they see anything that is not proper in the account, it is their duty to point it out. You cannot really blame the accountant because some management hide things from the auditors’. (Daily Independence, 28 September 2009.)

It has been argued that the implication of accountants and auditors in professional misconduct in corporate Nigeria requires the professional accountancy bodies to exercise their statutory obligations and investigate and sanction their erring members (Bakre, 2007). However, the evidence presented in this paper supports the view of Bakre (2007) that the power and the privileges of self-regulation delegated to the professional bodies by the Nigerian Government have been used to shield their members from any form of public scrutiny. Thus, a former National President of the Association of National Accountants of
Nigeria (ANAN), Samuel Nzekwe, has argued that the current banking sector crisis has exposed ICAN, as its members were involved in various misdemeanours on the part of the banks (Nigerian Tribune, 14 December 2009). Nzekwe argued that, although the second Vice-President of the Institute of Chartered Accountants of Nigeria (ICAN), Doyin, had claimed that ICAN had done all it could to discipline its erring members, as its disciplinary tribunal had the status of a federal court, this was misleading, as ICAN was not capable of doing so (Nigerian Tribune, 14 December 2009). Nzekwe argued that:

‘None of the auditors that falsified the various accounts had been prosecuted, stating that calls for new rules to curb the excesses of the banks’ officials and external auditors were unnecessary, as the prudential guidelines had always been there’’. (Nigerian Tribune, 14 December 2009.)

Despite the mass media reports and the public outcry on this case of alleged misbehaviour of audit firms and members of ICAN in the distressed banks, AWD, PwC and KPMG have maintained a questionable silence. In common with other jurisdictions, company directors can be held personally liable for publishing false and misleading accounts, but the same rule does not apply to auditors. Since the banking crisis, a number of bank executives and non-executive directors in Nigeria have been arrested and arraigned in court for their anti-social practices. What the regulator, the Economic and Financial Crimes Commission simply did was to invite the indicted auditing firm for a hearing, but without imposing any penalties for its unethical practices.

Summary and Discussion

This paper has sought to stimulate debate on contemporary auditing and the role of accountants and external auditors in the recent banking crisis in Nigeria. It has been argued that the deepening banking crisis poses questions about the role and value of external audits. Shareholders, depositors and even regulators do not seem to have been assured by unqualified audit opinions; and a number of banks have either had to face management restructuring or have had to be bailed out by the CBN even after receiving clean audit reports by their external auditors. The evidence shows that auditors lack the claimed expertise to carry out the independent and objective reporting of corporate affairs. As a consequence, failures of the auditing industry continue to make regular headlines. Episodes such as AfriBank Plc, Cadbury Nigeria Plc and others have resulted in loss of jobs, bank deposits, pensions, savings and investments for many. But the auditing industry has shown little inclination to reflect upon its internal practices.

An inquiry into the activities and involvement of accountants and external auditors in the recent banking crisis in Nigeria helps to highlight the unethical practices of professionals and the shortcomings of the current practices. Although audit reports are the public and visible evidence of an audit, little is known about the processes and organisational values associated with their production (Sikka, 2009). Such processes involve the management of labour, economic incentives and the image of clients, public and regulators. It has been argued in the literature (for example, by Halon (1994)) that audit staffs are inculcated to appease clients and to neglect wider social interests. As argued in this paper, in the pursuit of profits, accountancy firms exert time budget pressures on audit personnel and some have responded by adopting irregular practices and even resorting to the falsification of audit reports (Bakre, 2007). This supports the notion that the issuing of audit reports is subject to organisational and regulatory politics. This presupposes that auditors may be reluctant to qualify bank accounts for fear of creating panic or jeopardising their liability position (Sikka, 2009).

It is common practice for companies and their directors to select and remunerate auditors. But it has been argued that such an audit model is fundamentally flawed and cannot deliver an independent or searching audit (Sikka et al, 2009). The flaws are further compounded by permitting auditors to have a direct economic interest in corporate transactions through the sale of accounting services. There is evidence to show that the commercialisation of professional firms enables them to act as a ‘watchdog’ on profits and, on occasions, appease and even collude with directors (Bakre, 2007; Sikka et al, 2009). Their professional independence is indeed compromised because auditors are dependent on executive directors for their
nomination, appointment and the determination of their fees, and, as a consequence they cannot easily go against the interests of executive directors. The paper argues that to strengthen corporate reporting and auditing there should be corporate democracy in that the stakeholders should determine who should be the auditor and how the auditor is to be remunerated. Further reforms could include the imposition on all the executive directors and finance directors of companies of personal accountability for wrongdoing and the barring of accounting firms involved in anti-social financial practices from auditing and conducting other accounting-related assignments and services.

Although appeals to professional ethics and claims to be ‘serving the public’ may camouflage the capitalist nature of accountancy firms, the systemic pressure to increase profits which are often done through predatory or unethical practices. This situation therefore questions the reliance on accountants and auditors, watchdogs and trust-engendering technology. Unethical practices are also present in the external auditing arena, a jurisdiction traditionally considered to be informed by professional codes of ethics (Bakre, 2007; Sikka, 2008a). This paper argues, however, that firms do not seem to have been constrained by any notion of ethics or morality. The auditing firms and auditors has never explained how it came to lose sight of the millions of naira of bank deposit that are un-performing loans and those that went missing in other scandals. The involvement of accountancy firms in unethical practices in Nigeria have not been exposed by or sanctioned by their professional bodies, but by regulators (in the case of the recent banking crisis) and by whistleblowers (in the case of Afribank and Cadbury Nigeria Plc).

This paper therefore calls for reforms to bring auditing into line with the consumer rights enjoyed in other spheres. The auditors should owe a ‘duty of care’ to individuals who are shareholders, creditors and employees at the date of the audit report (Cousins et al, 1998; Bakre, 2007). The industry needs an independent regulator whose main remit will be to safeguard the interests of audit stakeholders. The audit stakeholders (or their representatives) should also have full access to auditor files to enable them to check the kind of work done by auditors. It also calls for development of alternative modes of auditing.

Professionals have been implicated in unethical practices, but their role in such practices has rarely been investigated. Evidence suggests that recurring audit failures might have persuaded the auditing industry to improve the quality of its work, compensate injured stakeholders and even consider returning the audit fees. The reverse is the case in Nigeria. For example, Akintola Williams Deloitte (AWD) was ordered to pay a fine of N20 million for its failure to handle the accounts of the company (Cadbury Nigeria Plc) with due professional diligence. Although AWD was strongly reprimanded and warned to desist from engaging in acts that might affect the investing public’s confidence in the capital market, the penalty seemed light compared with the damage such unethical practices have on Nigerian society (Vanguard, 3 April 2008; Business Day, 9 April 2008). Without breaking the link between profits and professional rewards and personal penalties for erring professionals, there is little chance of professionals behaving responsibly. The professional bodies in Nigeria owe their clients and the general public, especially depositors, the moral and ethical duties which they claimed to be exercising as the ‘watchdogs’ of their members and in controlling the behaviour of their erring members. It is therefore suggested that the activities of erring professionals should be investigated by independent regulatory institutions in order to document their involvement in anti-social financial practices and for them to be sanctioned appropriately.

Ex-post facto financial audits are too late and cannot alert financial regulators to any problems. It is therefore necessary to ensure that audits of major companies, at least banks and financial institutions, are carried out directly by regulators. Therefore, the Central Bank of Nigeria, Nigerian Deposit Insurance Corporation and equivalent regulators should develop their own dedicated teams of auditors to conduct continuous audits of all the major financial institutions. This should go beyond the narrow market concerns about profits to address questions about their business models, viability, social accountability and their capacity to cause financial deficits. Audit by regulators has the advantage of independence and can address regulatory issues. Accounting firms and companies used to softer audits will no doubt fight
tooth and nail to retain their privileges, but indulging accounting firms and paying out billions to rescue banks cannot continue.

To combat unethical practices by accountants and professional firms there is a need to educate company executives, policy-makers and the public about the human costs of unethical and unprofessional practices as they deprive ordinary Nigerian citizens of their human and social rights. Nigerian citizens suffer when banks and financial institutions collapse, causing depositors and investors to lose their investments. Many of the directors and senior officials of the distressed banks are still facing trial for their unethical behaviour, but the question is ‘where were the auditors when these officials were perpetrating and misappropriating investors funds’? The accounting profession in Nigeria must therefore continue to monitor development in the external and internal reporting environments through its audit, investigations and forensic accounting faculty and respond adequately (see Asein, 2009). The accounting and business literature does not actually alert readers to the fact that some professionals are engaged in anti-social practices to the detriment of society as a whole. The accounting and business literature should therefore reflect the real tapestry of life. This would help in the development of new vocabularies and public policies to highlight the predatory nature of capitalism and the anti-social practices of professionals.

The hallmark of auditing is the observance of high degree of professionalism, transparency and accountability which are essential for building strong public confidence. Due to the systemic distress witnessed in the nation’s banking system and its unpleasant consequence on all stakeholders as a result of inadequacies in the auditing processes in recent time, series of initiatives had been taken by nation’s regulatory, supervisory authorities and significant others to demand for sound regulations and accountability. Such initiatives include enhancing the legal framework, enhancing the surveillance activities of the financial system which were originally treated with glove hand, and strengthening the role of external auditing and its independence, which in the process might engender changes in audit practice. Consequently, auditing needs a supportive theory of bank regulation and the exercise of trust and power within the regulatory space.

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Trade and Financial Development in Nigeria

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In the aftermath of the recent global economic crisis, many authors have identified trade as one of the mechanisms through which financial stress is transmitted from the developed economies into emerging economies. Moreover, the financial sector plays a key role in the transmission. This paper examines the link between trade and financial development by applying Cointegration and Error Correction Model to Nigerian data from 1972 to 2007. We find proof of the existence of a negative relationship between trade and financial development in Nigeria. This implies that trade adversely affects financial development in Nigeria during the period under review.

INTRODUCTION

Financial economics literature is almost settled on the issue of the role of financial development (otherwise known as financial deepening) in economic growth. It is generally agreed that financial deepening is a sine qua non for economic growth (Levine 2005, and Demirgüç-Kunt and Levine 2008). Not well known, however, are the determinants of financial development. Several determinants have been suggested and empirically tested, and while the results concerning some of these determinants seem robust enough others are not so impressive. Among the several determinants of financial development suggested in the literature are: international trade, the legal framework for the financial system in a country, the macroeconomic environment as well as the regulatory environment. La Porta et al (1998).

On the issue of trade and financial development, it is argued that the higher the volume of trade (made possible by trade liberalization or openness) the higher the level of financial development tends to be. The transmission mechanism is such that higher volume of trade increases risk as a result of exposure to external shocks and to foreign competition. Such higher risks of trading experienced in the face of greater openness encourage the development of financial markets to diversify the risks and to help small firms sort out the effects of adverse shocks. Hence, development of more varieties of financial institutions, instruments, and market follow from greater trade openness (Huang and Temple 2005). It is also argued that where countries involved in trade are high investment economies, then greater trade results in greater investment and hence, greater financial development (Levine and Renelt (1992). Also, international trade that ensures technology transfer and innovation necessarily calls for financial innovation to finance the technology transfer and the technological innovations, and hence ensures greater financial depth. Do and Levchenko (2004) in their own study of 77 countries found that trade openness is associated with faster financial development in wealthier countries and with slower financial development in poorer ones.

Huang and Temple (2005) in their own study where they employed panel data for their work found in their own study using a 40 year data set, for 88 countries, that trade openness had strong positive effects on financial development in the lower income countries but not on higher income countries. They said that there is evidence that these positive effects persist into the long run and do not simply reflect temporary booms in bank lending.

In the face of these two positions concerning trade and financial development in the lower income or poorer countries, we wish to investigate the Nigerian data and find out which of these two positions hold
This investigation is more urgent especially in the face of increasing attempt by government to liberalize trade and make the economy more open. If more openness results in slower financial growth according to Do and Levchenko (2004), then there may be need for policy review on the part of the Nigerian government. If however, the Svaleryd and Vlachos (2002) position is affirmed then government only needs to reinforce measures that are already in place.

This paper is divided into five sections. Following this introductory section, we review the current literature on the issue of trade and financial development in section two. Section three discusses the methodological framework for our study while section four presents the data and discusses the results of our data analysis. Section five highlights the findings of this study, and the implications for policy.

INTERNATIONAL TRADE AND FINANCIAL DEVELOPMENT: THE LITERATURE

In the literature on international trade, focus of the effects of trade on an economy is usually on competition, technology transfer and productivity. In recent times, some scholars begin to get concerned about the consequences or effects of trade openness on financial depth. It has not been easy determining these consequences because there seems to be a two way relationship between trade openness and financial development, hence, disentangling cause and effect in this relationship has been quite a task.

In attempting to identify and measure the relationship between trade and financial development, different scholars have used different approaches. For instance, while Svaleryd and Vlachos (2002) approach this relationship from the point of view of the risks associated with trade, and the need to develop financial institutions to manage the risks which then results in greater depth and breadth for the financial system, Do and Levchenko (2004) approach the issue from the point of view of trade openness affecting demand for external finance which then gives the supplier of external finance opportunity to broaden and deepen its financial system while the financial system of the demander of external finance shrinks. Others like Rajan and Zingales (2003) approach this relationship from the point of view of political economy, whereby parochial political and vested business interest groups that do not allow domestic financial systems to thrive have their hold and power broken in the face of foreign competition. This is possible because foreign competition not only provides goods and services that challenge domestic producers but external finance that make domestic suppliers of finance (or financial institutions) begin to work on financial innovations, all of which help to deepen the financial system.

There are also scholars who see finance intensive goods as products that a country can specialize in and exports if the country has comparative advantage in intensive goods. In the face of trade, such an exporter of finance intensive goods will almost always get his financial system broadened and deepened as a result of such trade. The country that is an importer of finance, i.e. an importer of finance-intensive goods, may according to a variant of this school also automatically improve on its financial system as the increased external finance is used to improve the real sector and hence provide greater aggregate demand. According to another variant of this school, the finance importing country is likely to be affected adversely as the availability of external finance reduces the incentive for the finance importing country to grow its financial sector. Among advocates of the existence of comparative advantage for exporter of finance-intensive goods are Kletzer and Bardhan (1987), Baldwin (1989), and Do and Levchenko (2004).

For those who see the relationship of trade and financial development as a political economy issue, Rajan and Zingales (2003) argue that the historically inherited legal system is very key in this matter, although it is only one among several determinants of financial development, La Porta et al (1998), argue that the origins of the legal code are important for financial development. The fact that financial comparative advantage is relevant to trade patterns is buttressed by the work of Beck (2002), and Becker and Greenberg (2003), among others.

Generally, several studies find a positive relationship between trade and financial development. Beck (2002) studying 65 countries over a period of 30 years found that the higher the level of the countries
manufacturing exports the higher their financial depth. In the manner of Newbery and Stiglitz (1984), Do and Levchenko (2004) agree that if a country has financial comparative advantage then it will export goods that are financially intensive to countries with financial comparative disadvantage. However, there is a major difference in their conclusions. While Newbery and Stiglitz (1984) conclude that the trading countries in this situation will both benefit in terms of the development in their financial systems, Do and Levchenko (2004) argue that the countries would be affected differently. They believe that while the country that has financial comparative advantage is able to benefit in terms of expansion and improvement of its financial system, the country with the financial comparative disadvantage is likely to lose out after a while. In any case, countries having financial comparative advantage are those with higher levels of wealth, better financial institutions, better regulatory and legal frameworks. So, they tend to be developed countries while those with comparative disadvantage are countries with lower wealth, poorer financial institutions, and poorer regulatory and legal frameworks.

Moreover, using data compiled by Beck, Demirguc-Kunt, and Levine (2000), Do and Levchenko (2004) studied 77 countries and come to the conclusion that poorer countries trade leads to slower financial development because these countries import financially intensive goods rather than develop their own financial systems. They made three critical assumptions, first, they assume that the quality of a financial system depends on how well the system overcomes information and enforcement frictions. Second, they assume that countries differ in their level of wealth, and that wealth levels determine the direction of financial comparative advantage. Thirdly, that differences in institutions and quality such as enforcement of contracts, property rights, etc, are important in determining the pattern of financial comparative advantage.

On their part, Law and Demetriades (2006) using data for 43 developing countries for the period 1980 to 2001 found that the extent of openness of a country as well as the quality of its institutions are important determinants of financial development. They considered openness both in terms of trade and of capital flows and show that openness is important in promoting financial development in middle income countries, but much weaker in lower income countries. In that study, they used two panel data techniques i.e. the generalized method of moments (GMM) and the pooled mean group (PMG). They tested the hypothesis that financial development is a function of trade openness, capital flows, institutions and real GDP per capita. They found the evidence valid even when they employed other measures of financial development and three indicators of capital market development.

**METHODOLOGY**

*Model Specification*

To ascertain the relationship between trade and financial development in Nigeria, we posit a bivariate model of the following form:

\[
FINDEV = \sum_{j=1}^{n} \delta_j + \sum_{j=1}^{n} \Psi_j \text{OPENNESS} + \epsilon_i
\]

where:

FINDEV is the indicator of financial development while OPENNESS stands for trade openness, \(\delta_j\) and \(\Psi_j\) are the parameters to be estimated, and \(\epsilon_i\) is the error term. Moreover, we gauge the robustness of the independent partial correlation between trade and financial development in Nigeria using the following model:
\[ FINDEV = \sum_{j=1}^{n} \alpha_j X_j + \sum_{j=1}^{n} \beta_j (OPENNESS) + \mu_i \] (2)

Where:
FINDEV is the indicator of financial development; X is a set of control variables; \( \alpha \) is a vector of coefficients on the variables in X; \( \beta \) is the estimated coefficient of trade (OPENNESS); and \( \mu \) is an error term. We expect “a priori”, \( \beta > 0 \).

Model Estimation Technique
In this study, we employ time series econometric techniques to ascertain the nexus between trade and financial development in Nigeria from 1972 and 2007. Specifically, we perform cointegration and error correction modeling to establish the short-term and long run dynamics between trade and financial development in Nigeria.

Indicators of trade and Financial Development:
The indicator of financial development, FINDEV is the ratio of credit to private sector divided by GDP. The rationale behind the choice of FINDEV is that financial systems that funnel more loanable funds to the private sector are more involved in performing the five functions of the financial system than financial systems that simply channel credit to the public sector. Also, we make use of trade openness (OPENNESS) as the indicator of trade in Nigeria. It is the ratio of imports plus exports to GDP. All the macroeconomic data were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin 2007.

Control Variables
In this study we use domestic inflation rate (DIR) and ER (exchange rate) as the control variables (X) because extant literature shows that there are links between these variables and financial development. For instance, Zoli (2007) and Bittencourt (2008) present empirical proof that inflation influences financial development while Dehesa, Druck, and Plekhanov (2007) show that higher real exchange rate volatility results in lower ratios of credit-to-GDP.

RESEARCH FINDINGS
As is customary with time series analysis, we initially examine the graphical representation of the time series data employed in this study. Fig 1 below shows that all the variables, namely: FINDEV, DIR, ER and OPENNESS trended upwards with varying degrees of fluctuations.

Following Granger and Newbold (1974), and Engel and Granger (1987) assertions that many of the variables that appear in time series econometric models are non-stationary (or are integrated variables) we therefore perform unit root tests on the univariate time series to ascertain the stationarity or otherwise of the series. The null hypothesis of a unit root is rejected against the one-sided alternative if the t-statistic is more than the critical value in absolute terms. The results from the Augmented Dickey-Fuller (ADF) and the Philips-Perron (PP) tests (Dickey and Fuller 1979; and Philips and Perron 1988) are presented in table 1. For all the variables, the ADF and PP tests fail to reject the null hypothesis of a unit root at 5 percent significance level. In other words, the tests indicate that the variables are nonstationary at the level. Further differencing however shows that the variables are stationary at their first differences and are thus integrated of order 1 i.e I (1).
Having established that the variables are I(1), we then carry out the cointegration test using the Johansen (1992 and 1995) framework. The results of the cointegration tests as shown in table 2 indicate the presence of 1 (one) cointegrating equation. In other words, the variables are cointegrated. This means that there are dynamic long-run causal relationships involving indicators of financial development (FINDEV) and trade (OPENNESS) as well as the control variables (DIR and ER) in Nigeria during the period under consideration.

### Table 2: Cointegration Tests

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<th>Eigenvalue</th>
<th>λmax</th>
<th>95% Critical Value</th>
<th>99% Critical Value</th>
<th>Trace</th>
<th>95% Critical Value</th>
<th>99% Critical Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = 0**</td>
<td>0.589556</td>
<td>30.27757</td>
<td>27.07</td>
<td>32.24</td>
<td>49.32690</td>
<td>47.21</td>
<td>54.46</td>
</tr>
<tr>
<td>r = ≤ 1</td>
<td>0.345369</td>
<td>14.40524</td>
<td>20.97</td>
<td>25.52</td>
<td>19.04933</td>
<td>29.68</td>
<td>35.65</td>
</tr>
<tr>
<td>r = ≤ 2</td>
<td>0.124107</td>
<td>4.505385</td>
<td>14.07</td>
<td>18.63</td>
<td>4.644084</td>
<td>15.41</td>
<td>20.04</td>
</tr>
<tr>
<td>r = ≤ 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Finally, having ascertained that the variables are cointegrated and that there exists 1 (one) cointegrating equation at 5% level of significance, we then formulate the error correction model.

**Table 3: The Parsimonious Error Correction Model (Dependent Variable: FINDEV)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.122207</td>
<td>0.51748</td>
<td>0.23616</td>
</tr>
<tr>
<td>D(FINDEV (-1))</td>
<td>-0.308170</td>
<td>0.20664</td>
<td>-1.49135</td>
</tr>
<tr>
<td>D(DIR (-1))**</td>
<td>-0.064718</td>
<td>0.03077</td>
<td>-2.10336</td>
</tr>
<tr>
<td>D(ER (-1))</td>
<td>0.130201</td>
<td>0.07198</td>
<td>1.80894</td>
</tr>
<tr>
<td>D(OPENNESS (-1))***</td>
<td>-0.200620</td>
<td>0.07572</td>
<td>-2.64952</td>
</tr>
<tr>
<td>ECM (-1)**</td>
<td>0.138693</td>
<td>0.06444</td>
<td>2.15237</td>
</tr>
</tbody>
</table>

R-squared 0.362993  
Adj. R-squared 0.249242  
Mean dependent 0.431414  
Schwarz SC 5.237300  
S.E. equation 2.679526  
S.D. dependent 3.092487  

Note: *** significant at 1%, ** significant at 5%, * significant at 10%

From table 3, the equilibrium structure of the parsimonious error correction model is validated by the significance of the error correction term (ECM -1). The error correction term shows significant correction of about 14 percent from short run disequilibrium to long run equilibrium. Also, the results indicate that although OPENNESS significantly affects financial development in Nigeria at 5 percent level, it is wrongly signed. The result thus confirms Do and Levchenko (2004) findings and rejects the Svaleryd and Vlachos (2002) position. The implication of this is that trade with the rest of the world adversely affects financial development in the country during the period under review. The reason for this could be traced to the fact that Nigeria is highly exposed to the external sector such that volatility in the external sector greatly affects the Nigerian economy. The monocultural nature of the economy and inherent rigidities make policies such as devaluation or deregulation and trade liberalization hurt the Nigerian financial sector and the economy more than gains derivable from such policies. In addition, the results from the table show that DIR enters with the right sign and significantly influences financial development in Nigeria at 5 percent level during the period under consideration. This means that inflation is detrimental to financial development in the country. On the other hand, we find from our study that exchange rate (ER) promotes financial development but its influence is insignificant.

**Table 4: Summary of Diagnostic Tests for the Model**

<table>
<thead>
<tr>
<th>F Test</th>
<th>F Statistic</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breusch-Godfrey Serial Correlation LM Test:</td>
<td>0.427806</td>
<td>0.655986</td>
</tr>
<tr>
<td>ARCH LM Test</td>
<td>0.036256</td>
<td>0.850154</td>
</tr>
<tr>
<td>White Heteroskedasticity Test: (Cross Terms)</td>
<td>0.736149</td>
<td>0.672835</td>
</tr>
<tr>
<td>White Heteroskedasticity Test: (No Cross Terms)</td>
<td>0.830662</td>
<td>0.556006</td>
</tr>
<tr>
<td>Chow Breakpoint Test</td>
<td>2.027667</td>
<td>0.117702</td>
</tr>
<tr>
<td>Chow Forecast Test</td>
<td>0.739573</td>
<td>0.730086</td>
</tr>
<tr>
<td>Jarque-Bera Normality Tests</td>
<td>0.660675</td>
<td>0.718681</td>
</tr>
</tbody>
</table>
Table 4 presents the results of relevant diagnostic tests for the model. The results in general are satisfactory. The Breusch-Godfrey Serial Correlation LM Test shows that there is no evidence of autocorrelation while theJarque Bera test for residual indicates that the normality assumption is not violated. Also, there is absence of both heteroskedasticity and ARCH effect in the residuals, with the latter ensuring that there is no loss of efficiency. Moreover the Ramsey Reset test shows that the model is well specified and that valid inferences can be made from the results of this study. Additional tests conducted to ascertain the model for stability in the parameters of the equation also prove satisfactory. Both the CUSUM test (fig 2) and CUSUM of squares test (fig 3) find parameter stability. The CUSUM test in fig 2 plots the cumulative sum as well as the 5% critical lines. The test finds parameter stability since the cumulative sum does not go outside the area between the two critical lines.

Similarly, the CUSUM of squares test (fig 3) provides a plot of $S_t$ against $t$ and the pair of 5 percent critical lines. Also, the test finds parameter stability since the cumulative sum does not go outside the $S_t$ critical lines.
CONCLUSIONS AND RECOMMENDATIONS

In this study we examine the nexus between trade and financial development in Nigeria for the period 1972 to 2007. We employ cointegration and error correction methodology using annual macroeconomic data from CBN for the period under review. We confirm that trade negatively and significantly influence financial development in Nigeria at 5 percent level during the period under consideration. This result could be traced to the exposure of Nigeria to external sector volatility which in turn affects the Nigerian financial system negatively. The undue reliance on the oil sector, rigidities on the supply side and inappropriate and inconsistent macroeconomic policies mean that gains from trade cannot be appropriated in the Nigerian financial system. We believe that when policies that will remove inherent rigidities domestically are put in place, the non-oil exports encouraged, and efforts are made to remove bottlenecks to profitable trade in the country, the nation will be able to change the sign of the relationship identified in this study.

REFERENCES


Intelligence Information Generation, Dissemination, and Responsiveness in the Performance of Insurance Business in Nigeria

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This paper investigates the effect of market orientation practice on the performance of Nigerian insurance business. An empirical survey was conducted among 420 insurers to gauge the necessary insurance corporate opinions to assess the research objectives. The findings suggest that the levels of marketing intelligence dissemination and that of the response to information generated have a significant impact on the performance of insurance business. Moreover, further analyses reveal that the market intelligence generation, dissemination and more importantly responsiveness to information feedback have a direct significant causal effect on insurance business performance. We discuss also the policy implications of the findings.

INTRODUCTION

The marketing concept holds that customer’s needs and wants should be the starting point for any marketing process. It introduces marketing as the beginning rather than the end of the production cycle and integrates marketing into each phase of the business operation. This statement has two important points, first, it recognizes that sales is just one element of marketing, that marketing includes a much broader range of activities. Second, it changed the point at after an item is produced to before it is designed. The marketing concept focuses on the consumer. Although many companies endorsed the marketing concept and defined the purpose of their business as the creation and retention of satisfied customers, implementation of the concept proved to be very difficult which is what market orientation addresses. Kohli and Jaworski (1990) define market orientation simply as the implementation of the marketing concept. Market orientation firm focuses its efforts on:

(i) Continuously collecting information about customer’s needs and competitors capabilities,
(ii) Sharing their information across departments and
(iii) Using the information to create customer value.

Thus, an organization’s success will depend largely on its ability to continuously generate intelligence about its customers need, disseminate and response to these needs. This is essential for it to continuously create superior customer value. Information generation is important because it is regarded as a necessary activity which can explicate customers’ needs and want (Kohli, 1993). Moreover, shared interpretation of information occurs between dissemination and responsiveness (Daft and Weick, 1984). Harrison-Walker (2001) point out that the dissemination stage provides a shared basis for concerted actions by different departments (Kohli and Jaworski, 1990). However, until an organization responds to market needs, very little is accomplished. Hence, responsiveness is the action taken in response to intelligence that is generated and disseminated and it involves the planning and implementation of a response strategy (Shapiro, 1988).
A key aspect of market orientation is that understanding consumers and competitors requires involvement of managers and employees throughout the firm. The market orientation construct implies the generation of intelligence as a prerequisite for marketing. The concept “Market Orientation” extends beyond the customers verbalized needs and preferences, while market intelligence pertains not just to the current needs but to future needs of customers and take initial step to meet them (Kohli et al, 1993; Kohli et al, 1990; Slater and Narver, 1995; Barrett and Weinstein, 1998).

Improving organizational performance has become a subject of concern for the operators of industries, the investors and the government of Nigeria because of increase in competition and globalization. Insurance and risk management make up an immense global industry. Nigerian has the biggest insurance market in Africa, but the industry was weak prior to its recent recapitalization, this meant that most of the large insurance business was underwritten by foreign companies. Besides, after the consolidation exercise, the domestic industry is poised not only to penetrate deeper in the domestic market but to expand to other regions of the continent.

Insurance industry includes a wide variety of sectors and services, the most obvious are insurance underwriters that cover the risks and issue the policies, along with the agencies that sell insurance. However, there are also large numbers of consulting firms, claims processing firms, data collection firms and myriad other specialized fields serving the industry. In addition, there are insurance brokers, which have traditionally posted enviable profits. Recent regulating changes have heightened competition within the insurance industry – an area in which competition has always been fierce. Massive merger and acquisition have resulted into creating financial services mega – firms of which, many offer a complete range of financial services and products to their customers, from checking accountants to investment products to life insurance (Ajayi, 1998). Prior to the commencement of the industry’s consolidation programme in Nigeria, there were 104 registered insurance and four reinsurance companies. Out of these 71 companies survived the consolidation and this comprises of 43 non-life underwriting firms, 26 life insurers and 2 re-insurance companies (Niyi, 2006)

The industry capitalization exceed N200bn ($1.62bn) from a consolidation level of N30bn ($243m) that was transformed overnight by its strengthened financial capacity. Nigeria insurance companies are set to become dominant players in the African market; therefore, there is a need to pay more attention to intelligence generation, dissemination and response.

Thus, the objectives of this article are:
(i) to examine the extent to which insurance business in Nigeria is sensitive to information generation, dissemination and utilization in their market orientation practice
(ii) to determine if information generation, dissemination and response by the insurance companies has the potential of enhancing the performance of insurance companies.

THEORETICAL FRAMEWORK

Insurance Marketing
The main focus of all marketing activity is the creation and retention of satisfied consumers of a product or service at a profit to an organization. Marketing is important since customers have a choice and they need to be convinced on why they should buy your product or service, rather than those on offer from competitors. With the intense competition in the insurance industry, there is the need for each company to map out strategy for attracting and retaining its own clientele. As a result of the present global economic recession attracting and retaining clientele will be more difficult, therefore for a company to compete effectively they must imbibe the following marketing concepts:
(i) A company should aim at not only market share but also profitability.
(ii) A company’s operations and planning must be customer oriented.
(iii) All marketing activities should be coordinated. The identification and satisfaction of customer needs should be the focus of marketing activities of insurance companies. These objectives could be achieved through the generation of information, dissemination and responsiveness to information which is the whole essence of marketing.

**Intelligence generation**

This is a vital part of every organization. A company must understand completely its market and the people who decide whether to buy its products or service, gaining this insight requires proactive information gathering and analysis. In many instances a wealth of information is available in company records, information systems and employees. The challenge is to develop an effective approach to gathering relevant information that involves the participation of all business functions, not just sales and marketing personnel. A key part of information acquisition is learning from experience. Learning organizations encourage open-minded inquiry, wide spread information dissemination and the use of mutually informed manager’s visions about the current market and how it is likely to change in the future Day (1994).

Intelligence generation according to Kohli et al (1993) is the collection and assessment of customer needs/preferences and the forces (i.e. task and macro environment) that influence the development and refinement of those needs i.e., both customers and external stakeholders. They also stress the necessity of this occurring in all departments in the business.

In order to serve the market better than competitors, market orientation requires the availability of all the various kinds of information regarding existing and latent needs and wants of the customers and the factors affecting the fulfillment of those needs and wants. Avlonitis and Gonnaris (1999) in this connection suggested that, having made this information available, a company–wide mobilization to satisfy customers’ needs and want should follow. Therefore, availability of information on customers’ needs and wants at company-wide level becomes a major issue in the development of market orientation (Narver and Slater, 1989, Kohli and Jaworski, 1990, Slater and Narver 1994).

Market orientation involves the organization-wide generation of market intelligence pertaining to current and future customer needs Kohli and Jaworski (1990). In order to create value for the customer, a level of understanding is required which involves acquiring information about the customers or buyers (Narver and Slater, 1990). Furthermore, the extent to which a company obtains and uses information from customers determines the level of market orientation of that company (Ruekert, 1992).

**Information Dissemination**

Market orientation is also concerned with the dissemination of information throughout the organization. Kohli and Jaworski (1990) argue that market; intelligence need not always be disseminated by the marketing department to other departments. Intelligence may flow in the opposite direction, depending on where it is generated, i.e. that all individuals in the organization are capable of generating intelligence. Information dissemination is the party wide communication and reception of information through formal and informal communication. Responding effectively to a market need requires participation of all departments in an organization. Ignacio et al (2002) argued that internal integration and coordination must be a faithful illustration among the organization’s members in developing a group of activities aimed at the satisfaction of the target market. In this connection, Kohli and Jaworski (1990) suggested that for an organization to adapt to market needs, market intelligence must be communicated, disseminated and even sold to relevant departments and individuals in the organization.

According to Shapiro (1988), information should permeate the entire firm and strategic and tactical decisions should be made and executed inter-functionally Kohli and Jaworski (1990) opined that the generated information should be disseminated effectively to all parts of the company. While Narver and
Slater (1990) asserted that inter-functional coordination is a key component and is equally weighted as customer and competitor orientation.

In order to create superior customer value, there is a need for inter-functional coordination (Ruekert, 1992). This coordination is also known as intelligence dissemination, that shares activities market intelligence must be shared across the various parts/departments of the company.

An organization needs to have assessed to quality information to enable it cope with environmental uncertainty, they also must have information processing capabilities (Premkumar, Ramamurthy & Sauder 2005). It means that if an organization only has quality employee information without information processing capability, the organization could not have the way to handle environmental uncertainty. Therefore, if environmental uncertainty continues, it could impact employee’s motivation and expand onto dissatisfying external customers. From these research subordinates might facilitate subordinate through disseminating helpful organizational information such as job rotation or enlargement and organizational values, strategies, mission or cultures.

**Intelligence Responsiveness/Taking Action**

Jaworski and Kohli (1993) defined the responsiveness aspect as being composed of two sets of activities: These activities are; response which deals with using marketing intelligence to develop organization plan and response implementation which involve executing the plan.

According to Narver and Slater (1999), the utilization of company resources should be coordinated in developing and creating value for its target customer. According to Ruekert, (1992) in order to be responsive to the needs and wants of the market place an organization should implement and execute its corporate strategy. A company should focus on responding to the customers need and wants, as well as to gathering and disseminating information in order to satisfy its customers and achieve organizational performance.

**Impact of Information, Generation, Dissemination and Responsiveness on Organizational Performance**

This consists of cost-based performance measure and revenue based performance measure, profit, sales and increase in market share. Many studies have examined the relationship between market orientation and organizational performance. For example, Narver and Slater (1990) studied the effects of market orientation on organizational profitability. They interviewed managers in 113 strategies business units (thereafter called SBUS) in one corporation. They used relative return on asset as a measurement for business organizational performance. Their findings suggested that market orientation is an important determinant of profitability for both commodities and non-commodities businesses. They also observed that organizations that have a higher degree of market orientation also have greater profitability.

Kohli and Jaworski (1990), in their first attempt to conceptualize market orientation and its implications, interviewed 62 managers in diverse functions and organizations. Their findings suggested that market orientation enhances the performance of an organization in terms of return on investment (ROI), profit, sales volume, market share and sales growth.

Jaworski and Kohli (1993) conducted another study regarding antecedents and consequences of market orientation by using two sets of samples (Sample 1:222 SBUS: Sample 2:230 SBUS). This time they used both is subjective measure i.e. (Management’s opinion on overall performance compare to that of major competitors) and an objective measure (market share). The results suggested that market orientation is related to overall business performance. However, it is only significantly related to business performance if measured by market share (objective measure). Jaworski and Kohli (1993) explained that market share may not be an appropriate indicator of performance. Secondly, the effect of market share on performance may not be captured in a cross-sectional study.
Organizational performance can also be measured in terms of profitability, a number of studies have measured the relationship between market orientation and organizational profitability.

Dawes (1999) conducted a study that examined the association between market orientation and company profitability. In this study he incorporated two methodological approaches that have generally not been used in previous research. Firstly, he used ‘lagged company and environmental control variables in the data analysis in order to better discern their effects on profitability and do clarify any relationship between market orientation and performance.

Secondly, he separately analyzed the individual components of market orientation and their relationship with business profitability. It was found that competitors’ orientation, as a component of market orientation, had the strongest association with performance. They argued that, while customer orientation is vital, competitor intelligence activities constitute a key factor in ensuring high performance. Further, it claimed that each component of market orientation should not necessarily be assumed to have equally strong association with profitability. Therefore, the researcher suggested further research in the absence of a significant association between market orientation information sharing and reporting performance. This study aims at bridging the gap and discovering the relationship that exists between information generation, dissemination, response and organizational performance in the insurance service industry in Nigeria.

**RESEARCH METHODOLOGY**

Survey exploratory research method is used to investigate the various research hypotheses stated in the present study to achieve the objectives. Random sampling was used in the selection process of about six hundred (600) insured respondents in Lagos State, Nigeria. The choice of Lagos is chosen due to its metropolitan nature where most of the Insurance companies are located. In addition, various Nigerian ethnic and religious groups are well represented. Thus, the following research questions and hypotheses need to be investigated to meet the research objectives.

**Research Question**

(i) Are insurance companies in Nigeria sensitive to information generation, dissemination and utilization in their market orientation practice?

(ii) Do information generation, dissemination and response have any impact on insurance companies’ performance and customer satisfaction in Nigeria?

**Research Hypothesis**

H₁: Insurance companies in Nigeria are sensitive to information generation, dissemination, and utilization in their market orientation practice.

H₂: There are relationships between information generation, dissemination and response of insurance companies in Nigeria and their performance.

A set of structured questionnaire were randomly distributed to the selected insurance workers. The research instrument contains 42 questions from which seven socio-demographic and economic variables, eight interval scale items addressing workers’ opinions on insurance market information intelligence generation (IIG), eight others on market intelligence information dissemination (IID) internally, nine others interval scale dealing with responsiveness to intelligence generation (RIG), and the ten remaining items deals with firm performance (PERF). The research instruments were validated by an expert panel. The response rate for the questionnaire distributed is 70%. Moreover, with the Cronbach-Alpha coefficient of 0.875, 0.882, 0.799, and 0.920, the interval attitudinal scale (which is above 0.70) can be considered quite reliable with the sample (Pallant, 2001). Multi-factor analysis of variance is used to test the research
hypotheses. Furthermore, multiple regression analysis is used to model the causal effect and estimate the marginal contribution of inteligence generation, desimination and resposiveness on the performance of insurance firms.

**SUMMARY OF RESULTS AND DISCUSSION**

Figure 1: Distribution of Socio-Demographic variables of Insurers
Table 1 gives a summary of descriptive statistics of the response variable (Organizational Performance) and the independent contributing indicators namely: Intelligence information generation, intelligence dissemination, and response to information feedback.

With mean rating score of about 5 when rounded to the nearer integer, the insurance companies are involved in information generation, dissemination and responsiveness to feedback. However, we group them into high and low market orientation practice for testing their impact on performance.

### Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IG</td>
<td>420</td>
<td>1.75</td>
<td>6.00</td>
<td>4.7723</td>
<td>.82355</td>
</tr>
<tr>
<td>IDI</td>
<td>420</td>
<td>1.13</td>
<td>6.00</td>
<td>4.6386</td>
<td>.92189</td>
</tr>
<tr>
<td>RESPI</td>
<td>420</td>
<td>1.11</td>
<td>6.00</td>
<td>4.6556</td>
<td>.96610</td>
</tr>
<tr>
<td>PERF</td>
<td>420</td>
<td>1.60</td>
<td>6.00</td>
<td>4.6894</td>
<td>.82776</td>
</tr>
</tbody>
</table>

The following Tables 2, 3 and 4 give the summaries of results of the test of hypotheses and model estimation performance evaluation statistics.

### Table 2. Multifactor Analysis of Variance Tests of Between-Subjects Effects

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>99.325</td>
<td>7</td>
<td>14.189</td>
<td>32.942</td>
<td>.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>1185.530</td>
<td>1</td>
<td>1185.530</td>
<td>2752.370</td>
<td>.000</td>
</tr>
<tr>
<td>IGL</td>
<td>.414</td>
<td>1</td>
<td>.414</td>
<td>.962</td>
<td>.327</td>
</tr>
<tr>
<td>IDIL</td>
<td>3.990</td>
<td>1</td>
<td>3.990</td>
<td>9.263</td>
<td>.003</td>
</tr>
<tr>
<td>RESPI</td>
<td>5.867</td>
<td>1</td>
<td>5.867</td>
<td>13.621</td>
<td>.000</td>
</tr>
<tr>
<td>IGL * IDIL</td>
<td>.016</td>
<td>1</td>
<td>.016</td>
<td>.038</td>
<td>.845</td>
</tr>
<tr>
<td>IGL * RESPI</td>
<td>.220</td>
<td>1</td>
<td>.220</td>
<td>.511</td>
<td>.475</td>
</tr>
<tr>
<td>IDIL * RESPI</td>
<td>.194</td>
<td>1</td>
<td>.194</td>
<td>.449</td>
<td>.503</td>
</tr>
<tr>
<td>IGL * IDIL * RESPI</td>
<td>1.039</td>
<td>1</td>
<td>1.039</td>
<td>2.412</td>
<td>.121</td>
</tr>
<tr>
<td>Error</td>
<td>164.108</td>
<td>381</td>
<td>.431</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8841.410</td>
<td>389</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>263.433</td>
<td>388</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3: Summary of the Analysis of Variance of the Fitted Regression Model

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>125.635</td>
<td>3</td>
<td>41.878</td>
<td>117.005</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>137.799</td>
<td>385</td>
<td>.358</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>263.433</td>
<td>388</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), RIG, IIG, IID

b. Dependent Variable: PERF(Performance)

Table 4: Summary of Model Performance Evaluation Performance Statistics

Panel A: Model Summary of Goodness of Fit Statistics

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.715a</td>
<td>.512</td>
<td>.508</td>
<td>.57810</td>
</tr>
</tbody>
</table>

Panel B: Estimated Regression Coefficients Statistics

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.448</td>
<td>.194</td>
<td></td>
</tr>
<tr>
<td>IIG</td>
<td>.168</td>
<td>.064</td>
<td>.157</td>
<td>7.473</td>
</tr>
<tr>
<td>IID</td>
<td>.161</td>
<td>.056</td>
<td>.176</td>
<td>2.626</td>
</tr>
<tr>
<td>RIG</td>
<td>.354</td>
<td>.047</td>
<td>.424</td>
<td>7.551</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERF(Performance)

Discussion

From the multi-factor analysis of variance results displayed in Table 2, we observe that the level of information generation does not influence the performance of insurance companies business, whereas, the level of intelligence information dissemination and response to intelligence feedback have a very significant effect on their performance. On the other hand, there are no significant interactive effects of these variables on the performance of insurance business.

Furthermore, the results displayed in Table 3 show that the fitted multiple-regression is very significant and it can be used adequately in modeling marketing orientation practice on insurance business performance. Besides, with coefficient of determination of 51.2% (in Panel A of Table 3), intelligence information generation, dissemination and responsiveness to information feedback explain more than 50% of insurance firms’ performance. Moreover, Panel B of Table 3 results reveal that responsiveness to information generation contributed significantly higher than information generation and dissemination. In fact, response to information feedback has a marginal contribution of 42.4% to firms’ performance, whereas information generation and dissemination’s marginal contributions are 17.6 and 15.7%
respectively. Finally, with a direct multiple correlation coefficient of 0.715, there is a very strong relationship between, information generation, dissemination, and utilization in their market orientation practice and business performance.

CONCLUSION AND IMPLICATIONS

On the basis of the above, we conclude that insurers’ corporate opinions suggest that information generation, dissemination and responsiveness to intelligence generation are keys to the success of insurance business in Nigeria business environment. Even though, all the three causal variables contributed significantly to insurance firms’ performance, the regression analysis results suggest that responsiveness to information generation by insurers has a higher significant effect on the insurance business. Given the central risk management role of insurance the present findings confirms that market intelligence and response to intelligence are essential to insurance services and Nigerian economy.

Apart from the marketing, the peculiar situation of most financial transactions in Nigeria has been weak contract certainty which in turn, erodes the trust of the insuring public. This is where the regulatory authority wades in to strengthen regulation and supervision that would further boost the public confidence and trust in the insurance industry. In the case of Nigeria specifically, the present government’s cardinal programme of strict adherence to the rule of law should be extended to the insurance service industry where the persistent problem of non payment of claims is undermining the progress of the industry. It is when the public realizes the availability of seeking redress in case of insurance disputes that they can repose confidence and positive attitude to the industry. Nevertheless, the efficacy of marketing-orientation rather than selling by insurers would go a long way in addressing the attitudinal problem and impact on the growth and success of the industry. Hence, further studies on the present and some new marketing strategies being adopted by insurers to strengthen based on the feedbacks and the opportunities offered by these findings about market intelligence generation, dissemination and response to intelligence on the success of the industry.

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Determining the strategic consolidation of the capital base of Nigerian commercial banks using the analytic hierarchy process (AHP) model

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The reformation of the banking industries by the Central Bank of Nigeria requiring banks’ to consolidate their capital base to ₦25 billion became an optional concern to various managers in the banking industry. It thus became a necessity on the corporate managers of banks to decide on the different alternatives available to them by considering different criteria in order to strategically consolidate. As the Central Bank of Nigeria gears up to enforce recapitalization by banks to ₦50 billion level by the end of year 2007, this paper employs Analytic Hierarchy Process (AHP) as an evaluative tool for strategic reconsolidation of capital base by banks, using the recent experience of six merger/acquisition mega banks.

INTRODUCTION

In recent years there have been a large number of Federal Government reforms in many sector of the Nigerian economy in order to move the economy forward. To this effect, the Nigerian banking industry experienced a major governmental policy change in 2004 when the Central Bank of Nigeria announced that banks operating in Nigeria had to consolidate their capital base for the Nigerian banking industry to meet developmental challenges of the 21st century (Soludo, 2004). Prior to June 2004, there were 89 deposit banks operating in Nigeria, institutions of various size and degree of soundness. Structurally the sector is highly concentrated as the ten (10) largest banks account for about 50 percent of the industry’s total assets/liabilities. Most banks operated with a capital base of less than $10 million. The largest bank in Nigeria, as of 2004, had a capital base of about US $240 million compared to the $526 million for the smallest bank in Malaysia. Apart from this, Soludo (2004) opined that the fundamental problems of the Nigerian banks, particularly those classified as unsound, were identified to include: persistent illiquidity; poor assets quality; and unprofitable operations. Also, Nigerian banks seemed overtly dependent on the three tiers of government and parastatals; the complications were that the resources of such banks were weak and volatile, making their operations highly vulnerable to swings in government revenue arising
from the uncertainties of the international market. Against this back ground, the Central Bank of Nigeria (the regulatory authority), headed by Soludo, mandated the consolidation of banking institutions through mergers and acquisition and a requirement of ₦25 billion as the minimum capitalization base for banks. Full compliance was required before the end of year 2005, with a view to enhancing banking efficiency, size and developmental rates.

LITERATURE REVIEW

There had been an unprecedented trend of banking consolidation activities globally between 1990 and 2004. According to Amel, Barnes, Panetta & Salleo, (2002), cited in Tetsuji & Michiru (2006), more than 8000 bank consolidations occurred globally between 1990 and 2001 and the total value of the deals reached about $1,800 billion. The number and amount of deals increased sharply towards the end of the period. Banking reforms have been an ongoing phenomenon around the world right from the 1980s, but it is has intensified in recent times because of the impact of globalisation which is precipitated by continuous integration of the world market and economies (Adegbaju & Olukoyo, 2008). In Nigeria, the banking reforms emerged because of a banking crisis which was due to the highly undercapitalized deposit taking in the banks; weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks (Uchendu, 2005 cited in Adegbaju & Olukoyo, 2008). Perhaps banking reforms may be the solution to the problems identified above. This is supported by Gyoray (2001)’s view that experience worldwide shows that the quality and effectiveness of bank regulation and supervision plays an important role in preventing bank crises.

CONCEPTUAL FRAMEWORK AND THEORETICAL FRAMEWORK

The context of the problem was the banking reforms by the current Nigerian government. The existing 89 banks in Nigeria were mandated by the regulatory authority, Central Bank of Nigeria, to consolidate through merger and/or acquisition or by using some other legal means. The aim of the policy was for the banks to raise their capitalization base to ₦25 billion by the end of 2005. Following the expiration of the deadline given to banks to shore up their capital base, and the liquidation of 14 non-complaint banks, 25 mega-banks emerged from the consolidation of the banks.

In order to determine the best strategic consolidation option for the commercial banks, the Analytic Hierarchy Process (AHP) Model was used for this study. The AHP model deals with prioritizing of decision making by reducing complex decisions to a series of pair – wise comparisons and then synthesizing the results. Also, AHP gives room for sensitivity test by computing the consistency ratio to do a check and balance on the consistency of the respondent to his/her subjective judgment (Al-Harbi, 2001;Anderson, Sweetly & Williams, 1994; Hallowell, 2005). When the consistency ratio (CR) ≤ 0.1, it is assumed that the judgmental values of the respondent are consistent (Taha, 2005). Adaptation of the Analytic Hierarchical Process to this study required identification of the objective, the criteria (the factors that affect the objective) and the alternatives. Those are as follows:

(a) The objective to be achieved is the strategic recapitalization to the ₦25 billion level.
(b) The criteria are in two sub-divisions:
   i. The banks under consideration for merger/ acquisition.
   ii. The criteria being considered which include: the share capital of the bank; the total assets of the bank; liquidity level of the bank; and the market share of the bank.
(c) The alternatives strategies (Grant, 2005) to be decided upon include: merger, acquisition, take over and affiliate.
STATEMENT OF PURPOSE

The recent government reform of the Nigerian banking industry which require the existing banks to consolidate by merger, acquisition or issuing of shares in order to raise-up the capitalization base to ₦25 billion, requires strategic decisions by the corporate managers of banks. The corporate managers have to critically consider the options available and then make decisions by considering various criteria in order to strategically consolidate the capital base. The decision to merge or be acquired is of optimal concern to the corporate managers, bearing in mind the collapse or failure and demise of some previous mergers and acquisition especially in the international business world. Thus, the utmost aim is to be able to determine the best option to adopt in order to effectively achieve this strategic consolidation. The Analytic Hierarchy Process (AHP) Model can be helpful in this regard. Apart from this, this study also aims to point out to the managers of the selected banks that the use of AHP model would help in determining the optimal strategic option to be embarked upon by these banks managers.

OBJECTIVE OF STUDY

As the Central Bank of Nigeria gears up to increase the minimum capitalization base for banks in future years, the transformation problem remains how to achieve the strategic consolidation. The AHP is a decision model that can be used to solve this problem. This paper therefore adopts the Analytical Hierarchy Process (AHP) to determine the strategic consolidation of the capital base of the Nigerian Commercial banking industry with a view to helping Nigerian commercial banks meet the developmental challenges of the 21st century.

METHODOLOGY

This study adopted exploratory research using both qualitative and quantitative approaches. The population is the 25 mega-banks resulting from the consolidation exercise; these banks are based in Lagos metropolis.

The AHP Model for the Study: The AHP methodology adopts the use of diagram in form of hierarchy to model real-life situations (Saaty, 1980). The four levels of the model are as follow:

First Level The objective: Achieving strategic consolidation of capital base to ₦25 billion.
Second Level The banks considered in achieving the objective
Third Level The criteria considered in order to achieve the objective.
Fourth Level The alternatives that can be used to meet the criteria.

The six Mega Banks considered in the study are:
(1) UBA Plc.: Made up of UBA and Standard Trust Bank
(3) Platinum/Habib Bank Plc.: Made up of Platinum and Habib Bank.
(4) Skye Bank Plc.: Made up of Prudent Bank, EIB International Bank, Bond Bank and Reliance Bank
(5) Union Bank Plc.: Made up of Union Bank, Union Merchant Bankers, Universal Trust Bank (UTB) and Broad Bank.
Figure 1 shows a typical format of the AHP model used in this study for the case of UBA Plc.

![AHP Model Diagram]

Figure 1: The UBA Group AHP Model

**Source:** Designed for the current study as an adaptation from Saaty (2001)

**Sample:** For the purpose of this study, the sample size was determined subjectively: it was determined that six of the 25 mega banks in Lagos metropolis were to be selected. Those six were selected using the simple random sampling technique. They are: UBA Plc; Access Bank plc; Wema Bank plc; Skye bank; Union Bank Plc; Platinum/Habib Bank; each of which form a group of merger or acquisition with some other banks. Since the strategic decision of merge, acquire or affiliate is the responsibility of the top managers, the data used for the study was generated by means of questionnaires administered to top level management and senior management staff of the banks.

**Instrument Development & Administration:** The questionnaire was designed by using the dichotomous questions based on Saaty’s scale of preference-- a form of Likert scale. A total seventeen (17) questionnaires were distributed to the top and senior managers of these banks. With regards to response rate, all the questionnaires distributed were filled out and returned by the respondents. The questionnaires were administered after the banks had already adapted their strategies and the study was carried out after the 2005 mandate. The study was intended to determine what the strategic move would have been if AHP had been applied in the decision making.
Data Analyses: The dichotomous questions were analyzed manually through counting and the use of frequency distribution and simple percentages. The AHP software package – “the Expert Choice” was used to process the resulting data.

RESULTS

The eigenvalues, consistency indexes and consistency ratios obtained from the processing of the information supplied by the respondents revealed that the consistency indices (CI) are all less than 0.1; hence it is assumed that the judgmental values of the respondents are consistent.

Composite Priorities: The composite priorities, that is, priorities for the strategic options, were computed for each of the groups. The comprehensive composite priorities for all the groups, with respect to the various alternatives, are presented in Table 1.

Table 1: Comprehensive Composite Priorities for All Groups

<table>
<thead>
<tr>
<th>Group</th>
<th>Merger</th>
<th>Acquisition</th>
<th>Takeover</th>
<th>Affiliate</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBA Plc</td>
<td>0.2057</td>
<td>0.3111</td>
<td>0.1979</td>
<td>0.1748</td>
</tr>
<tr>
<td>Access Bank Plc</td>
<td>0.3822</td>
<td>0.2710</td>
<td>0.1895</td>
<td>0.1859</td>
</tr>
<tr>
<td>Platinum/Habib Bank Plc</td>
<td>0.3774</td>
<td>0.2224</td>
<td>0.3403</td>
<td>0.2154</td>
</tr>
<tr>
<td>Skye Bank Plc</td>
<td>0.3485</td>
<td>0.1823</td>
<td>0.157</td>
<td>0.2274</td>
</tr>
<tr>
<td>Union Bank Plc</td>
<td>0.2737</td>
<td>0.3677</td>
<td>0.1954</td>
<td>0.1889</td>
</tr>
<tr>
<td>Wema Bank Plc</td>
<td>0.2292</td>
<td>0.3728</td>
<td>0.2247</td>
<td>0.1624</td>
</tr>
</tbody>
</table>

The composite priorities show that for Access Bank Plc and Skye Bank Plc, merger is clearly the highest priority, .3822, and .3485, respectively. Access Bank rated acquisition as its second highest priority while Skye rated affiliate as its second highest. Platinum rated merger as its highest priority as well, .3774, but it was not a clear priority for this bank as takeover was a very closely rated priority at .3403. Acquisition was clearly the highest priority for the remaining three mega banks: Wema Bank, Union Bank and UBA: .3728, .3677, .3111, in that order. Mergers were second priority in these three mega banks with takeover almost a tie for second at Wema Bank.

DISCUSSION

Table 1 presents the results of a survey of upper level management’s opinions on the best strategic option towards consolidating the capital base to ₦25 billion mark. The administration of the survey followed the actual course of action taken by these banks. It is interesting to note the comparison of the results of the AHP model as with the actual course of action that was taken by these banks. Five out of the six mega banks actually implemented the same course of action as shown in the results of the AHP model. For instance, Access Bank Plc; Platinum/Habib Bank Plc and Skye Bank Plc were consolidated by merger, while Union Bank Plc and Wema Bank Plc
groups were formed by the acquisition of the weaker bank by the stronger bank. The only inconsistency was found with the consolidated UBA Plc. The study outcome was a priority for acquisition while the reality was that the two component banks merged.

CONCLUSION

This paper has shown that the Analytic Hierarchy Process (AHP) can be used to evaluate the strategic approach to consolidation, when organizations are faced with complex decisions, based on the subjective judgment of the decision maker and those in authority. Moreover, weightings of these priorities can be obtained and can be used with other quantitative and qualitative criteria to give a more comprehensive picture to the decision makers. Thus first priority strategies can be assessed as clear frontrunners, or as close to second choice alternatives, and this information may be a factor in the final determination of a course of action. This study did not however investigate whether the approach was successful over the longer term. This would be particularly interesting in the case of the mega bank, UBA, where the results of the AHP process and the actual strategy were different.

RECOMMENDATION

It would be interesting to conduct descriptive investigation of the reasons that UBA decided to merge, as opposed to acquire. It would also be informative to see how the strategies have worked over the long term. Moving forward, it is recommended that the AHP model be implemented prior to the implementation of a strategy, as part of an overall evaluative process. This study show it is feasible and it would add another important dimension to the decision making process.

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520-526.
Sub-Saharan Africa and the Millennium Development Targets: The jobs imperative

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Emmanuel Cleeve, Manchester Metropolitan University, UK.

Although there are no easy answers to Africa’s many challenges, facilitating access to decent jobs is considered a key part of the solution. Increased access to meaningful jobs is likely to reduce overall levels of extreme poverty and assist with other Millennium Development goals. Recent experiences from China and other emerging countries attest to this viewpoint. This paper provides preliminary evidence on the employment-MDG relationship and shares initial thoughts on how key stakeholders might help in boosting job creation in sub-Saharan Africa.

INTRODUCTION

“If you think it’s not about jobs, ask someone that doesn’t have a job…
If you want to give a person dignity and respect...provide good jobs.”
(Joe Manchin III, 2009)

The Millennium Development Goals (MDGs) are a set of numerical and time-bound targets enunciated by world leaders in September 2000 to address key elements of human development. The goals encapsulated in a “Millennium Declaration” acknowledged the collective responsibility of global institutions to uphold the principles of human dignity, equality and equity, and to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty to which more than a billion of them are currently subjected” (UN 2000, p.4).

A total of eight MDGs, 23 targets and 47 indicators were outlined to be achieved by 2015. These include halving extreme poverty and hunger; achieving universal primary education and gender equality; reducing under-five mortality by two-thirds and maternal mortality by three-quarters; reversing the spread of HIV/AIDS, Malaria and other diseases; and halving the proportion of people without access to safe water (UN 2007). These MDGs are interconnected and mutually reinforcing, such that progress in one dimension would typically have positive implications in other areas. The main argument in this paper, however, is that greater progress toward the MDGs can be achieved by focusing on certain higher order targets, specifically that of achieving full and productive employment and decent work for all, including women and young people.

This reflects the perceived criticality of access to decent jobs to achieving improvements in the other MDG goals, including reducing extreme poverty and hunger, infant and maternal mortality, and improving access to education, safe water and decent housing. It also reinforces the view in a recent ILO (2007) report that SSA will not emerge from its slow progress towards achieving the MDGs until new jobs are created. As one policy expert recently observed, wages earned by many developing country women via employment in export-heavy industries directly affect their households on such vital matters as children’s health, nutrition, and education (UNCTAD, 2009). Employment-intensive growth is, thus, viewed as the most effective method of poverty reduction because labor is the most plentiful resource that most poor countries are endowed with (Kahn 2007). The present study’s perspective also recognizes the link between lack of jobs and Africa’s other intractable challenges, including never ending conflicts, violent crime/robbery, female prostitution, and desperate emigration. Access to jobs is also crucial to
potentially transformational skills such as self efficacy, personal responsibility, capacity development, and better time management.

The aim of the present study is to assess the proposition that performance on the employment target is likely to be a good predictor of progress, or lack of it, on other key MDG targets. The rest of this paper is presented as follows. The next section presents the data on the employment indicators and relates these to recent updates on a number of key MDG targets. It also briefly discusses the observed pattern. The final section highlights implications for a number of stakeholder groups.

**PROGRESS ON THE EMPLOYMENT INDICATORS AND OTHER MILLENNIUM DEVELOPMENT TARGETS**

Data available on two relevant employment indicators - proportion of employed people living below $1 (PPP) per day and proportion of own-account and contributing family workers in total employment – suggests that SSA, Southern Asia, Oceania and Western Asia have made the least progress toward achieving full and productive employment and decent work for all, including women and young people. The CIS Europe, Eastern Asia, Transition Economies of South-east Europe, Northern Africa and Latin America and the Caribbean, on the other hand, appear to have advanced the most toward this target – see Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Proportion of employed living below $1.25 a day (%)</th>
<th>Proportion of own-account family workers in total employment (vulnerable employment) in 2008 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSA</td>
<td>64 58 64</td>
<td>85 74</td>
</tr>
<tr>
<td>Southern Asia</td>
<td>55 38 44</td>
<td>84 74</td>
</tr>
<tr>
<td>Oceania</td>
<td>37 35 38</td>
<td>86 73</td>
</tr>
<tr>
<td>CIS Asia</td>
<td>26 21 23</td>
<td>37 40</td>
</tr>
<tr>
<td>South-Eastern Asia</td>
<td>36 17 21</td>
<td>67 61</td>
</tr>
<tr>
<td>Eastern Asia</td>
<td>38 11 13</td>
<td>63 54</td>
</tr>
<tr>
<td>Transition SE Europe</td>
<td>20 11 13</td>
<td>51 31</td>
</tr>
<tr>
<td>Western Asia</td>
<td>9 10 25</td>
<td>38 28</td>
</tr>
<tr>
<td>Latin America &amp; the Caribbean</td>
<td>13 7 8</td>
<td>35 35</td>
</tr>
<tr>
<td>Northern Africa</td>
<td>6 3 3</td>
<td>51 31</td>
</tr>
<tr>
<td>CIS Europe</td>
<td>4 0.1 0.2</td>
<td>10 11</td>
</tr>
<tr>
<td>Developed Regions</td>
<td>16 9 10</td>
<td>9 12</td>
</tr>
<tr>
<td>Developing Regions</td>
<td>41 24 28</td>
<td>67 60</td>
</tr>
</tbody>
</table>

Source: The MDG Report 2009

Further analysis revealed that the above noted least performers – SSA and Southern Asia – also featured at the bottom end of the performance ladder in regard to key Millennium Development targets such as the proportion of population living below $1 (PPP) per day or who suffer from hunger, primary education enrolment, under-five mortality rate, and maternal deaths. Significantly also, regions that performed well on the employment indicators, notably Transition Economies of South-east Europe, CIS Europe, Eastern Asia, and Latin America and the Caribbean, also seem to have made the most progress on the focal MDG targets.
More specifically, the Southern Asian, and Eastern and South-Eastern Asian regions recorded a noticeable decline in the percentage of the population living on less than US$1 per day between 1990 and 2005, while SSA witnessed hardly any change during the period (UNDP, 2008). The proportion of people who suffer from hunger, for example, was 31% in 2005, as against 32% in 1990. There are however some SSA countries that are progressing slightly better, such as Botswana, Cape Verde, Cote d’Ivoire, Mauritius, Senegal, Seychelles, and South Africa.

Figure 1: Proportion of population living below $1 (PPP) per day

Source: UN Statistics Division, 2008

The above pattern holds also in regard to performance on the primary education enrolment target. As can be seen from Table 2 below, despite recent progress during the 2000-2007 period, SSA is still the worst performer on this target. However, regions that achieved better employment figures - Transition Economies of South-east Europe, CIS Europe, Eastern Asia, and Latin America and the Caribbean – all performed above average on the primary education enrolment target.

Table 2 Performance on the Education, infant and maternal health targets

<table>
<thead>
<tr>
<th>Region</th>
<th>Adjusted net enrolment in primary education (%)</th>
<th>Under five mortality rate per 1000 live births</th>
<th>Maternal Deaths per 100,000 live births</th>
</tr>
</thead>
</table>
Source: The MDG Report 2009

Whilst these regions maintained their above average performance with respect to MDG targets on under-five mortality rate and maternal deaths, SSA and Southern Asia reported the worst figures on both variables.

The foregoing analysis, tentative as it is, supports the present study’s main proposition that performance on the employment target is a good predictor of progress, or lack of it, on other key MDG targets. This is interesting as it reinforces earlier associations made in the literature between employment, income growth and progress on the MDGs (Kraay, 2006; Kahn 2007; Cleeve, 2009). It is also consistent with recent anecdotal evidence that links the recent transformation of China and other developing economies with massive growth of FDI and export industries and the jobs boost resulting there from. China for example, attracted 1,171 FDI related projects worth 366,000 jobs in 2007. Not surprisingly, its Human Development Index (HDI), which stood at 0.533 in 1980 rose to 0.772 in 2007. Also India, which attracted 676 projects and 246,361 jobs in 2007, witnessed improved HDI from 0.427 in 1980 to 0.612 in 2007 (UNDP, 2009).

CONCLUSIONS AND IMPLICATIONS

Africa lacks many things, but the absence of jobs is arguably the most pressing. This job-is-King argument resonates even in regions better placed than Africa. As one commentator on the Indian economy recently noted, Asia's third-largest economy faces a big challenge in employing the young, and needs to create something like 15 million jobs a year (Ramakrishnan and Cooper, 2008). The same broadly applies to SSA. Whilst this paper does not hold out jobs as a silver bullet for eradicating all of SSA’s many challenges, it posits that making progress on the job question is likely to ‘lift the boat’ on several MDG targets and indicators. The challenge, therefore, is for key stakeholders to do what they can to orchestrate the provision of jobs to Africa’s teeming youth and working population. The following paragraphs share some thoughts in this direction.

Governance: African governments must genuinely improve governance standards across the region as well as deliver operating environments and policy framework that are competitive, flexible, and conducive for investment, by domestic as well as foreign enterprises. There are a few positive examples of progress in this regard, but much work remains to be done.

World Governments: General Colin Powell’s famous characterization of money as a coward that avoids chaotic and challenging operating environments partly explains why Africa is not attracting sufficient FDI. Yet, such job generating investments are precisely what the region needs. What about a major global fund, backed by World Governments and development promoting institutions, that aggressively supports job creating investments in Africa? Bilateral and Multilateral aid can be helpful, but it is not the future that Africa deserves. All who care about Africa should work to ensure that its future is not defined by aid and charity.

Trade Justice: Developed country markets are still closed to strategic important SSA output such as textiles and agricultural commodities. Removing, or reducing, applicable trade barriers would boost job creation in SSA and take us closer to achieving a global partnership for development as envisaged by MDG8 (UN 2007).

Businesses: MNCs have established themselves as a leading generator of jobs around the world and time has come for them to take on the challenge of partnering other stakeholders to deliver global jobs across
Africa. This requires a new, but increasingly observed corporate mindset, i.e. long term focused social corporate investment, entrepreneurial philanthropy to mention a few.

Activists: These actors are urged to maintain their drive for better conditions for global workers, but must ensure that their well intentioned activism does not jeopardize the prospects of jobs being created in the first place. Surely, given our imperfect world, ‘slave wage’ ought to be viewed as better than no wage at all. It’s not all about wage levels today, but also about bringing SSA working age population closer to the global economy and equipping them to compete better tomorrow.

Last word: Africa has lost the past several decades. It must not lose the future. All committed change agents are called upon to help the region usher in a new, brighter future. The path to so doing must be paved with decent jobs, with their associated welfare and human development improvements.

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The defunct Rivers State ‘School to Land’ Scheme: A dream deferred. Can the objectives of the songhai farming scheme in Rivers State be achieved?

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The quest of ensuring food security and self reliance through farming has made most nations in the world, including Nigeria, to embark on farming schemes such as the Gezira scheme in Sudan, Alto Beni scheme in Bolivia, Nyakashaka scheme of Uganda, farming settlement schemes of Eastern and Western Nigeria and the School to Land scheme of Rivers State to mention a few. The initial euphoria that welcomed these schemes were later dampened or evaporated into thin air because they did not last the test of time. Of late the Songhai Farms in Benin Republic is the cynosure of all eyes and presently, the Rivers State government has sent some youths to learn the art of farming and self reliance there. Will the objectives of the Songhai Farms succeed in Rivers State? That is the bottom line of this paper.

Introduction

The question of food security has been uppermost in the minds of the world leaders. Hence, in all their policies and actions, efforts have been geared towards ensuring that their respective countries become food baskets where their people can be well fed to enable them face other societal challenges. A popular adage has it “if wishes were horses, beggars will ride”. The implication of this adage is that in as much as the world leaders are all craving for feeding their nationals, natural disasters, wars, political instability, and corruption in most instances truncates the lofty ideas of these leaders. The negative implication of these problems on most nations of the world is that they are short of food to feed their teeming population. Hence, the need for thinking consciously and adaptively of farming schemes that will provide the food needs of the nations become expedient. Let us briefly look at farming schemes in Nigeria and other countries of the world before taking a glance at the situation in Rivers State which is the case study of this paper.

Classic Cases of Farming Schemes
(a) The Gezira Scheme in Sudan

In this scheme, peasants, young school leavers and unemployed persons were settled in large scale modern farming enterprises with a centralised management that co-ordinate the farming activities of the settlers. A major difference of this scheme when compared with other agricultural schemes, especially the Nyakashaka and the Nigerian farm settlements was that most of the settlers were under the umbrella of their families. In other words, they were grouped as family type farmers.

The settlers were trained and assisted by agricultural extension officers, technical experts and administrators. In fact, Schickele (1968) had this to say about the management and impact of the Gezira Scheme:

*The centralised management of the production of one basic cash crop on the tenants holding, through well trained technicians and administrators, introduces a modicum of*
economic and technical efficiency, producing a dependable core of income to tenants and the government and provides a practical means of educating the farmers in the ways of scientific farming and commercial market transactions.

In fact, most of the settlers had wide areas of opportunities in developing their skills in farming, managerial activities and responsibilities. Thus, the Gezira Scheme was widely respected in the world, for they were able to feed themselves and inculcated the act of farming into many young and energetic youths in Sudan. It really solved the problem of unemployment and food shortage.

(b) The Alto Beni Project in Bolivia
The Alto Beni Project was started to ensure that most of the uncultivated but fertile lands were well utilized. The Alto Beni and Carrasco areas of Bolivia were found to have good climate and soils to produce perennial crops for domestic use and export.

In the valley of Alto Beni, five planned settlements were established in which different families were stationed. Each family was allocated about 10 – 12 hectares to plant on. The five settlements conducted their activities co-operatively. Each settlement has a community centre that has storage facilities, warehouses, a health centre, a school, sleeping quarters for the staff, a kitchen, mess hall and an oven for baking bread. A central camp was built in the centre of the scheme with living quarters for the administrator and his staff.

In this project, the settlers cut across all types of people and each of them underwent medical examination before they were taken to the farm settlements. Torrioco (1968) said income earned by the settlers increased tremendously about 50% greater than it had been in their former homes. Secondly, most of the settlers were greatly committed and had positive attitudes towards the project. Torrioco (1968) said this might not be unconnected with the conducive climate, medical attention, schools and other social services that were provided.

However, in 1965, government subventions toward the programme plummeted. This greatly hindered the progress of the project. With the absence of fund, most feeder roads connecting the project were not maintained, thus compounding the problem of the settlers. They found it difficult to transport their commodities to the cities and most infrastructures needed for the project were not forthcoming. For lack of roads and for reasons of personal preference, most of the settlers abandoned the villages at the farm sites. These problems contributed to the untimely death of the project.

(c) The Land Resettlement Scheme in Kenya
It is worth clarifying from the onset that this scheme was not exclusively planned for young school leavers as it was at Nyakashaka and the farm settlement in the Mid-Western Nigeria. Rather, the settlement scheme in Kenya was open for everybody especially the unemployed and the landless group of people. Of course when we talk of the unemployed in Kenya, it also includes the young school leavers.

One of the objectives of the scheme was to improve the political and social climate, especially the unemployment situation in the country. Another objective was to introduce a significant number of African farmers to improve their methods under supervision, so that they would produce an estimated £8.3 per acre from land that formerly produced no more than £4 – 5 per acre.

Under the scheme, three types of settlements were established namely, the high density scheme, the low density scheme and the yeoman scheme. The high density scheme is the most important in terms of its largeness and coupled with the fact that it absorbs both the landless and unemployed Africans with little or no capital or agricultural knowledge. Each settlement under this scheme had 300-400 settlers on about 10,000 acres (about 30 acres per family). Each of the settlements consumes about £25 to £70 per annum.
They were sponsored by Britain and West Germany. By June 1966, 23,660 settlers had been established on about 70 settlements covering about 0.7 acres. The low density schemes are exclusively for experienced farmers with working capital. The Yeoman scheme is meant for wealthy and experienced farmers. The planned net income was about £250 per annum. This scheme needed a great deal of capital per settler.

In each of the schemes, things are done co-operatively via a multi-purpose co-operative society. These co-operative societies collate, bulked and sold most of the agricultural commodities that are produced in the schemes.

The schemes had a lot of impact on the settlers and in the overall production of food in the country. For instance, Maina and McArthur (1968) said “agriculturally, the schemes had permitted the maintenance of production from most of settled land with only minor interruptions.” In most cases, the settlements were producing far more than their predecessors and this process of intensification was certain to occur almost everywhere.

Secondly, socially, it gave a number of destitute people land which in the course of time, they will own outright and so it had played to relieve the acute problems of the landless and unemployed.

(d) The Nyakashaka Resettlement Scheme in Uganda
The Nyakashaka farm settlement scheme was established by the Church of Uganda to provide prospects for productive farming for young school leavers that are unemployed. They were to be commercial tea growers in the Ankole District of Western Uganda.

The farm settlement scheme was sited in 3,000 acres of land that is relatively isolated and in a sparsely populated hill country at an altitude of roughly 6,000ft. The main objective of the farming scheme was to serve as a source of employment for young school leavers and to inculcate in them the noble ideas of modern farming. It was also hoped that the peasants in the locality would perceive that farming of a type within their capacity could otherwise provide a good livelihood (Hutton, 1973).

Principally, settlers of the scheme were trained for three years during which they were subjected to various types of discipline. This was kept to a minimum so that they can feel secure and responsible for their farms. During the training, each of the trainees was given a loan of £20 that was used for house building; also they were given pocket money.

After the period of training, each settler was given a piece of land to cultivate. He does everything by himself. If in need of assistance, extension officers were sent to them during which time the problems are discussed and solutions made. All technical instructions were given to him individually on his own land so that he was involved in what he learned. As an independent settler, he was expected to repay his loans in instalments by deductions made through the Nyakashaka Co-operative Society for each pound of tea sold.

The Nyakashaka Farming Scheme had a tremendous impact on the financial side of the settlers. As months and years roll by, most of the settlers were able to make about £20 per month. Even the least efficient of the settlers also made his mark in terms of finance. However, the hard working and long established settlers made more money.

(e) The Farm Settlement Scheme in Western Nigeria
The farm settlement scheme in Western Nigeria was modelled upon the Israeli Moshavin with some differences (Aron, 1968). It should be stated from the onset that the introduction of this farming scheme
was to serve as a means of increasing the production of agricultural commodities and serving as a source of employment for the people that are employed.

The main objectives of the Western Nigeria Farm Settlement Scheme are to attract young educated persons to take up farming and discard the negative ideas they have on farming as well as to demonstrate that by careful planning, farms can be established and operated by young educated farmers with reasonable assistance in form of advice and loans from government and other sources which will provide a comfortable standard of living for the owners, comparable with or higher than that gained by persons of their own status in other forms of employment.

Failure of the Scheme
According to Roider (1968) in 1962/63, 130 out of 620 settlers left the settlement, discouraged by the hard life on the settlement, the crop failures, the size of their debts and the authoritarian behaviour of the staff, a compulsory saving scheme and delays in paying the food allowance of £2.10s.

Secondly, shortage of fund was another fact that contributed to the failure of the programme. Out of a total expenditure of £41 million in 1961/62, the Federal Government was able to provide only £8 million and there was no aid coming from outside. The greatly hindered the life span of the scheme.

Thirdly, politicking with the programme also caused its failure. Political considerations were given more premium than economic considerations in the siting of the settlements. Because of the need to gain political support there was always the temptation for impatience and unnecessary speed in implementing the farm settlement programmes.

Fourthly, the Civil War also played a major part to the failure of the scheme. Many resources that should have been used for the scheme were diverted for military purposes thus hindering the farm settlements in meeting up their planned targets.

(f) The School Leavers’ Farm of the Mid-Western Nigeria
The School Leavers Farm in the Mid-Western Region was started in 1964. This was after the success and achievement of the Western Nigeria Farm Settlement Scheme was eulogised and became the cynosure of all eyes. The Mid-Western government felt it would be proper to develop a farm settlement that would be exclusively meant for young school leavers that graduate in their hundreds flooding the labour market without securing any job. They also thought it would serve as a source of employment to the youths so that they could inculcate in them the noble ideas of farming.

The first batch of school leavers recruited for the scheme were sent to the farm training institutes where they were trained in the act and practice of good farming. On their graduation, they were allocated some acres of land where they put what they had learnt into practice. The young farmer cleared his land, planted his seeds, sold his products himself and hired labour when his family labour became inadequate. In fact, he was the owner-operator of the farm. However, he was assisted by agricultural extension officers when the need arose. The government gave them short-term loans which the young farmers used to buy subsidized seeds and seedlings from the government.

Olatunbosun (1964) said the “the farmers were given the opportunity to make most of their decisions with minimum interference from management authority – the community development organisers was there merely to advise them rather than issue instructions, assign jobs or hire labour for them”. This shows that the young farmers were relatively free from control by the government. In terms of the attitudes of the young farmers towards the scheme, Olatunbosun (1964) said they exhibited favourable attitude because it reflected in their general good disposition and high morale. The school leaver farmers were highly committed because they regarded themselves as owner-operators rather than government employees.
Failure of the Scheme
The school leavers’ farm in the Mid-Western Region did not survive the test of time. This was because there were no funds to sustain the farming programme. With no financial aid coming from anywhere, most of the school leavers abandoned the farms for greener pastures. In addition, most of the commodities produced in the farms were not competing favourably in the world market due to poor marketing strategies by the commodity boards and poor market prices. Hence most of the young school leaver farmers were highly discouraged and abandoned the farms.

(g) The Farm Settlement Scheme in Eastern Nigeria
The government of Eastern Nigeria followed the step of their Western Nigeria counterpart by establishing six less costly Israeli’s Moshav-type farm settlements. Each of the settlements consisted of six (6) villages of 120 farm units with a nucleus containing all the common services.

The Eastern Nigeria Farm Settlement Scheme aimed at reversing the trend of migration from rural to urban areas by making rural life more attractive and congenial than it has been hitherto. It also sought to provide some employment and livelihood for primary school leavers who cannot be absorbed in industry, public service and commercial houses at the prevailing level of the regions development. Ojimba (1975) said “the farm settlement scheme in the Eastern Region was meant to revolutionise the traditional farming system and to teach the Easterners how to produce cash crops through the application of modern agricultural methods’’.

The settlers took part to manage the community’s affairs which included the mill processing and co-operative marketing of their products. Thus the farm settlement provided a practical demonstration of a new organization’s approach to farming and rural settlement. The settlers secured title on their own holdings which they operated and from where they drew an income.

Failure of the Scheme
There was shortage of funds, in fact, in strict financial terms; it received only 21 percent of the £36,821,000 allocated for primary productions in the six year plan. Acquisition of land for the scheme always resulted in altercations between owners of the land and the traditional chiefs that were ready to give out the land to the government. Surveyors that ventured into these disputable lands were threatened; hence the government always found it very difficult getting land for the farming scheme. This led to hundreds of acres of land unused for the purpose.

Thirdly, there were delays in the training of extension staff. The output of agricultural assistants and assistant agricultural superintendents in 1963-64 did not only fall short of the planned target, but was also below the 1962-63 output. Finally, the outbreak of the Civil War did not only disorganise and disrupt the programme; it put a final end to the whole programme. It was never resuscitated.

The Rivers State ‘School to Land’ Farming Scheme
The ‘School to Land’ Authority was headed by an Executive Director who was ably supported by an Executive Secretary. They co-ordinated all the affairs pertaining to the farming scheme in all the local government areas where farm sites were located. The School to Land Authority was made up of different units among which are the transport, planning, recording, commercial, administrative, input and maintenance units. Furthermore, each farm site is headed by a Farm Manager. These managers were specialists in different fields of agriculture.

The School to Land Authority was autonomous; hence it was not under the State’s Ministry of Agriculture. This was mainly to insulate it from the effects of red tapism associated with the Civil Service
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structures. However, to ensure speedy implementation of government policies in the Authority, a Governing Board was constituted to ensure proper control and implementation of policies. The Board was slated to meet every week till the end of the planting seasons.

Why the ‘School to Land’ Scheme Failed

Lack of political will by subsequent governments led to its downfall. It is pertinent to state that after the tenure of Governor Fidelis Oyakhilome, other governors were not so enthusiastic about the scheme. The inaugural Governing Board was dissolved and new boards constituted to satisfy the acolytes of the governors in power. Hence, lack of continuity was a bane in the progress of the School to Land Scheme. In fact, each Governing Board that was constituted thought of what it will gain from the scheme rather than thinking of its well being.

Secondly, forceful occupation of lands by the government to serve as School to Land schemes did not augur well with the owners of the land. This was the case at Iriebe farm lands in Oyigbo Local Government Area. The farmers were not ready to learn new farming methods from the School to Land Extension Officers. However at Bunu-Tai farmlands in Tai Local Government Area, the people voluntarily donated 3000 acres of land to the farming scheme and were very co-operative and enthusiastic about the scheme.

Thirdly, poor funding by the state government was a major problem. In fact, after the tenure of Governor Fidelis Oyakhilome, the initiator of the scheme, other governors did not allocate much funds to the scheme. In fact, a former Chairman of the Governing Board by name Chief Akiagba, opined that since regular funds were not forthcoming, they resorted to selling the farm products to meet the needs of the scheme. Chickens, eggs, maize, and other farm products such as okra, ogbono, cassava, cowpea were sold to raise money to pay the young farmers in training. This action by the management of the scheme did not go down well with the then government of Chief Rufus Ada George. In a swift reaction, the Governing Board was dissolved and the life of the School to Land scheme came to an end.

Fourthly, when the scheme was thriving relatively well, it was observed that in the quest of instilling discipline and farming ethics into the young farmer, the authorities were dictatorial. This autocratic penchant instilled fear and trepidation in the young farmers. As at then, a young farmer had this to say “what they say goes and they don’t have to say it twice. You don’t have any say, you can’t complain to anybody, you are quite defenceless” (Uhor, 1986).

Fifthly, recruitment of youths into political cleavages by politicians seeking political offices was the last straw that broke the camel’s back. These youths were given arms and were well remunerated to commit atrocities in order to foster the dictates of their sponsors or mentors. The monies given to them were by far higher than the stipends being paid the farmers as allowances. Hence, some joined militia outfits that destabilised the relative peaceful atmosphere Rivers State was known for especially within the precincts of Port Harcourt, Oyigbo and Tai Local Government Areas.

Songhai Farms of Benin Republic

Songhai Farms is a centre for training people in the latest art of farming through constant researches and development. This centre was the handiwork of Father Godfrey Nzamajo who was bent on seeing the development of Africans by making them to imbibe the tenets of self-reliance and adaptation.

Segla (2009) said the Songhai Farm is a “centre for training, for production, research and development of sustainable agricultural practices”. The main objectives of the farming scheme are to project the following methods of farming to wit:
♦ Through the use of local resources, traditional and modern methods,
♦ Through the hybridization of traditional and modern agricultural practices,
♦ Through the instruction and implementation of effective management,
♦ Through the encouragement of individual and communal responsibility and initiatives,
♦ Through the inclusion of diverse opinions (Segla, 2009).

It is important to state that the Songhai Centre is an autonomous institution that is self financing through the finances generated by its own activities and efforts. Also, it sought assistance from international bodies that partners with it in order to realise its lofty objectives. These bodies include USAID (United States Agency for International Development), UNDP (United Nations Development Programme), IDRC (International Development Research Centre), to mention a few (Segla, 2009).

Conclusion

In conclusion, the objectives of the Songhai Farms are quite heart-warming. They imbue in the young farmers the principles of modern farming methods and self-reliance. It is hoped that its adoption by the Rivers State government would be supported by political will, consistent and coherent agricultural policies, proper funding and committed partnership with foreign bodies such as USAID (United States Agency for International Development), FAO (Food and Agriculture Organisation), IDRC (International Development Research Centre) to mention a few.

Implications

The implications of adopting the Songhai farming scheme in Rivers State are two prongs, to wit: it will offer employment opportunities to youths, relatively enhance the growth of the rural areas as well as check youths restiveness and militancy. The second ambit of the implication is that of the scheme is not properly implemented; the people of the state might loose confidence in most governmental projects because they will see them as a means of siphoning tax papers money and white elephant projects.

References


Demand Elasticities for East African Fish Exports to the European Union

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The paper estimates demand elasticities for East African fish exports to the European Union, using time-series techniques that account for the nonstationarity in the data. The average short-term price and income elasticities are found to be approximately −0.5 and 2.5, respectively. The results suggest that exports do react to both the European Union income and to relative prices. The estimated price and income elasticity estimates have good statistical properties.

Introduction

Seafood is one of the most extensively traded commodities in the world with an export value of approximately US$58.2 billion (Ahmed, 2006). Over 40 percent of all fish cross international borders between the point of capture and consumption. This is also true in Africa. Over the past 20 years, the continent has turned from a net importer to a net exporter of fish with an annual export value of over US$ 2.7 billion (World Fish Center, 2005). In Kenya, Uganda and the United Republic of Tanzania (hereafter East Africa), fish and fish products provide important trade and livelihoods opportunities for over 4-5 million households and continues to be of great importance to the region’s economy, contributing about 1.6 percent of Uganda’s GDP and 1.3 percent of the United Republic of Tanzania’s GDP in 2008 and 0.5 percent of Kenya’s GDP in 2006 (Bagumire, 2009; Kenya Ministry of Fisheries and Development, 2006). Foreign exchange earnings estimated at US $50 million (Kenya), US $82 million (Uganda) and US $100 million (the Republic of Tanzania). Between 1980 and 2001 the net receipts from fish trade by these countries increased from US$ 3.4 billion to US$ 17.4 billion. This is a higher growth rate than the increase in the net exports of other agricultural commodities such as coffee, bananas, rice and tea (FAO 2003). Thus, the importance of the fish export earnings for the trade balance for the East African countries is one of the reasons that, in recent years, government attention has been directed towards export. From an economic perspective, theories of development issues commonly assume that the international demand for a country’s exports, fish and fish products in this case, are infinitely elastic, and therefore that export prices may be taken as given. It is widely recognized that, in principle, some commodities may depart from these assumptions, but the empirical research on this subject has been thin and largely inconclusive. In this paper we revisit this issue by estimating export elasticities for East African fish exports to the European Union (EU).

Export market

The main market for the region’s fish exports is the EU accounting for some 90 percent of the value of fishery product exports from East Africa. The United Republic of Tanzania is the largest supplier of the EU market among the three countries (57%), followed by Uganda (31%) and Kenya (12%). Nile perch is the region’s dominant fish species in the export trade accounting for an average of around one third of

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total EU Nile Perch imports. The total revenue generated by the export of Nile perch to Europe by the three countries has been estimated to exceed US$250 million per year (Geheb et al., 2007). The exported products of Nile perch include the fillet, whole body (gutted, headless), fish maws and Nile perch bladder (SEATINI-Uganda, 2008). Between 1997 and 1999, a successive export ban of fish and fishery products from Lake Victoria to the EU was implemented. The ban caused a steady decline in the region’s fish export both in value and volume terms (Figures 1 and 2). Although new markets emerged during the ban to replace the void created, it should be noted that the EU has consistently offered the highest prices for East Africa’s fish (about US$ 5 f.o.b), hence, despite the emergence of new markets, the overall value of exports went down during the ban (Abila, 2000). Other significant markets are the U.S., Israel, United Arab Emirates, Australia, Hong Kong, China and South Africa.

**Figure 1. Quantity of East African Nile Perch Exports to the EU**

![Figure 1](image1.png)

Source: Created by authors using data from FAOSTAT, 2006.

**Figure 2. Value of East African Nile Perch Exports to the EU**

![Figure 2](image2.png)

Source: Created by authors using data from FAOSTAT, 2006.
Aquaculture

The fisheries sector in East Africa is comprised of both capture and culture (aquaculture) fisheries with the former contributing most of total production. The capture fishery is basically artisanal while aquaculture is increasingly becoming commercialized because of the increased demand for fish and noticeably reduction in catches from capture fisheries. Aquaculture has been primarily contributing to household food in some areas and is still largely dominated by subsistence (95%) production from pond culture. However, the sector is rapidly growing (Figure 3) and has potential to contribute to the export and domestic markets. Across the region, change is occurring as a number of farmers are turning to production for the local market. This proportion currently stands at over 3 percent (FAO, 2009).

There is also the development of more intensive production geared towards the urban and regional markets, or as a way of utilizing the capacity of the established fish processing factories. In Uganda for instance, this activity has attracted the fish processing factories, retirees from public service, and farmers looking for virgin investment areas. Inquiries have increased from foreign investors, and a number of them have already begun prospecting for potential investment in aquaculture production in the country. The emerging commercial aquaculture farmers and investors now form 2 percent of the aquaculture farmers (FAO, 2009a). Technical innovations, private sector growth and increased market demand are the major drivers in the expansion of aquaculture in the region. To increase the benefits accruing from aquaculture, development planners should consider how to move from the current situation of dominance of small-holder artisanal/large-scale commercial investors, to one where there are many small- and medium-scale commercial investors, without losing the benefits currently being generated by aquaculture.

![Figure 3. Regional Aquaculture Production (MT)](image)

Source: Created by authors using data from FAO, 2009b.

Review of Theoretical and Empirical Literature

The theoretical model underlying the estimation of trade elasticities is an imperfect substitute model—that is, a model in which it is assumed that exports and imports are imperfect substitutes for domestically produced goods. Goldstein and Khan (1985) provide a detailed discussion of this model. In an imperfect substitute model, the foreign demand for a country’s goods and services is determined by three main factors: foreign income, the prices of home country’s goods and services, and the prices of goods and services that compete with the home country’s goods and services in the foreign market. Similarly, home country’s demand for foreign goods and services is determined by home country’s income, the prices of
foreign goods and services, and the prices of goods and services that compete with foreign goods and services in the home country’s market. The income elasticity of demand for imports measures to what extent changes in an importing country’s income affect changes in its imports. Similarly, the income elasticity of demand for exports measures to what extent changes in foreign countries’ incomes affect the exporting country’s exports.

Theoretically, the import and export elasticities with respect to income are positive. That is, an increase in a country’s income leads it to buy more from foreign countries. An income elasticity of imports or exports that is equal to one implies that imports or exports increase proportionately with income. Deviations from this imply long-term imbalances in the global economy. Specifically, income elasticity for imports of more than one implies that domestic consumers have a stronger preference for foreign goods than for domestic goods. If prices do not adjust, having imports increase more than proportionately to income growth means that imports would eventually exceed GDP. Because estimates of the elasticity with respect to income that are greater than one yield this kind of implausible prediction, they are hard to reconcile with a view of long-term balance in the global economy.

Empirically, a highly influential paper by Houthakker and Magee (1969) estimated the income elasticity of demand for imports and exports with ordinary least squares for 15 industrialized countries, using annual data from 1951 through 1966. They identified an important robust empirical relationship that has become known as the Houthakker–Magee asymmetry. Various reasons have been put forward to explain the Houthakker–Magee asymmetry in the literature. In the case of the U.S., Mann (2002) lists demographic differences between the U.S. population and its major trading partners as possible reasons for the asymmetry. He notes that there is a relatively high share of immigrants in the U.S. population and that these immigrants have a strong preference for goods from their respective home countries. Trade elasticities have been estimated in numerous papers since Houthakker and Magee’s findings were published in 1969, but the asymmetry has proven to be robust across time periods and econometric methods. For details see Crane, Crowley, and Quayyum (2007).

Analysis

To estimate the export elasticities for the East African fish sector, we refer to the methodology implemented by Muscatelli, Srinivasan and Vines (1992). These authors use the estimation procedure of Phillips and Hansen (1990) to obtain long-run export demand and supply elasticities of manufactured goods from Hong Kong. Essentially, the Phillips-Hansen methodology is 'fully modified' ordinary least squares (OLS), which results in an optimal single-equation technique (Phillips and Loretan 1991, p. 419) for estimating with I(1) variables. When traditional OLS is implemented with non-stationary variables, test statistics cannot be interpreted in the usual way and spurious regressions may result (Warr and Wollmer, 2004). The Phillips-Hansen methodology corrects these test statistics using a semi-parametric procedure and also corrects regression coefficients and associated test statistics for statistical endogeneity of right-hand side regressors and for serial correlation. The estimated export demand equation in this paper is as follows:

$$\ln(X^i_t) = \beta_0 + \beta_1 \ln(X^i_{t-1}) + \beta_2 \ln(P_t^i) + \beta_3 \ln(GDPx^i_t) + \varepsilon$$  \hspace{1cm} (1)$$

where $X^i_t$ is the quantity of exports demanded at time $t$ for country $i$; $P^i_t$ is the price of exports; $X^i_{t-1}$ is the lagged quantity of exports, and $GDPx^i_t$ is a weighted average of real incomes of the country's trading partners. The parameters $\beta_2$ and $\beta_3$ are directly estimated price and income elasticities of export demand respectively. The variables in equation (1) are proxied by the following: $X^i_t$ will be measured by total
exports of fish from East Africa to the European Union in real terms. The activity variable \((GDPx^i_t)\) is computed as the weighted average of the trade partners’ GDP minus exports. Following Senhadji and Montenegro (1999), the weights are given by the share of each East African country’s exports to each of its partners as:

\[
gdp^i = \sum_{i=1}^{N} \omega_i (GDP^t - X^t_i)
\]

where \(GDP^t_i\) and \(X^t_i\) are real GDP and real exports of trade partner \(i\) in year \(t\), and \(\omega_i\) refers to the share of exports to country \(i\) in total exports. The choice of a proxy for \(P_t\) is not straightforward. As noted by Senhadji and Montenegro (1999), a relative price should be included for all potential competitors of East Africa’s fish exports, namely the export price of each of the East African country relative to the domestic price of each importing country, as well as the export price of each of the East African country relative to the export price of each potential competitor. Obviously, this strategy cannot be implemented econometrically because the equation will contain many highly correlated relative prices leading to the usual multicollinearity problem (Senhadji and Montenegro, 1999). Instead, researchers have constructed one relative price that extracts most of the information contained in all the relative prices mentioned above. One possibility is to use the weighting scheme for the activity variable, described in equation (2), for the construction of a composite price index that captures closely the potential competitive pressures facing East Africa’s exports. In our case, East Africa’s fish exports compete not only with the domestic market of each trading partner, however, but also with other potential suppliers to these markets. The world export unit value, used in this paper, implies that the threat imposed by each country in the world to East Africa’s fish exports is measured by each country’s share in world exports.

Data

Panel data on fish export volume and GDP were drawn from several sources including the European Commission’s Market Access database (MADB, 2010), the Eurostat (EUROSTAT, 2010), the Kenya Ministry of Fisheries and Development (2009), and the Uganda Export Bulletin (1999). Consistent data for the three East African countries and their trader partners were available only for the period 1997 through 2009. Although the sample size is relatively small, the specified model benefits from the advantages of panel data of having two dimensions, a cross-sectional dimension and a time series dimension. Also, panel data containing time series observations is ideal for investigating the “homogeneity” versus “heterogeneity” issue. In Equation (1), \(X_t\) is the volume of East Africa fish exports to EU; \(P_t\) is the unit value of East Africa fish exports in United States dollars; \(X_{t-1}\) is the lagged fish export quantities; and \(GDPx_t\) is specified as a trade weighted income index of East Africa fish importing countries measured by annual GDP data. The major importers in addition to the EU include Australia, East Asia and Middle East.

Testing for Trends

In order to interpret the estimated coefficients in equation (1) as long-run elasticities, the Phillips-Hansen procedure requires that all variables are I(1), thus it was first necessary to test all variables for unit-root non-stationarity. Since we are using panel data, the unit-root hypothesis is tested using the Levin–Lin–Chu test, which assumes a common autoregressive parameter for all panels. The test involves fitting an augmented Dickey–Fuller regression for each panel; we requested that the number of lags to include be selected based on the AIC with at most 5 lags. Table 1 reports the estimated unit-root statistics for each series. The Levin–Lin–Chu bias-adjusted \(t\) statistic is −4.0277, which is significant at all the usual testing levels. Therefore, we reject the null hypothesis and conclude that all the series in our data sample are stationary. When we use the demean option to remove cross-sectional means from the series to mitigate the effects of cross-sectional correlation, we obtain a test statistic that is significant at the 5% level. Thus,
the evidence suggests that the series are likely to be I(1) and it is reasonable to include all series in the
equation.

Table 1. Levin–Lin–Chu Panel Unit Root test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Adjusted t* statistics</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ln(X_{t-1})</td>
<td>-4.25</td>
<td>0.007</td>
</tr>
<tr>
<td>Ln(P_x)</td>
<td>-4.95</td>
<td>0.002</td>
</tr>
<tr>
<td>Ln(GDP_x)</td>
<td>-3.57</td>
<td>0.004</td>
</tr>
<tr>
<td>Ln(X)</td>
<td>-4.29</td>
<td>0.000</td>
</tr>
</tbody>
</table>

*Ho*: Panels contain unit root  
*Ha*: Panels are stationary  
Number of panels = 3  
Number of Periods = 12  
ADF regressions: 1.00 lags average (chosen by AIC)  
LR variance: Bartlett kernel, 10.00 lags average (chosen by LLC)

Results

Results from estimating the export demand equation are presented in Table 2. All the estimated
coefficients are statistically significant with the exception of the lagged variable for East African fish
exports. Since equation (1) is specified in log, the coefficients of P and GDPx are directly estimated short-
run price and income elasticities of East Africa’s fish export demand, respectively. The estimated short-
term parameter suggests a low price elasticity of demand of -0.591 and a somewhat higher than expected
income elasticity of demand of 2.408. Estimates of price and income elasticities are meaningful only if
the I(1) variables are cointegrated. Using the Z^ tests of Phillips and Ouliaris (1990), a test of the null
hypothesis of no cointegration was rejected at the 5 percent significance level, supporting the
interpretation of the parameter estimates as long-run elasticities. Following Senhadji and Montenegro
(1999), the long-run price and income elasticities are defined as the short-term price and income
elasticities divided by one, minus the coefficient estimate of the lagged dependent variable and these are
given by E_p and E_y in Table 2.

Table 2. Estimated Price and Income Export Demand Elasticities for East African Fish Exports

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>56.295**</td>
<td>24.400</td>
<td>2.307</td>
<td>0.028</td>
</tr>
<tr>
<td>Ln(X_{t-1})</td>
<td>0.087</td>
<td>0.067</td>
<td>1.297</td>
<td>0.205</td>
</tr>
<tr>
<td>Ln(P)</td>
<td>-0.591**</td>
<td>0.247</td>
<td>-2.393</td>
<td>0.023</td>
</tr>
<tr>
<td>Ln(GDPx)</td>
<td>2.408*</td>
<td>1.343</td>
<td>1.794</td>
<td>0.083</td>
</tr>
<tr>
<td>E_p</td>
<td>-0.647</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E_y</td>
<td>2.637</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.523061</td>
<td>Mean dependent var</td>
<td>15.90147</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.481363</td>
<td>S.D. dependent var</td>
<td>1.334059</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>1.146544</td>
<td>Akaike info criterion</td>
<td>3.224593</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>38.1223</td>
<td>Schwarz criterion</td>
<td>3.405988</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-49.20579</td>
<td>F-statistic</td>
<td>4.774342</td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>1.125841</td>
<td>Prob(F-statistic)</td>
<td>0.007983</td>
<td></td>
</tr>
</tbody>
</table>

*, ** denotes significance at 5% and 1% levels
Conclusion

The paper provides income and price elasticities of the East African fish export demand function to the European Union market, estimated within a consistent framework and taking the possible nonstationarity in the data into account. The results suggest that East African fish exports do significantly react to both movements in the activity variable and the relative price, though slowly. The results have implications for the evaluation of investment proposals, such as the emerging aquaculture industry in the region, which would have the effect of increasing the region’s fish exports. While the findings of this study highlight some significant variables in the fish export market, the small sample size warrant some caution when drawing conclusions from the results.

Acknowledgments

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References


Environmental Kuznets: A reality or myth in Nigeria

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The possibility of the existence of environmental Kuznet curve (EKC) has been debated extensively in the literature. The consequence of the reality of EKC is that, by pursuing growth in income, environmental objectives can be simultaneously accomplished as income grows without initiating any other extra intervention tools. Various studies have been conducted on the existence of EKC without any general consensus. To this end therefore, we made our own contributions by analyzing whether or not EKC exists and what shape is it. We also added another important explanatory variable to our models which is the population density that showed the level of resilience of the environment to pollution. We however found out that at the lower stage of income, environmental degradation declined with income growth, rises as income grew further, then declined. However, income did not contribute significantly towards the explanation of environmental degradation like population density has. The study therefore found no synergies between addressing poverty and environmental problems in Nigeria. Therefore, complementary environmental policy must be put in place when addressing poverty. Lastly, there are different shapes of the relationship between income growth and various measures of pollution and environmental degradation, and, developing countries must recognize that no one size fits all in this kind of a relationship.

Introduction

Simon Kuznets (1955) hypothesized an inverted ‘U’ relationship between income and inequality. Later, economists found this hypothesis to be relevant or analogous to the income-pollution relationship and were coined as the Environmental Kuznet Curve (EKC). The postulate of environmental Kuznet’s curve (EKC) is that environmental degradation may rise or worsen at the initial course of development before environmental quality improves as income rises. The explanation for this phenomenon is that Increasing size of population, changes in consumption and production patterns at an aggregate level may contribute to the decline of environmental degradation as income rises. Income levels and urbanization grows with economic development and trigger demographic transition (people ‘migrate’ from lower income lifestyles to a higher income lifestyles and from rural lifestyle to an urban lifestyles). Another explanation for EKC was given that a country has to go through a period of rising pollution as they are industrializing and then reduces environmental impact as they reach a higher level of industrialization. Another explanation for the possible existence of EKC is that in a developing economy, little weight is given to environment concerns, thereby raising environmental pollution. After attaining certain living standard due to industrial expansion which makes environmental pollution to be at its greatest level, then, focus changes from self-interest to social interest. This interest (social interest) accords greater weight to a cleaner environment and the environmental pollution trend due to industrialization is abated or reduced.

The question that comes to mind is, why study EKC? Since environmentally improvement is at the centre stage of sustainable development worldwide, and more importantly, in developing countries. Various strategies of accomplishing this have been devised. If there is a trade off between environmental quality and income growth therefore, developing countries must tread cautiously on their path to sustainable development. In other words, if EKC exist, sustainable development therefore calls for a viable policy in which income growth is the main target. That means, by pursuing growth in income, environmental objectives will be simultaneously accomplished as income grows without initiating any other extra intervention tools.
This study therefore examined if there is any synergies between addressing poverty and environmental problems in a developing country. Specifically, the general objective of this study is to estimate the relationship between income growth and environmental degradation (using CO₂ emission) in Nigeria from 1970 to 2007.

**Literature Review**

Panayotou (2003) gave three reasons why pollution is inverted as income rises. The first is that pollution rises at early stage of industrialization due to reliance on rudimentary, inefficient and pollution induced technologies. When industrialization has advanced, service industries will gain eminence. This will further reduce pollution. Secondly, the decline in pollution as income rises is due to the fact that more affluent people and communities placing more value on cleaner environment by instituting measures to ensure cleaner environment. Thirdly, at the onset of industrialization, the scale effect will escalate pollution. Further along the trajectory, Firms will switch to less polluting industries/technology (composition effect). Lastly, mature companies continue to invest in pollution abatement equipment and technology thereby reducing pollution (technique effect).

Generally, literature on EKC is broken down into three main categories. The first is the case of environmental quality rising as income rises. The second is the case of environmental quality first rising and then falling as income rises while the third is the case of continual degradation of the environment as income rises (Kolstad, 2000). Issues covered in the literature include, what the critical turning point is, what institutional reforms to hasten environmental improvement, should economic growth be encouraged to bring about environmental improvement? Most studies have concentrated on whether or not EKC exists and what shape is the EKC, we shall review some of these studies.

Shafik (1994) examined the relationship between income and an indicator of environmental quality (access to clean drinking water) using 86 observations from different countries around the world. Only 46 percent of the variability of the environmental quality (as measured by the percentage of population without safe water) was explained by the analysis. The result also indicates that as income rises, this environmental variable improves.

Grossman and Krueger (1995) did a study on the relationship between income (measured as GDP per capita) and smoke concentration (suspended particulates) for different cities of the world using nearly 500 data points. They found that for low incomes, as income rises, smoke level increases. This continues and reached a peak when income reaches a neighbourhood of U.S. $6000 per capita. After this peak, as income increases, particulate concentrations continue to decline indicating the validity of EKC.

![Figure 1: Panayotou’s cubic N curve](image-url)

CO₂ Emission (Pollution)

GDP Per Capita (Constant 1990 Prices)
Panayotou (1997) have found a significant cubic relationship between income and SO$_2$ of the N-curve form in which the turning points are respectively $5,000 and $15,000. A major inference there is that SO$_2$ will increase indefinitely after the income $15,000 is attained.

The major shortcoming of most of these studies is that they are cross-section based (Kolstad, 2000). What EKC suggests is that environmental quality will first decline and then rise as income increases in a specific country over time and not in countries at one point in time. Although the reasons given for using cross-sectional data is that there is paucity of country-specific data to show whether or not there is EKC but I believe that a country’s specific data should be able to give a direction of the relationship better than the cross sectional data.

In addition, one major determinant of pollution or pollution control is population density. Low population density translates to high assimilative capacity of the environment. Therefore, countries with high population density will incur higher cost of having good environmental quality (Kolstad, 2000). Earlier studies mainly concentrated on income as the sole determinant of environmental quality without considering the fact that population density is also important in explaining environmental quality. This study shall include this as an additional explanatory variable in our EKC model.

In general, Kuznests curves have been found for some environmental health concerns (such as air pollution) but not for others (such as landfills and biodiversity). However, it is important to note that this does not necessarily invalidate the theory - the scale of the Kuznets curves may differ for different environmental impacts.

**Theoretical Framework** Baumol and Oates (1988,197-199) provided the theoretical backing for the correlation between the demand for environmental quality and the rise in income. This is illustrated in the figure below.

![Figure 2: the demand for Environmental good as income rises](image-url)
What the diagram illustrates is that if an individual has a budget constraint AA’ and his income rises giving way to an increase in his budget constraint from AA’ to BB’, then, his desired level of environmental quality is expected to rise from $Q_p$ to $Q_T$. Higher income people therefore are expected to have a greater demand for such environmental goods as clean air and water than the poorer group. The conclusion above however depends on three assumptions on which this theory is based. The first of the assumptions is that, environmental good here is assumed to be a normal good. The second is that the preference functions for the rich and poor are similar. In other words, ‘lower-income groups do not possess systematically stronger preferences for environmental quality than the more wealthy’. If the poorer have higher preference functions than the rich, it means that in spite of the low income, they would still be willing to pay more than the rich for a given level of environmental quality.

The third assumption which is the most controversial is that the price for environmental good/quality is fixed and invariant with respect to income. However, with a progressive tax system, the value of environmental good would be higher for the rich than the poor. If the situation is serious enough and the progressiveness of tax is so strong, then the effect of price differential may outweigh that of income growth as depicted in the figure below.

In the above figure, the poorer individual actually demands for a higher level of environmental quality ($Q_p$) than those desired by the richer person ($Q_T$). The implication of the above is that the above theory is not adequate in resolving the income and environment issue. In addition, this theory has provided the theoretical background to the relationship between income and environment in a wider context (country level), although it cannot on its own established the direction of relationship or its shape which is left to empirical analysis which follows.

**Models’ Description**

We formulated three models, linear model, quadratic model and the cubic model. Our linear model expresses the total carbon emission in Nigeria as a function of population density and gross domestic product (GDP) from the year 1970 to 2007. The quadratic model has an additional explanatory variable
(the square of GDP), while the cubic model has in addition to the quadratic model, the cube of GDP as additional independent variable.

\[
\begin{align*}
\text{CO}_2 &= \alpha_0 + \alpha_1 \text{PODENS} + \alpha_2 \text{GDP} + \mu_1 \\
\text{CO}_2 &= \beta_0 + \beta_1 \text{PODENS} + \beta_2 \text{GDP} + \beta_3 (\text{GDP})^2 + \mu_2 \\
\text{CO}_2 &= \psi_0 + \psi_1 \text{PODENS} + \psi_2 \text{GDP} + \psi_3 (\text{GDP})^2 + \psi_4 (\text{GDP})^3 + \mu_3
\end{align*}
\]

Where; \( \text{CO}_2 \) is the total carbon emission (a measure of environmental degradation). GDP is the gross domestic product (a measure of income), PODENS is the population density. Data for \( \text{CO}_2 \) emission for the period 1980 to 2007 were obtained from the [www.eia.doc.gov](http://www.eia.doc.gov) and 1970 to 1989 figures were generated based on the average annual percentage growth of 2.7 between 1970 and 1990 given by the World Development Indicator (2008). Nigeria’s GDP in US $ at current prices (in million) and the Nigeria population were obtained from UNCTAD web ([http://stats.unctad.org/handbook/tableview.aspx?reportid=1929](http://stats.unctad.org/handbook/tableview.aspx?reportid=1929)). In order to derive the population density (population/landmass) we used the Nigerian landmass of 923,768 km\(^2\) obtained from the National Population Commission (NPC 1991 figures).

**Analytical Results**

Table 1 below show the results of our estimates based on equations 1, 2, and 3 above. From the result, the coefficients of determination are very high though, but the result showed that there was autocorrelated disturbances which violates the general linear model assumptions.

**Table 1: OLS Results of the models**

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Linear</th>
<th>General Model</th>
<th>Cubic</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>6.971693</td>
<td>7.970711</td>
<td>-0.257252</td>
</tr>
<tr>
<td>(3.472416)</td>
<td>(2.964446)</td>
<td>(14.92338)</td>
<td>(-0.059101)</td>
</tr>
<tr>
<td>PODENS</td>
<td>259915.7</td>
<td>264062.6</td>
<td>257973.3</td>
</tr>
<tr>
<td>(15.80015)</td>
<td>(14.54266)</td>
<td>(14.92338)</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>-1.20E-05</td>
<td>-4.86E-05</td>
<td>0.000311</td>
</tr>
<tr>
<td>(-1.105464)</td>
<td>(-0.740674)</td>
<td>(1.866901)</td>
<td></td>
</tr>
<tr>
<td>GDP(^2)</td>
<td>1.79E-10</td>
<td>-3.96E-09</td>
<td></td>
</tr>
<tr>
<td>(0.565708)</td>
<td>(-2.191673)</td>
<td>1.38E-14</td>
<td></td>
</tr>
<tr>
<td>GDP(^3)</td>
<td></td>
<td>(2.323056)</td>
<td></td>
</tr>
</tbody>
</table>

When they are present, the usual OLS estimators, although linear and unbiased, are no longer efficient relative to other linear and unbiased estimators (they are no longer BLUE) as the variance
produced by the regression is no longer minimum among all linear unbiased estimators. The major consequence of autocorrelation is that the significance tests on the parameters of the models are invalid.

In order to correct for serial correlation in the disturbances, we used the Cochrane-Orcutt iterative procedure in a generalized least squares technique (GLS) and the results of these we presented in table 2 below.

**Table 2: GLS Results of the models**

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>General Model</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Linear</td>
<td>Quadratic (EKC)</td>
</tr>
<tr>
<td>C</td>
<td>11.44364</td>
<td>12.68621</td>
</tr>
<tr>
<td></td>
<td>(2.190555)</td>
<td>(2.139883)</td>
</tr>
<tr>
<td>PODENS</td>
<td>223558.8</td>
<td>225477.9</td>
</tr>
<tr>
<td></td>
<td>(5.023725)</td>
<td>(5.138886)</td>
</tr>
<tr>
<td>GDP</td>
<td>-1.67E-05</td>
<td>-4.82E-05</td>
</tr>
<tr>
<td></td>
<td>(-0.906479)</td>
<td>(-0.627701)</td>
</tr>
<tr>
<td>GDP^2</td>
<td>1.38E-10</td>
<td>2.03E-09</td>
</tr>
<tr>
<td></td>
<td>(0.424704)</td>
<td>(1.009993)</td>
</tr>
<tr>
<td>GDP^3</td>
<td>-5.68E-15</td>
<td>-5.68E-15</td>
</tr>
<tr>
<td></td>
<td>(-0.962666)</td>
<td>(-0.962666)</td>
</tr>
<tr>
<td>AR(1)</td>
<td>0.717590</td>
<td>0.706709</td>
</tr>
<tr>
<td></td>
<td>(5.477965)</td>
<td>(5.316967)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.937728</td>
<td>0.938077</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.932067</td>
<td>0.930337</td>
</tr>
<tr>
<td>Akaike info criterion</td>
<td>4.531047</td>
<td>4.579482</td>
</tr>
<tr>
<td>Schwarz criterion</td>
<td>4.705200</td>
<td>4.797173</td>
</tr>
<tr>
<td>F-statistic</td>
<td>165.6448</td>
<td>121.1929</td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>2.329481</td>
<td>2.338945</td>
</tr>
<tr>
<td>Convergence</td>
<td>5 iterations</td>
<td>6 iterations</td>
</tr>
</tbody>
</table>

The above results produced a better estimate than the OLS as the autocorrelated disturbances has been taken care of. Both the coefficient of determination and the adjusted coefficient of determination are both very high. The coefficient of determination is slightly highest for the cubic model. Since the dependent variable is the same for all the models, the cubic model seems to be the best model even though it is the least in rank by Schwarz and Akaike criteria.

Population density is a significant factor explaining environmental degradation in Nigeria. The higher the population density, the higher will be the level of environmental degradation. The linear model showed that environmental degradation declined indefinitely as income rises while the quadratic model shows that as income rise, degradation declines and then rises indefinitely. The cubic function shows that the income-degradation shape is inverted-N. This means that as income rises, degradation first decline, then rise and later decline indefinitely.
Conclusions and Implications

All the models above agreed on the significant role of population density in contributing positively to environmental degradation. So, developing countries must recognize this when initiating environmental policies and regulations.

In addition, at the earlier stage of income growth, it was primary product dependent (agrarian economy) and not necessarily linked with CO₂ growth. As the economy industrialized and adopts filthy technology, so as to accelerate its growth prospects, income growth is positively linked with emission and this process continues until emphasis shifted to environmental concerns which stimulates greater sanctions for environmental offences thus creating incentives for manufacturers to invest in cleaner technology and abatement technology. The effect of this is to pull down or reduce environmental degradation indefinitely.

Caution must be exercised on the above conclusion of an inverted N shape of environmental degradation and income relationship because for all the models, income variables did not significantly explain environmental degradation meaning that there are some other important variables explaining carbon emission that were excluded by our models. The study therefore found no synergies between addressing poverty and environmental problems in Nigeria. Therefore, complementary environmental policy must be put in place when addressing poverty.

Lastly, there are different shapes of the relationship between income growth and various measures of pollution and environmental degradation, and, developing countries must recognize the fact that no one size fits all in this kind of a relationship. Therefore, conscious efforts at ameliorating environmental impact of income growth must always be initiated to complement any income enhancing activities.

References

The nutrient status and physicochemical characteristics of Lagos Lagoon.

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Shelle R.O.D; Ariyo A.A; Adegbile O.M; and Oguguah, N.M.

The Nutrient status and physicochemical qualities of Lagos Lagoon was studied for three months. Water temperature mean varied from 25.2 to 34.5°C and the pH was between 6.24 and 9.02. The stations show high concentrations of calcium with mean value of 7.83 – 29.67 mg/l, stations 2 and 3 shows low concentration of magnesium, which increased in stations 1. Nitrate has mean value 0.73 -6.18 mg/l in stations 1 to 3, while the phosphate concentration was low in all stations sampled.

No salinity was recorded in station 1, it was low in station 3 and highest in station 2 (3‰). There was a decrease in conductivity, total alkalinity, from March to May (Table 1).Station 1 recorded the highest values, which also decreased along the sampling stations. There were significant variations (P < 0.05) in Temperature, Turbidity, conductivity, total alkalinity, dissolved oxygen and phosphate, nitrate, calcium and magnesium levels.

The levels of nutrients were lower than expected in view of heavy loadings from untreated sewage and industrial wastes. The lagoon's ability in handling polluting wastes is attributable to a continual renewal of water, high dilution and sedimentation.

INTRODUCTION

The Lagos Lagoon complex is the largest systems of the Gulf of Guinea coast in west Africa (Hill and Webb, 1958). This lagoon system borders the rain forest belt and receives a number of major rivers and streams. It is an extremely important ecosystem and, apart from high levels of biological productivity, it plays various important ecological roles such as transportation of nutrients and organic material to marine system through circulation (FAO, 2002).

The population of the city of Lagos is about 5 million people, with many industries and untreated sewage dumped directly into the Lagos lagoon. The Lagos lagoon was initially used for fishing in the early century but increasing population and establishment of industries most of which are located in the Lagos metropolis, the lagoon became a major waterway for commerce. The environmental pollutants such as the discharge of raw sewage or primary treated sewage into the lagoon are on the increase. Other sources of pollution are contamination from sawmills, heavy metal load coupled with contaminants from domestic and industrial solid waste. The discharge of raw sewage into the Lagoon has important health implication (Akpata & Ekundayo, 1978; Halasi-Kun, 1981). This may lead to contamination of aquatic life and other food products, thereby causing possible health hazard to those products. In the food chain consumption of hazardous wastes or infectious agents can adversely affect the consumers and organisms of the high trophic level (Prescott et al., 2002).

In Nigeria, measures for scheming pollution of coastal waters are relatively recent and there is inadequate base line data on which to base appropriate management practices. The aim of this study therefore was to study the Nutrient status and physicochemical Quality of Makoko, and Iddo in Lagos lagoon.
MATERIALS AND METHOD

Study Area.
The Lagos lagoon lies between longitudes 3° 22’ E and 3° 40’ E Latitude 6° 17’ and 6° 28’ N. Makoko has a co-ordinate of N06° 29.252’ and E003° 23.492’, while Iddo has N06° 28.032’ and E003° 23.024’.

Makoko and Iddo were specifically chosen for this work because of the sewage that is discharged in to this area of Lagos Lagoon and fishing activities that also takes place there, Iddo 2 was 200 m away from Iddo 1.

Collection of water sample
Surface water samples from the three Stations were collected by dipping plastic containers of 500ml to about 6-10 cm below the surface film. Some analysis were done in- situ, while others were done in the laboratory.

Determination of physico-chemical parameters and nutrients.
Physicochemical parameters studied were pH, water temperature, conductivity, turbidity dissolved oxygen, total alkalinity and salinity. Nutrients were phosphate, nitrate, calcium, and magnesium. All the physicochemical parameters were studied in accordance with standard methods (APHA, 1993).

Temperature was determined using mercury–in-glass thermometer calibrated in degree centigrade (°C). The surface water temperature was measured on site. PH, Salinity, Turbidity and Conductivity were measured using Horiba water checker model U-10. The oxygen was fixed on site by the addition of 1.2 ml each of Winkler’s solution A and B. and was later determined by Winkler’s titrimetric method.

The samples were prepared for nutrient analysis and the concentration was determined, using UV/VIS Spectrophotometer model 6405.

Result of physicochemical analysis of Lagos lagoon

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Station 1</th>
<th>Station 2</th>
<th>Station 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water temperature (°C)</td>
<td>35.5</td>
<td>26.00</td>
<td>33.00</td>
</tr>
<tr>
<td>pH</td>
<td>9.50</td>
<td>5.90</td>
<td>9.00</td>
</tr>
<tr>
<td>Turbidity (ntu)</td>
<td>158.00</td>
<td>142.00</td>
<td>132.00</td>
</tr>
<tr>
<td>Conductivity (U/cm)</td>
<td>45.00</td>
<td>20.00</td>
<td>40.00</td>
</tr>
<tr>
<td>Dissolved oxygen (mg/l)</td>
<td>5.50</td>
<td>6.00</td>
<td>4.90</td>
</tr>
<tr>
<td>Total alkalinity (mg/l)</td>
<td>42.00</td>
<td>15.00</td>
<td>24.00</td>
</tr>
<tr>
<td>Salinity %</td>
<td>0.0</td>
<td>3.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>
Moving Africa Toward Sustainable Growth and Technological Development Emmanuel Obuah (Ed.)

Mean values of physicochemical parameters

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Station 1</th>
<th>Station 2</th>
<th>Station 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>34.50</td>
<td>25.20</td>
<td>29.70</td>
</tr>
<tr>
<td>pH</td>
<td>9.02</td>
<td>6.24</td>
<td>8.77</td>
</tr>
<tr>
<td>Turbidity</td>
<td>148.33</td>
<td>68.4</td>
<td>124.33</td>
</tr>
<tr>
<td>Conductivity</td>
<td>40.60</td>
<td>18.05</td>
<td>38.00</td>
</tr>
<tr>
<td>Dissolved oxygen</td>
<td>4.80</td>
<td>6.33</td>
<td>23.83</td>
</tr>
<tr>
<td>Total Alkalinity</td>
<td>39.00</td>
<td>13.40</td>
<td>23.83</td>
</tr>
</tbody>
</table>

Result of Nutrient analysis (mg/l)

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Station 1</th>
<th>Station 2</th>
<th>Station 3</th>
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<tbody>
<tr>
<td>Phosphate</td>
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<td>April</td>
<td>May</td>
</tr>
<tr>
<td>(mg/l)</td>
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<td>0.35</td>
<td>0.27</td>
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<tr>
<td>Nitrate</td>
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<td>April</td>
<td>May</td>
</tr>
<tr>
<td>(mg/l)</td>
<td>5.51</td>
<td>7.00</td>
<td>6.05</td>
</tr>
<tr>
<td>Calcium</td>
<td>March</td>
<td>April</td>
<td>May</td>
</tr>
<tr>
<td>(mg/l)</td>
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<td>28.50</td>
</tr>
<tr>
<td>Magnesium</td>
<td>March</td>
<td>April</td>
<td>May</td>
</tr>
<tr>
<td>(mg/l)</td>
<td>14.20</td>
<td>12.10</td>
<td>13.05</td>
</tr>
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Mean values for Nutrient Analysis (mg/l)

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<tr>
<td>Magnesium</td>
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<td>10.24</td>
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RESULTS AND DISCUSSION

The Nutrient and physicochemical parameters of Makoko and Iddo in Lagos lagoon were studied from March to May, 2008. The choice of months of the year was to examine the effect of setting out and setting in of dry and rainy seasons. Water temperature varied from 24.5 to 35.5°C and the pH was between 6.25 and 9.50. Stations 1 and 3 show high concentrations of calcium 23.10 – 32.50 mg/l, stations 2 and 3 shows low concentration of magnesium, which increased in stations 1. Stations 1 and 3 show high nitrate concentrations, while the phosphate concentration was low in all stations sampled. There was gradual decrease in conductivity, total alkalinity, from March to May (Table 1). Station 1 recorded the highest values, which decreased along the sampling stations.

This research has showed the effect pollution on the nutrient and physicochemistry of the Lagoon. There was an observed increase in most of the parameters studies with little fluctuations in some of the parameters. The introduction of sewage, high in organic matter and essential nutrients brings about Changes in the Water which also affects the marine life therein. The physico-chemical parameters
investigated showed some variation along the sampling stations (Table 1). There were slight variations in the temperature and pH, with the highest recorded for stations 1 and 3. The high temperature values could be attributed to discharges of sewage. Nkwodimah (1993) reported that temperature difference at any particular habitat is affected by weather and the extent of shade from direct exposure to sunlight.

The conductivity range of the various stations was wide and varied considerably. Station 1 showed the highest value and therefore decreases along the sampling stations, probably due to effect of dilution and removal of soluble salts by biological utilization. Egborge and Fagade (1999). Station 1 showed high nitrate concentrations, which decreased along the sampling stations. Phosphate concentration was low in all sampling stations. These ions, especially phosphate is limiting nutrients in aquatic ecosystem (Atlas and Bartha, 1993). There was gradual decrease in DO from March to May. There was no salinity in station 1, it is low in station 3 and highest in station 2 (3‰), these could be as a result of high organic matter.

Nutrient level are significantly higher in wet season than in dry season, there is an inverse relationship between nutrient levels and salinity, nutrient levels drop with increase in salinity.

CONCLUSION AND IMPLICATION

The result of this work has revealed the impact of sewage and industrial effluent discharged in Lagos Lagoon.

There is the need for Lagos State Environmental Protection Agency and other relevant authorities to have a continual assessment on the levels of pollution of Lagos Lagoon and to ensure proper sewage treatment prior to discharge into the Lagoon. Since there is few or no publications on Nutrient assessment carried out on Makoko and Iddo, the results reported in this study would be expected to serve as baseline level for future Nutrient and physicochemical analysis of Makoko and Iddo, Lagos Lagoon area.

REFERENCES

Food production in a sustainable way? Paradox of hunger in the midst of plenty

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In this paper we review the seemingly paradoxical situation where food production and prices are at record levels while hunger and under-nourishment continue unabated. While the current orthodoxy is that increased food production is required to keep up with increases in demand, we show that there is no production crisis, that the problem is one of poor people’s inability to access plentiful supplies of food at high prices. Empirical evidence also demonstrates that the present system of production has resulted in environmental degradation and speculative activities in agriculture which, together with privatisation and liberalisation policies, have contributed to the current food crisis. We suggest a fundamentally different way of approaching agriculture, one where structural organisation is sensitive to nutritional needs rather than the profit motive. Despite the logic of capitalist agriculture, and depending on the balance of class forces, such a fundamental social change can take place.

INTRODUCTION

With predictions of a rise in world population by nearly 2.5 billion in 2050, from approximately 6.8 billion in 2009 to 9.2 billion in 2050 (Block, 2009:1), questions have been raised about how to meet the growing demand for food while making farming an environmentally sustainable industry. Estimates also suggest that by 2050, 80 per cent of the world population will be living in urban areas. Faced with the spectre of food shortages, many commentators have called for a rapid increase in food production to feed “a future global population of 9 billion people . . . healthily and sustainably” (Foresight, 2008:1). Indeed, some proponents of this viewpoint have even gone so far as to suggest that vertical farms in urban areas - that is, indoor farming in environmentally controlled buildings - may serve to fill in the production gap. It is also envisaged that vertical farms will help to repair environmental damage, contribute to urban renewal and provide all-year-round organically-produced supply of local varieties of crops that are less susceptible to climate change.

This raises the old chestnut of whether to prioritise economic growth or environmental protection. In its publication The Future of our Farming, the UK’s Department for Environment, Food and Rural Affairs (defra) states that: “Our shared aim for the farming industry is that we want to see it producing profitably and sustainably” (defra, 2009:7). Sustainability in this case therefore involves, not only consumer demand for ‘sustainably-produced’ food, but also production methods which eschew the use of vast amounts of water, petrochemicals and soil. Besides, so the argument goes, sustainability also puts a high store on the profit motive, enabling farmers to stay in business.

The ‘food crisis’ has become a matter of concern to the UN Food and Agriculture Organisation (FAO), the World Bank and International Monetary Fund (IMF). Indeed, the UN’s General Secretary, Ban Ki-Moon, was moved to comment that a 50 per cent increase in food production was the surest way of averting a major catastrophe where 925 million people would be left hungry (Vivas, 2008:1; 2009:1:6). He suggested that some countries should eliminate export limits. At the end of the World Summit on Food Security held in Rome on 16-18 November 2009, the EU Heads of State and Government and their representatives went further in declaring that: “To feed a world population expected to surpass 9 billion in 2050, it is estimated that agricultural output will have to increase by 70 percent between now and then . . .
We call for open markets as they are an essential element of a global food security response” (FAO, 2009b). The problem was thus identified as one of scarcity; and it was resolved that the way to address the ‘food production crisis’ was to enable markets to work unimpeded. Vivas notes that: “Number two at the FAO, Jose Maria Sumpsi made it very clear in saying it was a problem of supply and demand due to increased consumption in emerging countries like India, China and Brazil” (Vivas, 2009:6).

Ironically, these views were endorsed by NEPAD (New Partnership for Africa’s Development). In its publication, Comprehensive Africa Agriculture Development Programme (CAADP), the FAO, in collaboration with the NEPAD Secretariat and African Ministers of Agriculture, argued that the primary aim of Pillar 3 was “to increase food supply and reduce hunger across the region by raising smallholder productivity and improving responses to food emergencies” (FAO, 2002). The CAADP “has been criticised for being developed with little civil society input. These plans will also have to be screened by a technical advisory committee, the composition of which remains unclear” (Bretton Woods Update, 2010:5). One can only surmise that the World Bank will have a major say on policy-making and which projects receive funding. Moreover, in its Agricultural Action Plan for 2010-12, the World Bank (2009) further elaborates its “market-focussed approach [which] downplays the role of government, and entails significant support for agribusiness and foreign investment. Emphasis is given to property rights and the need to strengthen land rental and sales markets . . . The environmental focus is more on allowing the Bank to tap into carbon markets than integrating environmental considerations across the Bank’s agriculture portfolio” (ibid.).

It is perhaps less surprising that this standpoint has the agreement of the Commonwealth Business Council (CBC), which, together with the Ghana Investment Promotion Centre (GIPC), hosted the African Investment Forum at the Accra International Conference Centre on 8-10 February 2010. Not only were soaring food prices attributed to an imbalance between supply and demand but it was also contended that the way to tackle the food crisis was to bring down trade barriers, create a favourable atmosphere for investment and boost food production to keep up with increasing demand by increasing productivity, thus improve food security. Judging from the TED (Technology, Entertainment and Design) conference, entitled What the World Needs Now, held in California on 10-13 February 2010, this orthodoxy seems to have gained widespread currency. Given better education of the public on the merits of genetically engineered food, so the argument goes, increased supply of these genetically modified varieties can fill in the production gap and contribute to the alleviation of hunger and poverty.

Herein lies the rub. Historical evidence seems to strongly suggest that over-supply has often been the case in the world economy; in other words, that the tendency has been “towards excess, with temporary periods of scarcity” (Cameron and Ndhlouvü, forthcoming 2010:2; also see Cameron and Ndhlouvü, 1986; Ndhlouvü, 1990a;1990b; Dickson and Ndhlouvü, 2002; Ndhlouvü, 2005). Vivas points out that: “Today humanity produces three times what was produced in the 1960s while the population has only doubled. There is no production crisis in agriculture, but the impossibility of accessing food by large populations who cannot pay current prices” (Vivas, 2008:2). She adds that:

Never in history has there been so much food as today. But for millions of people in the countries of the global South who spend 50 - 60% of their income to purchase food, a figure that can rise to 80% in the poorest countries, the increase in the price of food has made it impossible to gain access to it (Vivas, 2009:1-2).

In this paper we delve into this paradox of growing hunger at the same time as record levels of production and unprecedented rises in the prices of staple foods are evident. We will first establish whether the primary problem is one of scarcity or excess, through examining market and structural causes. In the course of this investigation, we seek to show the direction to which historical evidence points, is it scarcity or over-supply? We will attempt to paint an analytical canvass that reflects a sensitive use of
empirical evidence, to make sense of a complex tapestry. We will conclude with some tentative thoughts on the nature of this paradox.

**CHRONIC SCARCITY OR OVER-SUPPLY?**

Neoclassical economists have often sidestepped questions relating to the possibility of persistent excess supply by arguing that market forces will bring about stability (equilibrium) in the economy. They have then “simply placed the primary cause of scarcity in human nature itself” (Cameron and Ndhlouvu, forthcoming 2010:4). For his part, Carl Menger (1871), the founder of Austrian Economics, systematised the scarcity postulate, which then became a lynchpin of neoclassical economics (also see Daoud, 2007:199-211). He emphasised the role played by the self-interested individual whom he described as an isolated ‘atom’, an economic Robinson Crusoe figure, whose relationship with others is primarily based on the usefulness of commodities that are held by his/her counterparts. To the extent that money facilitates the interaction of these ‘Robinson Crusoe figures’, the importance of commodities to the individual will vary; and each individual will seek to exchange less valuable goods for the more valuable ones as a way of satisfying their wants. Sellers and buyers have foresight and knowledge regarding the means to attain their desired ends, everybody will benefit. While some Austrians, Hayek (1944) in particular, do not insist on equilibrium, neoclassical economists generally argue that this will be the case. Any disturbances to the stability of this system (of voluntary exchange) can be rectified by the equilibrating movement of prices; any imperfections or rigidities, such as tariffs or subsidies, can gradually be eliminated as people learn more about the causal connections between the characteristics of those goods which satisfy their wants and those which are imaginary. In the circumstances, excess demand or supply is only a temporary phenomenon.

Recognising that scarcity has a place in a market-driven economy, institutional and ‘political economy’ analyses are distinguished from neo-classical economics by their focus on social processes. In contrast to the latter, relations are complex and outcomes are less tidy, less predictable. Notwithstanding this, it remains for the analyst to explore tendencies; for example, in our case, that, in response to pressure on profit rates, the capitalist system tends to produce a general abundance as productive technologies are advanced. Such a tendency towards excess may, indeed, be “interspersed with periods of scarcity” (Cameron and Ndhlouvu, forthcoming 2010:13). It is in this light that we will examine the so-called food production crisis in the world economy.

According to the FAO, the period March 2007 to March 2008 marked a watershed in the world food crisis: the FAO Food Price Index rose by 57 per cent, prices of cereals, oils and fats, and dairy, for example, rose by 88, 106 and 48 per cent, respectively (FAO, 2008):

In mid-2008, as international food prices peaked following two years of rapid increases, the international community was mobilized to avert an imminent global food-security crisis. FAO estimates that between 2003-2005 and 2007 high food prices contributed to an increase of 75 million in the number of undernourished people, bringing the total number to 923 million . . . In September 2008, the FAO Cereal Price Index fell to 228 points – down 18 percent from a peak in April but still 10 percent higher than during the same period in 2007. The decrease is due to record harvests and favourable weather. The effects of the recent financial turmoil may also have contributed. It would be a serious mistake, however, if the recent decline in international food prices were to detract from the need to intensify efforts towards increasing agricultural productivity (FAO, 2008:1-2).

Taking account of weather conditions, the FAO revised its estimates of world production for the period between 2008 and 2009: cereals were up 2 per cent to 2,234 million tonnes; wheat was up 6 per cent to 678 million tonnes; coarse grains up 3 per cent in 2009 to 1,108 million, the second largest record from
the previous year; while rice was down 2.3 per cent from a record 688 million tonnes in 2008 to 672 million tonnes in 2009 (FAO, 2009a:1-2). In the light of the “better-than-expected global food supply in 2007-2008”, the FAO also revised its estimates of the number of undernourished people for 2008 down to 915 million, even though this figure was set to rise by 11 per cent in 2009, bringing the total for the undernourished to 1.02 billion in 2009 (FAO, 2009c: 10-11).

To the extent that fertilizer and pesticides are made from petroleum and natural gas, the increase in oil prices (which doubled during this period) contributed to the cost of producing food (Angus, 2008:3; Vivas, 2009:2). The FAO also concedes that: “Given the increased importance of biofuels and the new linkages between agricultural and energy markets, increased cereal yields, if achieved, may not necessarily continue to lead to lower prices. Because the world energy market is so much larger than the world grain market, grain prices may be determined by oil prices in the energy market as opposed to being determined by grain supply” (FAO, 2009c:11). In his report for the Charity ActionAid, Tim Rice cites IMF estimates that suggest biofuels were responsible for between 20 and 30 per cent of the rise in prices in 2008 (Rice, 2010:2).

Furthermore, these developments have resulted in “Governments in the United States, the European Union, Brazil and others . . . [subsidizing] production of agro-fuels in response to the scarcity of oil and global warming. But this green fuel production comes into direct competition with the production of food. To give just one example, in 2007 in the United States 20% of the total cereal harvest was used to produce ethanol and it is calculated in the next decade that this figure will reach 33%” (Vivas, 2009:2; also see Vivas, 2009:5;7). In fact, Rice notes that about 30 per cent of all the maize and other grain crops that are grown in the USA are already being diverted towards industrial biofuels (Rice, 2010:14). With the conversion of food to fuel, the demand for staples, such as rice, outstripped supply as stocks reached an all-time low (Angus, 2008:2). This situation was exacerbated by instability in production due to climatic changes (cyclones, hurricanes, etc which also led to drought as crops were damaged). In the circumstances, India and Vietnam, which accounted for 30 per cent of [world] rice exports, suspended “most rice exports to rebuild . . . [their] reserves. . . . [Indeed,] their announcements were enough to push the already tight global rice market over the edge” (Angus, 2008:3). Wasley also points out that: “Jatropha, a bushy shrub which grows in Africa, Latin America and south-east Asia, is being touted as a ‘miracle’ biofuel because the plant’s seeds contain a potentially valuable, non-edible, vegetable oil that can be used for biodiesel” (Wasley, 2010:1). However, the harsh reality on the ground has been different: not only have yields ‘fallen short of predictions’, but “good agricultural land has been given over to jatropha, threatening food security” (ibid.).

Moreover, rising prices have also been followed by a spate of speculative investment in the agricultural sector, to such an extent that 55 per cent of total agricultural volume is estimated to be of a speculative nature (also see Rice, 2010, amongst others). For example, in response to India and Vietnam’s suspension of rice exports, “Rice buyers immediately started buying up available stocks, hoarding whatever rice they could get in the expectation of future price increases and bidding up the price of future crops” (Angus, 2008:3). In fact, it came to a point where countries, including Libya, Japan and Saudi Arabia, reacted to the so-called food crisis by acquiring land in other countries, such as Cambodia and Sudan, to produce food for their citizens at home (Vivas, 2009:8). Ironically, it is these latter countries that experience land conflicts, leading to serious food crises which have, in turn, often necessitated the intervention of the UN to feed the increasing number of refugees. It is understandable that, Torio, the Managing Director of NewSeed Advisors, welcomes the growing trend towards “commercial investment in sustainable agriculture” (Yorio , 2009:4). She also points out that major food conglomerates and investment firms - such as General Mills, Inc., Sysco Corp, New York-based NewSeed Advisors and Aquacopia, Canadian investment firm Investesco and San Francisco’s Vital Farmland and Sea Change Investment Fund – are either acquiring farmland in order to get a foot-hold onto the sustainable agricultural business and/or
“getting into the socially-responsible investment game” in the hope of making hefty profits, while assuaging their consciences (Yorio, 2009:2-4).

Speculative activities have grown since the espousal of privatisation of agriculture by the World Trade Organisation (WTO) in its Doha Declaration. This called for, amongst other things, the granting of market access to less developed countries (LDCs) in more developed countries (MDCs), and reduction of subsidies and tariffs in agriculture (Ndhllovu, 2005; Vivas, 2009:8). This was in line with the IMF’s earlier structural adjustment policies which sought to introduce privatisation programmes while also dismantling barriers via, for example, reduction or elimination of subsidies on basic foods such as bread, rice, milk and sugar (liberalisation) (Dickson and Ndhllovu, 2002; Ndhllovu, 2005).

Concurrent with these developments was the Green Revolution. With US technical support, countries such as India embarked on ‘modernising’ their agricultural production techniques. Capital-intensive farming systems, which required inputs of fertilisers, chemical pesticides, new seeds, etc, were hailed as the key to feeding the hungry. Initially this euphoria seemed to be justified as yields per hectare grew spectacularly between the 1960s/1970s and the 1990s (Angus, 2008:2). However, this revolution was not without its problems. For example, while production rose by 11 per cent, there was also an increase in the number of hungry people by 11 per cent, rising from 536 to 597 million. (Vivas, 2009:2-3). Moreover, and unlike ‘traditional’ agricultural methods that were based on diversification and crop rotation, the ‘capital-technology-intensive’ farming systems broke all ecological principles, resulting in the expansion of land that was devoted to export monocultures i.e. single crops grown on the same land year-in-year-out (Altieri, 2000:1-2). Little wonder that environmental degradation was the consequence and, together with liberalisation, privatisation and speculative activities, this culminated in the present crisis and food insecurity.

Indeed, the Stern Review (2006) on the Economics of Climate Change identifies agro-industry as the primary source of greenhouse gases. Because fossil fuels are used to transport food over long distances, many local varieties have been lost in a bid to produce ‘aesthetically-looking’ crops for the supermarkets abroad. In other words, increased pressures for harmonisation and standardisation have resulted in the abandonment of the cultivation of local varieties – which may have been less pleasing to the eye, but had arguably better nutritional properties – in favour of standardised foods for the export market. The culmination of this process was the privatisation of plant breeding in the 1980s, and the elimination of collegiality between farmers and scientists. Tim Rice predicts that the proposed increase of biofuels by the UK and Europe to meet new EU legislation of sourcing at least 10 per cent of transport fuels from staple foods (such as maize, palm oil, sugar and rapeseed) means that “the total land area required to grow industrial biofuels in developing countries could reach 17.5 million hectares, well over half the size of Italy. Additional land will also be required in developed nations, displacing food and animal feed crops onto land in new areas, often in developing countries” (Rice, 2010:4). It is on this basis that he predicts an increase the number of hungry people by 100 million. Citing predictions by scientists working on the Stern Review, Rice notes that the numbers of the chronically hungry people is likely to increase by 600 million in 2080 (Rice, 2010:2-4; 10-27). The biofuel industry is already in receipt of 4.4 billion euros (£3.8 billion) in incentives, subsidies and tax relief, a figure which is estimated to rise to 13.7 billion euros per annum if the 2020 (EU) target is met (Rice, 2010:2;10).

At a time when there are increasing pressures to divert staple foods to production of biofuels, the FAO estimates that stocks will reach record levels in 2010. It predicts that cereal production will be up by 4 million tonnes on the previous year to 509 million, the highest level since 2002. In addition, wheat will rise by 6 per cent to 183 million tonnes, the highest since 2003; but coarse grains will be down by 1.8 per cent to 205 million tonnes, which is, nonetheless, still the second highest level since 2001 (FAO, 2009a:4).
Vivas’ summary of the Green Revolution resonates with the current state of affairs:

The Green Revolution had negative collateral consequences for many poor and medium peasants [sic] and for long-term food security. Specifically, the process increased the power of agribusiness corporations in the market chain, caused the loss of agro and bio diversity, massively reduced water levels, increased salinisation and soil erosion, and displaced millions of peasants from the countryside to the slums of the city, while dismantling traditional agricultural and food systems which guaranteed food security (Vivas, 2009:3).

The evidence so far suggests that there has often been over-supply of food but this food has, for a variety of reasons - including the structure of the system, speculative investment, price hikes, privatisation and liberalisation, environmental degradation and geopolitics – not reached the hungry. Indeed, the dominant multinational corporations (MNCs) who control “the chain of food production, from seeds to fertilisers to marketing and distribution of what we eat” (Vivas, 2008:1) have seen their profits soar during the food crisis. MNCs like Monsanto and Dupont, Syngenta, Bayer, Potash Corp., Yara and Sinochem, Tesco, Carrefour and Wal-Mart have reaped enormous benefits, which they continue to use in reinvesting and growing their business (concentration of capital). Because these conglomerates operate at a bigger and bigger scale, they are able to establish their credit-worthiness with financial institutions, which enables them to borrow money for research and development, introduce more productive technologies, compete furiously to stay in business and ultimately take over their weaker rivals (centralisation of capital) (Ndhlovu, forthcoming 2010; Ndhlovu and Lessassy, forthcoming 2010; Vivas, 2009:5-6). These processes tend to be reinforced by the involvement of states and multilateral institutions that, on the one hand, provide the framework for cost minimisation and profit maximisation but, on the other hand, disadvantage small and medium-sized capitalists through the credit system, while sowing the seeds of discontent within labour through deflationary policies (Ndhlovu, forthcoming 2010).

This complex and contradictory process is illustrated by Vivas, who gives examples of the development and role of MNCs in scaling up production, distribution and marketing in agriculture. Starting at the beginning of the food chain, she notes that ten of the largest MNCs, such as Monsanto, Dupont, Syngenta and Bayer, control 50 per cent of the sales of seeds. This development has been orchestrated by: “Intellectual property laws giving companies exclusive rights over seeds . . . [which, in turn] have further stimulated business concentration and . . . eroded the basic rights of farmers to maintenance of native seeds and biodiversity. In fact, 82% of the market in commercial seeds throughout the world consists of patented seeds (subject to exclusive monopolies such as intellectual property)” (Vivas, 2009:6). The next link in the chain is pesticides. Here mergers have enabled the ten largest global companies not only to be more competitive through economies of scale, but also to have a bigger foothold, controlling 84 per cent of the global market. In fact, “the world’s biggest seed company and biggest chemical company, Monsanto and BASF, [respectively], undertook a collaboration agreement in research and development, to increase performance and tolerance to drought in corn, cotton, rape and soy” (Vivas, 2009:6).

Similarly, there is high business concentration in distribution, meaning that between 1987 and 2005, the ten largest global companies increased their market share in Europe to 45 per cent (ibid.). For example, the British and French hypermarkets/supermarkets such as Tesco and Carrefour control 45-60 per cent of the domestic market share (Ndhlovu and Lessassy forthcoming 2010; Vivas, 2009). On the international scene, the American retail company, Wal-Mart Stores Inc, continued its “strategy of consolidation” by buying rival superstore Gateways in 1989, before making it’s first forage into Europe in 1997 when it bought the German hypermarket chain, Wertkauf, followed by its acquisition of the British supermarket, ASDA, in 1999, and then the French hypermarkets, Casino and Auchan. Wal-Mart has continued to maintain its number one position on the Fortune 500 List, having been trading places with Exxon Mobil Corp. since 2001. The company’s strategy is one of aggressive price wars and high volume marketing to drive small, specialised firms out of business, hostile takeover bids of its rivals in the battle for global...
retail dominance, and riding roughshod over its workers. The failure by Wal-Mart to appreciate German market conditions, including providing quality goods, as well as its repeated flouting of German laws and regulations, may serve to explain its inability to dominate the German retail market (Knorr and Arndt, 2003; also see Fernie and Arnold, 2002 for a more sympathetic viewpoint). Vivas concludes that: “This retail distribution model exerts a strong negative impact on the actors involved in the food chain: farmers, suppliers, consumers, workers, and so on” (Vivas, 2009:6).

CONCLUDING THOUGHTS

Clearly the structure of the system is at the heart of the problem; in other words, the organisation of production and delivery of food is determined by power relations and this goes some way to explaining the current food crisis and insecurity. To reiterate: “The solution cannot be freer trade because it has been demonstrated that free trade involves more hunger and less access to food. Nor can it be argued that the problem today is the lack of food, never in history has . . . [the] production of food in the world [been greater]. There is not a production crisis, but a total inability to access that production for extensive sections of the population who cannot afford current prices” (Vivas, 2009:6). Indeed these views are reinforced by Lim Li Ching, of the Third World Network, who argues that: ”the same failed World Bank policies on agriculture do nothing to address the root problem of food insecurity, including the collapse of many agricultural sectors due to structural adjustment, declining terms of trade, asymmetrical trade rules and financialisation of food commodities” (Bretton Woods Update, 2010:5).

We have identified many problems arising out of the neo-liberal model of profit-maximisation: the big corporations, various fuel substitutes leading to less production of real food to eat, the speculative ventures in agriculture, the selling away of land by poor countries, etc. Present research tends to suggest that fundamental change is required to tackle the apparent food crisis. Communities need to take control of agriculture and food policies (Vivas, 2009:6). Some observers note the example of participatory breeding in Rwanda, which involves partnership between farmers and scientists. In contrast to the top-down approach of the Green Revolution, this initiative is regarded as a success insofar as it ensures that farmers are in control of the direction of agriculture: careful land use, conservation of water and arguably, community food systems. Despite of extensive agrarian reform being likely to run counter to the logic of capitalist development, the basic argument informing our viewpoint is that, efforts at introducing equitable production and distribution methods can begin to point towards fundamental social transformation. On the other hand, the neo-liberal model is likely to fail to tackle the paradox of hunger amidst plentiful supplies, where “hunger occurs in spite of an abundance of food” (Daoud, 2007:207).

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A study of inter-firm dynamics between competition and cooperation – a co-opetition strategy

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Little attention has been devoted in extant literature to inter-firm dynamics that entails both cooperation and competition - also known as “co-opetition”. This paper contributes to extant knowledge by highlighting the complementarity-based nature of co-opetition strategy and its impact on collective strategies for value generation among actors in two network settings. The empirical data collection draws on two cases from different empirical contexts. The results show that managerial leadership and development of trust are the most important success factors. Furthermore, a hybrid level of inter-organisational relationship between both competition and cooperation fosters collective intelligence through information and knowledge sharing. This paper concludes that the reality encountered in contemporary collaborative arrangements has some special characteristics that make it different from the environment firms used to encounter in the past, because the contemporary inter-organisational exchange is often governed by the “visible hand” of the process of networking. From a managerial perspective, the findings demonstrate the multifaceted nature of co-opetition. Additional work on the impact of the concept of co-opetition strategy on business practice is needed to add to its valuable endeavour.

INTRODUCTION

Historically, goods and services have been distributed through networks in which loosely aligned firms have bargained at arm’s length, negotiated aggressively over price and other conditions of sale, and otherwise behaved autonomously (Gill and Allerheiligen, 1996). However, planned vertical and horizontal marketing systems are rapidly displacing these conventional marketing channels as the dominant mode of distribution in many economies (Osarenkhoe, 1992; Ling and Jaffe, 2007). However, according to Gill and Allerheiligen (1996, p. 49), channel of distribution vary in their degree of organisation from: 1) loosely organised channels which routinely process goods, as might be expected with channels for convenience goods (conventional channels), through 2) consensus systems, which are organised by the co-operation of channel participants, to 3) highly organised systems typified by vertically integrated channels (corporate systems), or those formalised by contractual agreements (contractual systems). The focus of this paper is most especially on consensus systems, in which the success of a channel’s marketing effort depends upon the continued co-operation of the channel members.

There is a consensus in extant literature that co-operation is the prevailing behaviour in channels systems (Rosmimah Mohd and Melewar, 2004). Since each firm depends on the others in the channel to perform its tasks, co-operation among channel members is necessary and vital behaviour. In this regard, Alderson (1969) set forth the foundations of a theory of marketing interaction and co-operation, based on his belief that “marketing cries out for a theory of co-operation” to match theories of competition and conflict (Gill and Allerheiligen, 1996; Ling and Jaffe, 2007). Thus there continues to be a need for development of such a theory of co-operation. Although much of the literature dealing with distribution channels has concentrated on the aspects of conflicts within the channels most studies state that the answer to this problem is co-operation within the channels, but do not elaborate on avenues this co-operation can take (Gill and Allerheiligen, 1996). However, a more optimistic and productive view would be to concentrate research efforts on ways to encourage co-operation.

Not much research has focused on the inter-organisational dynamics that entails both cooperation and competition and in most cases the situation can be described as something in between pure cooperation and pure competition, also known as “co-opetition”.
This paper contributes to extant knowledge by highlighting the complementarity-based nature of co-opetition strategy and its impact on collective strategies for value generation among actors in two network settings. A theoretical lens that enables focus on contemporary inter-organisational markets as organised behaviour systems manifesting network structures is adopted. In the light of this, business strategy is seen as an exchange strategy with an emphasis on exchange effectiveness. This effectiveness is achieved when some value is produced in co-operation with other actors.

**LITERATURE REVIEW AND THEORETICAL BACKGROUND**

Thomas (1992) classified five strategic intentions in terms of two dimensions – assertiveness and cooperativeness, namely: competing, collaborating, compromising, avoiding and accommodating. In this paper, the above categorisation is aggregated to include competition, collaboration, coordination and co-operation. Overarching these strategic intentions is the network perspective. Below, they are described and anchored in the body of literature.

**Inter-organisational relationship mix**

Researchers of business networks (e.g. Gadde and Mattsson, 1987; Hallén et al., 1991; Axelsson and Easton, 1992; Svensson, 2004) have transposed the social exchange perspective on social networks (e.g. Cook and Emerson, 1978) to business networks (Anderson, Håkansson and Johanson, 1994; Prenkert and Hallén, 2006). Social exchange theory (Granovetter, 1985) considers exchange relations as a dynamic process (Hallén, Johanson and Seyed-Mohamed, 1991; Blankenburg-Holm et al. 1999), thus it can be used as a framework to understand buyer-seller, seller-seller and buyer-buyer relationships. Using social exchange theory, business networks can be defined as follows: “as a set of two or more connected business relationships, in which each exchange is between business firms that are conceptualised as collective actors” (Chetty and Eriksson, 2002, p. 307).

Firms within the network develop network of relationships (Hakansson and Snehota, 1995; Encon et al., 2006) through connected activities, linked resources and related actors, all of these elements being interconnected and interdependent. Efficiency is achieved through interlinking of activities, creative leveraging of resource heterogeneity, mutuality based on self-interest of actors (Veludo et al, 2004). Through exchange relationship processes with other firms’ activities, and resources, bonds are created and developed (Bernal et al, 2002). Actor bonds connect actors and influence how the actors relate to each other and form their identities in the networks. Actors in a network can be sellers, buyers, organisations, smaller groups of individuals inside these organisations (Turnbull et al., 1996). Activity links include technical, administrative, commercial, and other activities of an organisation that can be connected in different ways to those of another organisation.

One of the key objectives of the network approach is to provide explanatory framework of industrial markets as a complex network of organisational relationships (Prenkert and Hallén, 2006). This therefore reinforces the view of the network approach that actors possess specific resources and perform specific activities which create opportunity for exchange relationships among them (Andersson et al, 1994). The actors-resources-activities (ARA) model (Axelsson and Easton, 1992; Håkansson and Snehota, 1989) therefore describes how a business relationship can be analysed through its individual substance layers: actor bonds, activity links and resource ties. Hence the need for access to resources possessed by other firms is greater, if activities are built around heterogeneous resources than if they are built around homogeneous resources (Sandhu and Helo, 2006). The actors-resources-activities (ARA) model (Blankenburg-Holm and Eriksson, 2000) therefore describes how a business relationship can be analysed through its individual substance layers: actor bonds, activity links and resource ties (Chetty and Eriksson, 2002).
Competition: Competition is defined as a dynamic situation that occurs when several actors on a specific area (market) are struggling for scarce resources, and/or are producing and marketing very similar products or services (Bengtsson & Kock, 2000; Hunt, 2007;) that satisfy the same customer need. With a focus on the interest of the individual firm, the competitive approach emphasizes firms’ interdependence both vertically and horizontally. Competition has been described in terms of exchange relationships between existing and unchanging economic units (McNulty, 1968, p. 648). In contrast, Schumpeter (1962) associates competition with internal industrial efficiency and with the development of new technology, new sources of supply and new types of organisation. According to McNulty (1968, p. 654), a persistent weakness of the concept of competition has been the failure to recognize the extent to which the competition of one economic unit tends to affect the economic position of others, and thus the overall industrial structure. Hunt and Morgan (1995) point out that this view fails to specify how the competing units act, and describe the competing units as too passive.

Rather than just selecting the best terms among those offered, a competitor may choose to twist the terms of the trade to his own advantage. Copeland expresses the latter view this way: “In fact a competitor that gets ahead in an industry may do so in substantial part by developing business connections, i.e., arrangements that give him preferential treatment in terms of financing, in terms of purchase, in access to market information, in the award of private contracts, even preferential treatment in the administration of a public office” (Copeland, 1962, p. 13). Thus, Copeland shifts the focus from the internal, independent view of companies, to the external, dependent view. Further, there is an implicit view that some competitors may be better able to compete than others. Such differences in competitiveness would allow for differential growth and profit rates among firms within an industry. In the long run, competitive behaviour may in fact lead to a monopolistic position of a firm within an industry, instead of a state of “perfect competition” McNulty (1968, p. 656). Park (1998) argues that the Schumpeterian, or neo-Austrian, school views competition as a dynamic process of rivalry among firms in which only the fittest thrive and survive. While the classic economists viewed competition foremost as behaviour with respect to prices, Schumpeter (1962) envisioned a more dynamic world where new products and technology constantly drive out old products and technologies. Hence what separates the successful from unsuccessful company is the ability to create, invent and innovate. Also building on the Schumpeterian tradition, dynamic models of competition views the nature of competition along dimensions of intensity, and hence intense competition is considered to be the key defining factor for motivating firms to innovate and upgrade their competitiveness (Bengtsson and Kock, 2000).

With reference to horizontal interdependence, the competitive approach emphasizes the search of above than normal profit realized through gaining an advantageous position in an industry (Porter, 1980) or by mobilizing and deploying resources and distinctive competences (Pralahad & Hamel, 1990) that enable it offer superior products in relation to its competitors. In vertical interdependence, the competitive perspective highlights the search for value in economic exchanges appropriation. Interaction within a network is simple and direct; and power and dependence are equally distributed among competitors, based on their positions in the network (Bengtsson and Kock, 1999). This concurs with Hunt (2007) and Gnyawali et al., (2006), that the firm’s structural position in such networks becomes important. A firm with a superior position in its network is likely to learn about competitive opportunities sooner and use that knowledge in planning and executing competitive actions.

Collaboration: In today’s global economy, firms have been looking for alternative means to re-invent their business strategies for the purpose of remaining competitive. Collaboration is one of these alternative strategies and is defined literally as working-together for a common interest (Bititci et al, 2004), or voluntary co-operation between firms involving exchange, sharing of resources, or joint development of products, technologies, or services (Ang, 2008). Collaboration is a formal type of working relationship between organisations. McCarthy and Golocic (2002) define collaboration as a process when a group of autonomous stakeholders of a problem domain engage in an interactive process,
using shared rules, norms and structure to act or decide on an issue related to that domain. Thus McCarthy and Golocic made a link between the various relationship configuration with exogenous environmental dynamics, arguing that a shift in the strategic priorities of a firm, or a loss of leadership which makes a partner less attractive than it was earlier, are all drivers to shift the balance from more cooperative mindset to more competitive mindset. Blomqvist et al (2005) assert that the difference between cooperation and competition interaction is based on the proximity of business activity to its customers; firms compete in activities close to the customers and cooperate in activities far from the customers. In competition, the focus is on value appropriation strategies whereas in co-operation, the focus is on collective strategies for value generation.

**Co-operation:** Co-operation is defined as a relationship in which individuals, groups, and organisations interact through the sharing of complementary capabilities and resources, or leveraging these for the purpose of mutual benefit (Blomqvist et al., 2005; Gnyawali et al., 2006). From a supply chain perspective (Fawcett, 1991; Miles et al., 2000; Fawcett and Magnan, 2002) define co-operation as similar, complementary, coordinated activities performed by firms in a business relationship to produce superior mutual outcomes. Canegallo et al (2008) argues that human beings usually cooperate more than would be expected in terms of the maximum of purely selfish utility functions. According to Canegallo et al, the idea that fairness and/or altruistic concerns may be present in “normal” preferences represents a major shift from mainstream economics (ibid, p. 19). Accordingly, there might be something in “human nature” that drives subjects towards co-operation (Caporael et al. 1989, p. 684). For the most of our time human beings have been gatherers/hunters. Such societies are good environments to nurture cooperative conventions, both for their efficiency in maximizing individual utility and for the existence of strong genetic (family) links (ibid, p. 690). Thus, Canegallo et al argues that it is reasonable to conclude that mankind may have developed an instinct towards co-operation, or at least a genetic based propensity to learn cooperative behaviours.

Successful co-operation is based on trust, commitment, voluntary and mutual agreement that can be in a formal and documented contract or an informal aimed at achieving common goals (Miles et al, 2000). Studies have indicated that cooperative relationships can emerge in situations involving competitor interaction (Palmer, 2000; Pesamaa and Hair, 2007; Ang, 2008). The main motive for co-operation is to adopt collective strategies for value generation (Wang and Krakova, 2008). Basically firms cooperate for the purpose of achieving a common goal and as a result share resources with other competing actors and acquire them in an event of lack (Wang and Krakova, 2008). Firms also cooperate for the purpose of learning or sharing of organisational expertise (Canegallo et al, 2008). In addition, one of the key motivations for cooperative relationships, according to Pesamaa and Hair Jr. (2007), is the establishment of joint research, product development and commercialization.

It is pertinent to mention that the development and creation of certain inter-organisational relationships like Industrial symbiosis/industrial parks are sometimes influenced both endogenously by the network actors as well as exogenously by political initiators who set the rules to which individual actors have to observe (Havila et al., 2004; Luo, 2007). As for politically induced co-operation, a varied range of interest may lead to incongruence between the political determined goal and the individual objective of the actors. The government may be interested in creating more jobs to generate more tax income while the individual network actors follow their own interest. The government will be interested in more actors coming into network to create more income while the individual actors would prefer fewer actors to maximise the traffic for their individual benefit.

**RESEARCH METHODOLOGY**

The empirical base used to highlight the complementarity-based nature of co-opetition strategy and its impact on collective strategies for value generation among actors in two network settings. Given the
qualitative nature of the objective of this study, and the little attention so far devoted on the research
domain, a qualitative research method and case study approach are appropriate here as we attempt to
contribute with knowledge and theory building (Yin, 1994). Use of secondary data to support in-depth
interviews and participant observation is important for triangulation and is therefore highly recommended
in case study research (Eisenhardt, 1989). The empirical data collection draws on two cases from different
empirical contexts. The two cases (food court in a mall/Gallerian Nian in Gävle, Sweden and Wood
processors’ Association in Kosovo) contain unobtrusive information about inter-firm dynamics. The two
cases provide natural settings needed to highlight existence of a relevant link between cooperation
strategy and competitive intelligence in general and the complementarity-based nature of co-opetition
strategy and its impact on collective strategies for value generation among actors in two network settings
in particular.

Anna Andersson, the commercial manager of the mall (Gallerian Nian) where the food court is located,
twenty-nine food vendors, and three janitors in the food court were interviewed. Each interview lasted
between thirty minutes and one hour. Face-to-face interviews were conducted with the Executive Director
and twenty members of Kosovo Wood Processors Association (AWPK). Additional information was
received via e-mail and secondary data sources. The interviews at AWPK in Kosovo were conducted by
Vjosa Mullatahiri, one of the author’s students whose origin is Kosovo. The interview guidelines were
constructed in English, but administered in one of the local languages (Serbian) by Vjosa Mullatahiri.
Vjosa also translated the data collected from AWPK in Kosovo into English, but was analysed by the
author. The case of AWPK was chosen for its uniqueness as business association and for succeeding to
institutionalise the co-operation between producers, suppliers, governmental institutions universities and
other business association which operate in-country and in the region.

For data analysis, we have followed the procedures applied by Elg et al. (2008). First, we reduced the data
by extracting the information relevant to the variables of our theoretical framework. Then we used our
framework to categorise the data so that it could be compared. To achieve a logical flow in the analysis,
the data collected was linked to the appropriate strategic intentions (Thomas, 1992) and the hybrid level
of inter-organisational relationship between both competition and co-operation - “co-opetition” – in order
to reinforce the complementarity-based nature of co-opetition strategy. This process was helpful to
distinguish the main results of the study and thereafter to draw conclusions.

EMPIRICAL FINDINGS

The food court in Gallerian Nian
The food court in Gallerian Nian is a plaza within the mall that is contiguous with the counters of multiple
food vendors and provides a common area for self-serve dining space. The food court constitutes
restaurants with mostly Asian, European, African, Middle Eastern, Latin American and North American
cuisine. Fifteen restaurants concentrated in a relatively small area. With reference to the results from the
observation made and the thirty-three interviews conducted, it is obvious that the food court concept in
the mall constitutes the major part of business activities in the Mall/Gallerian Nian. According to Mrs.
Anna Andersson, “Gallerian Nian in Gävle kept pace with Kista Galleria in Stockholm. From then on, the
food court has attracted more customers for the mall. Especially in the lunch time, it is common to see
people come in and have a meal, although some of them are just browsing but do some shopping after
that”.

Activities in Gallerian Nian are coordinated by a management body who is the landlord for, for example,
the food court. Restaurants at the food court are tenants. The relationship between the landlord and the
tenants in the food court is structural or transactional in nature. Gallerian Nian (the landlord) only
provides the place for the restaurants, and the restaurants run their own businesses. The tenants or
restaurants in the food court cooperate with each other by sharing the same facilities and janitors. Hence,
a coalition among the various actors is formed. A spokesman for all the tenants in the food court is elected for a one-year term. The responsibilities of the spokesman are to act as the leader for all the food vendors, collecting feedback on a variety of issues, sharing information, collecting the monthly fees to cover expenses for buying and maintaining the dining tables, dishware, and negotiation with the landlord and janitors. Selection of a spokesman is through an election which is held yearly. However, spokesman can serve up to three terms if the spokesman gets enough support from majority of the food vendors. The current spokesman in the food court is the owner of the Pizza & Salad restaurant. Other food vendors usually consult the spokesman whenever they encounter any problems. General meetings are held on a regular basis. There is compulsory attendance for all food vendors in the food court. Majority of the restaurants are currently satisfied with this kind of co-operation.

The managers of Gallerian Nian, property owners and all the food vendors have meetings once a month to share experiences and discuss pending and future issues or problems. Multichannel communication tools (e-mails, hard copy, etc) are used by the landlord to distribute information and other resources to the tenants. Events are frequently organized by the landlord to attract customers to visit Gallerian. To further market the shops, including the food court, in the Gallerian nian, the landlord produces a magazine that the customers can get when they enter the building. In the magazine, visitors can read about upcoming events, new shops and artists that are going to perform on the stage at the centre of the building. The landlord is also responsible for the provision of security arrangements in the Mall, but the costs of the services are shared by all shops in the mall.

Majority of the food vendors mentioned that managerial leadership and development of trust in particular and the structure of the food court in particular are the most important success factors. Food court consists of a number of vendors at food stalls or service counters. Meals are ordered at one of the vendors and then carried to a common dining area. The food vendors share the same resource and bring customers to the same place. Majority of the food vendors think co-operation is much more efficient than working alone. They concentrate all their efforts on their core competence - cooking and serving their customers. The food vendors do act alone in relation to other owners in the food court. Through interactions, the various actors share information about technical and non-technical tools that facilitate efficiency in the seller-buyer interaction in the exchange process. They also exchange information on entrepreneurial issues, current trends on consumer habits and preferences. The key critical factors contributing to the smooth running of the food court are that the high level of trust, commitment, and loyalty among the firms. The food vendors have signed a legally binding commitment to make their own menus and different dishes. From the interview, the information shows that each restaurant has intense interaction with each other. The food vendors think that competition in food court is not an issue; it is rather the commitment to be made in order for the food court to be mutually beneficial to all the participants. In other words, the food vendors compete with each other by cooperating.

Majority of the food vendors say that they are not directly competing with each other. They improve their competitiveness by value-adding business practices such as some unique trays, decorations, “presentation” of the dishes, the design of the menus to enhance the attention rate, business process and improving the quality of food. Moreover, another way they compete is by improving the service delivery level by being friendly to the customers and helps the customers to select the right menu/dish. To avoid “product cannibalisation”, the restaurants in the food court sell different kinds of food. In other words, cuisines and choices are varied, offering more global choices. That is why there is only one sushi restaurant, only one Chinese food restaurant, one Subway restaurant, one fast food restaurant - one is in Turkey style, one Swedish style and one coffee shop etc. This strategy can decrease vicious competition among the restaurants and increase the diversity of food.

The advantages and disadvantages associated with the business model (food court) frequently mentioned by the food vendors are that sharing the same resources helps each restaurant to save cost. Competitors
can share competitive advantages and extend synergy to achieve win-win results; The current arrangement in the food court minimizes the risk of industrial monopoly in the market; The co-operation mode provides considerate service for customers, in order to win more market sharing for the whole food court; Each food vendor does not need worry about the cleaning, because all the facilities are managed by the janitors. The main disadvantages mentioned are that restaurants have to share various types of risks. For example, costs incurred when any of their facilities or utensils, cutleries or facilities are stolen or damaged; Most decisions regarding the running of the food court have to be made jointly together with other actors in the food court. Hence, commitment is made before action is taken. The janitors do not provide clean tableware to different restaurants in time. Taking drastic measures on them about their behaviour is beyond the responsibility of individual restaurant.

**Wood Processors’ Association in Kosovo (AWPK)**

Wood processor companies in Kosovo are facing many impediments such as low quality, lack of testing labs, and lack of reinforcement of legal infrastructure which makes them less competitive when wood products market. In order to promote wood processors interest and promote wood processor sector development. Wood Processors’ Association in Kosovo (AWPK) was established in 2004. The association which is led by Board and managed by Executive Director now has network of 82 wood processor firms. All members of the association, in a way are competitors who collaborate through sharing of resources and know-how in addressing customer needs domestically and internationally. Firms in the association cooperate among and between themselves based on their mutual interest, interdependency of resources (knowledge and technology) in the following areas:

**Supply chain management** – when importing large amounts of raw material, the company has better position to bargain enabling them to negotiate for better prices; **Marketing activities** – when organising fairs, wood processors in Kosovo and abroad. Through association, firms expose their products both within and outside the country. Furthermore, through study visits in the region (Bosnia, Croatia, Slovenia, Albania etc), members of the association establish collaborate and establish business relationships with wood processor firms and associations in the region; **Information sharing** - Organising seminars and presentations on new technology are being used by members of the association. Developing database of memberships which is available online for all members; **Customer satisfaction** – firms cooperate among themselves in order to serve and meet customer’s needs as the example of the “one-stop shop”;

**Capacity building training** - in order to increase the capacities and competitiveness of the members, the association makes an assessment of training needs among its members every year. Thereafter, consultants and experts are hired to implement the training programme; **Provision of services** – large companies that have new technology (drying furnaces, folding machinery) provide services such as drying wood and folding plywood and medium density fibreboards to other members of the association; **Advocacy and lobbying** – the case of custom duty exemption when production machinery for wood processor is purchased is another example of how the firms cooperate in order to be competitive in the domestic and regional market.

According to the Executive director, “AWPK is lobbying and cooperating with Pristina’s University and Ministry of Education to develop ‘Forest and Wood product’ program in order to raise awareness about the importance of forest planting and protection”. They are also in the process of certification of wood products which will help members of the association to export wood product in EU member states. The association also established relations with other domestic business associations and donors who provide subsidizes for service provisioning to association members. There was consensus among the respondents that this form of relationship offered them the opportunity to share resources and expertise with other firms. It also offers them a common platform to take collective decision when negotiating with authorities on a variety of issues affecting our respective industries. According to a respondent, “whilst we take part in certain activities together, we also compete in certain areas which improve individual performance in product design, sourcing for quality raw materials. We also learn from one another in terms of new
designs and technology. One of the major risks we encounter is how some firms directly copy other firms’ product designs. Better resourced firms tend to attract most of the lucrative contracts at the expense of less resourced ones”.

**DISCUSSION**

**Inter-organisational relationship mix**

The empirical studies showed different types of competitive and cooperative relationships in the two empirical settings studied. The relationship elements in the behaviour of the actors in the food court are rather general and long-term in nature. Inter-firm interactions, the interactions between the food vendors and the landlord and the service providers in the food court constitute the dynamic aspects of relationships (see Johanson and Mattsson, 1987; Marr et al 2004). The actors in the food court jointly control and coordinate the resources available in the food court, and they jointly implement various activities as well (Anderson et al., 1994; Svensson, 2004). In other words, actor bonds, activity links and resource ties prevail in the network. The food vendors in the food court and members of AWPK do not act singlehandedly, since they are members of a wider web of a network of relationships, i.e. members of an industrial network. Actors/firms operating in the food court in particular and industrial markets in general carry out activities using resources that they own independently or jointly through their relationships with some significant others or actors (for example, janitors, eating utensils, common dining area etc.). Thus each actor in the two cases (food court and AWPK) is embedded in a network of more or less strong relationships, which gives the actor access to other actor’s tangible and intangible resources. These findings are in agreement with those by Axelsson and Easton (1992). To understand the situation of the actors requires knowledge about the nature of the actors’ relationships with other actors as well (for example the service providers in the food court).

AWPK has some fundamental differences in its network structure compared to other forms of network forms mentioned by Craven and Piercy, 1994; Blankenburg-Holm, et al., 1999). However, similarities exist in terms of relationship layers suggested in Sandhu and Helo, 2006; Holmlund and Törnroos (1997) because the association also has production layer owing to the fact that wood processors cooperate among themselves (transaction-based); Resource layer since members of AWPK share their technological and logistical resources; Social layer since the association provides different trainings to increase managerial capacities, vocational trainings for employees, organisation of fairs etc. Due to the highly volatile environment AWPK has some elements of loose and flexible network (see Craven and Piercy, 1994) where members of the association have established transaction-based contractual transaction such as joint importing services, drying wood and folding; and collaborative relationships in terms of advocating and lobbying for custom duty exemption, regulations, capacity building programs, service provision and marketing activities.

The “glue” which is keeping 82 members of the association together is: economical, technological, political and legal factors. See Havila et al.(2004) for similar view. The association also enables members to establish collaborative relationships with other associations in the region and cooperative agreements with wood processor, suppliers and customers outside Kosovo. Based on Barratt’s (2004) definition the AWPK members are cooperating voluntarily by co-developing products/service, sharing information, conducting joint marketing activities and exchanging resource in order to be competitive in the domestic and regional market (see Axelsson & Easton, 1992). Although the association as such is a different from other networking forms, it again comprises of three layers as indicated by Holmlund and Törnroos (1997). Furthermore, it has some elements of hollow and flexible network. The firms in AWPK are operating in highly volatile environment but the links between members are transaction-based, competitive and cooperative in nature.
Business activities in the food court and AWPK consist of sets of connected relationships between firms (Bernal et al, 2002; Veludo et al, 2004) in which exchange relationship is established between firms conceptualized as collective actors. These findings are in agreement with Anderson et al (1994); Bititci (2004); Blomqvist (2005). Efficiency is achieved through interlinking of activities, creative leveraging of resource heterogeneity, mutuality based on self-interest of actors. Activity links include technical, administrative, commercial, and other activities of an organisation that are connected in different ways to significant others. The resources possessed by the firms in the food court and AWPK cases are built around heterogeneous resources than if they are built around homogeneous resources. This therefore reinforces the view of the network approach (Hakansson and Johanson, 1992; Hakansson and Snehota, 1995; Prenkert and Hallén, 2006) that actors possess specific resources and perform specific activities which create opportunity for exchange relationships among them. The behaviour of firms investigated is relevant in the actors-resources-activities (ARA) model, actor bonds, activity links and resource ties. Exchange theory (Granovetter, 1985) is relevant in the two cases because all the actors in the relationships and networks obtain valued tangible and intangible resources and perform activities through interactions with other actors by exchange from a cost-benefit perspective based on self-interest. It was apparent from the interviews that the actors contribute to the exchange only when they expect benefits in return. The topography of inter-firm dynamics and relationships is depicted in Table 1.

The key critical factors contributing to the success of the relationships among the cases presented include trust, commitment, and loyalty. This is in agreement with views expressed in extant literature that the quality of relationships is enhanced due to increased inter-organisational trust (Francis and Mukherji, 2008). Inter-organisational trust among the actors in the two cases is high. This implies the extent to which organisational members have a collectively held confidence orientation toward each other and willingness and confidence to build trust among collaborating partners. Owing to the relationship commitment among the firms, there is willingness to contribute to the cooperative relationship, which implies to sacrifice short-term benefits to achieve long-term gains. This observation is in line with viewpoints by Hallén et al., 1991).

**Competition:** The firms investigated in this study engage in indirect competition against each other for the main purpose of value appropriation and utilization (Gnyawali et al 2006; Wang, 2008) and for the purpose of gaining market position. However, the resources and capabilities of the firms (vendors in the food court and AWPK) are the primary determinants of their strategies and performances. Besides, the firms indirectly compete in an attempt to enhance their reputation. Competitive tendencies were demonstrated in the two cases through service delivery system, improvements and innovations in their operations relative to other actors, value-added business practices, relationship marketing practices, etc. these quasi competitive behaviours were believed to be a central driving factor behind innovation and upgrading of a firm’s competitive advantage (see Bengtsson and Kock, 2000; Hunt, 2007). Moreover, the firms learn from past actions and market/ environmental sensing needed in order to acquire resources for effective market position and superior financial performance

**Collaboration:** The prevailing inter-organisational relationship mix among the firms investigated entail working-together for a common interest; they voluntarily cooperate in the exchange and sharing of resources, joint development of products/services and technologies. These collaborative arrangements engaged in by the food vendors in the food court and AWPK) are in line with the definitions of collaboration in extant literature (Sahay, 2003; Bititci et al, 2004; Barratt, 2004; Ang, 2008). The inter-firm collaboration, with respect to this study, is motivated by factors such as: to increase actors market share, asset utilization, enhance customer service, increase quality of product, enhance skill and knowledge (resources) acquisition, achieve economies of scale in production; share and reduce the cost of product development – as in the case of AWPK - reduce product development time; decrease risk of product development failure; achieve technological gain for a participating firm; and gain access to
markets. All these factors are in line with the ones frequently mentioned in previous studies such as: Lewis, 1990; Parker, 2000; Horvath, 2001; McLaren et al, 2000; McCarthy and Golicic, 2002; Bititci et al, 2004.

In addition to the cases presented above, previous studies (Bernal et al, 2002) have identified that many benefits may be obtained by SMEs in pooling their resources and exchanging expertise for a variety of purposes, including technology development and international market development (see the case of AWPK). Collaboration between firms, according to the respondents in the two cases (food court and AWPK) have created favourable conditions for “inter-partner” learning, allowing one firm to acquire capabilities that they lack from a partner. Furthermore, when partner firms in a network are also competitors (e.g. the case of food court), there may be opportunities for inter-firm learning, to forge entry into new markets or pool resources to gain greater power in their networks (see also Bernal et al, 2002; for similar views).

Co-operation: The behaviour of the firms investigated in this study fit the definitions of co-operation offered in literature (Miles et al., 2000; Gnyawali et al, 2006; Campbell, 1998; Miles et al., 2000). It is obvious in the two cases (food court and AWPK) that the respective actors interact through the sharing of complementary capabilities and resources. And they leverage these for the purpose of mutual benefit, through coordinated activities performed by the respective firms (food court and AWPK) in the inter-organisational relationship mix they are involved in to produce superior mutual outcomes. It is also demonstrated in the cases that successful co-operation is based on trust, commitment, voluntary and mutual agreement that can be in a formal and documented contract such as the food court business model and the other two cases aimed at achieving common goals.
### Table 1: Topology of inter-firm dynamics and relationships.

<table>
<thead>
<tr>
<th>Competition</th>
<th>Collaboration</th>
<th>Co-operation</th>
<th>Co-opetition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arms-length exchange. Dynamic situation when several actors struggling for scarce resources, and/or are producing and marketing very similar products or services</td>
<td>Alliances between buyers and suppliers, mutual engagement in a coordinated effort to solve a problem (Food court and AWPK).</td>
<td>Alliances between buyers and suppliers. Division of labour, each responsible for portions of work (Food court &amp; AWPK)</td>
<td>Co-opetition fosters information and knowledge sharing, since coopetitors access immaterial resources in an interactive way, due to the network structure of modern organisations. Competing and cooperating simultaneously with partners, incl. direct competitors. Multifaceted relationships, (Food court &amp; AWPK)</td>
</tr>
<tr>
<td>Vertical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional competitive markets: Value-adding business practices, service level, relationship marketing practices. (Food court and AWPK)</td>
<td>Working-together for a common interest; voluntarily cooperate in the exchange and sharing of resources, joint development of products/services and technologies. Alliances between non-competitors. Mutual engagement in a coordinated effort to solve a problem (Food court &amp; AWPK)</td>
<td>Relationship in which organisations interact through sharing of complementary capabilities and resources, leveraging these for the purpose of mutual benefit. Alliances between non-competitors. Division of labour, each responsible for portions of work (Food court &amp; AWPK)</td>
<td>Aligning different interests toward a common objective and helping to create opportunities for competitive advantage by removing external obstacles and neutralizing threats Horizontal multifaceted relationships based on trust, commitment, and loyalty (Food court &amp; AWPK)</td>
</tr>
<tr>
<td>Horizontal</td>
<td></td>
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</tbody>
</table>

### RE-INTERPRETATION OF THE EMPIRICAL FINDINGS

Figure 1 below, depicts the complementarity-based nature of co-opetition strategy and its impact on collective strategies for value generation among actors in two network settings. Figure 1 demonstrates the continuum nature of actor bonds, resources ties and activity link the hybrid level of inter-organisational relationship between competition and cooperation. Several benefits of co-operation were mentioned by the firms: complement and enhance each other in different areas such as production, product development, and entry into new markets (Bengtsson and Kock, 2000); opportunity to reduce operation related costs and risks; the possibility of technology and capability transfer (Prahalad and Hamel, 1990); co-operation among the firms produce synergetic outcomes, which a single firm cannot achieve alone (Blomqvist et al., 2005). These benefits and cooperative strategy, according to neo-classical theory, hamper competition without which the network relationship cannot be effective. According to Lado et al. (1997), a longer cooperative relationship can turn into “group thinking” which may hamper creativity and innovation efforts. Moreover, political induced co-operation (e.g. the case of AWPK) is artificially established. Consequently, events and activities in the network are interpreted differently by actors from different background; what one actor interprets as success, the other might interpret as failure. This creates a problem for trust-building which is essential for the norm for reciprocity to apply.
Co-opetition: The behaviour exerted in the findings show that the firms do not always engage in either competitive or cooperative relationships with each other, rather they create conditions which enable both relationships to co-exist. These business practices engaged in by firms in the food vendors in the food court and AWPK are in line with the definitions of co-opetition offered in extant studies. (see for example, Bengtsson and Kock, 2000; Wang and Krakover, 2008; Nalebuff and Brandenburger, 1996; Chin et al, 2008). This shows that there is a hybrid level of inter-organisational relationship between both competition and co-operation which is termed “co-opetition”. Co-opetition means that competitors can both have a competitive and a cooperative relationship with one another at the same time (Brandenburger and Nalebuff, 1996). Bengtsson and Kock (2000) claim that co-opetition is the most mutually advantageous relationship for competitors. According to Brandenburger and Nalebuff (1996), co-opetition goes beyond the conventional rules of competition and co-operation, in order to achieve the advantages of both.

Figure 1: Inter-firm dynamics between competition and co-operation.

Harbison and Pekar (1998) point out that majority of all new cooperative arrangements are between competitors. Luo (2007, p. 140) discusses how multinational enterprises engage in complex and simultaneous competitive-cooperative relationships with global rivals. For example, Eriksson, Nokia and Motorola cooperate to improve the infrastructure of China’s telecom industry, negotiate with the government for greater market access, and build telecom equipment clusters to increase the efficiency of value chain integration for the entire industry in China. Simultaneously, the same companies compete fiercely to improve their own gains. Thus, through cooperative relationships, global rivals work together to collectively enhance performance by sharing resources and committing to common goals in certain domains, for example in value chain activities. At the same time they compete in other domains to improve their own performance ((Luo, 2007).
It is demonstrated in the cases that co-opetitive relationship encompasses both economic and non-economic/social exchanges related to inter-organisational interdependence. It therefore implies that organisations can interact in rivalry due to conflicting interests and at the same time cooperate due to common interests - knowledge sharing and pooling competencies (see also Bengtsson and Kock, 2000). The two cases show that co-opetition creates value through co-operation between competing organisations, aligning different interests toward a common objective and helping to create opportunities for competitive advantage by removing external obstacles and neutralising threats.

CONCLUDING REMARKS AND IMPLICATIONS

This paper illuminates the complementarity-based nature of co-opetition strategy and its impact on collective strategies for value generation among actors in two network settings. The cases show that the firms co-operate with each other on variety of ways like standard setting and developing the market (e.g. food court and AWPK), but compete in other areas like value-adding business practices, price, service, and quality. It is demonstrated in the two cases that co-opetition can help achieve multi-directional learning, in which different organisations mutually benefit while competing for internal resources and market share (see also Chin et al, 2008). The cases also show that inter-firm co-opetition as an organisational strategy can bring benefits like reducing costs, when pooling resources and competences in research and development, information and knowledge sharing, tolerance of risk-taking, pro-activeness in product development and anticipation of healthy competition. Thus co-opetitive relationship offers the advantage of a combination of the need to innovate within new areas as a result of competition whilst accessing new resources as a consequence of co-operation.

In spite the above-named benefits, co-opetitive relationship often posses some disadvantages to participating firms. The adaptation required by participating firms is often accompanied by time and financial costs which may not yield the required return. Co-opetitive relationship may be managed so poorly that a strategic opportunity is lost due to conflicting goals and objectives of participating firms. Power and dependence can also be viewed as conflict sources. One party can use its power (e.g. technical, political, financial, or emotional) to force another party to act in a way that is not in the counterpart’s economic best interest (see Zineldin, 2004 for similar findings). Furthermore, Bengtsson and Kock (2000) enumerated four different role conflicts that exist in co-opetitive relationship as intra-partner, inter-role, inter-partner, and personal conflicts. In addition, sharing of resources and activities can create opportunistic situation for self-interest partners to exploit the weaker partner’s interest. Co-operation can hamper a firms’ operation by enabling the competitor first to monitor and then to imitate the firm’s core competencies and tactics (Lado et al., 1997). When small and medium sized companies are in co-operative relationships with major partners, there are cases whereby the small firm depends on a dominating partner making the relationship to be tensed because resource dependence may lead to power imbalance. When the dominating partner have access to core competence it is easier to replace the small company with a low cost producer.

Knowledge developed within relationship among the firms investigated in this study (food court and AWPK) is unique, because it is shaped by information transferred through connected relationships. The more the various partners interact the more information they bring from their respective connected relationships into the focal relationship. See Easton and Håkansson, 1996; Chetty and Eriksson, 2002 for similar views). Networks that the investigated firms belong provide access to various sources of information thus offering more opportunities to learn than relying on knowledge from within the firm. Actors in the food court and AWPK consider themselves as members of a network within a broader industry framework. Through their respective industry framework, members acquire ideas, influences, or information about the surrounding network that would otherwise be unobtainable. This observation is in
line with that of Chetty and Eriksson (2002). Though it is diffused in practice and is recently conceptualized in research, the concept of co-opetition needs additional reflection and scrutiny.

Other implications of this study are that co-opetition strategy bears the potential to turn out to be a novel managerial mindset to guide inter-firm dynamics. Since the practice of co-opetition strategy raises a number of fundamental challenges that are relevant to managers and academics. It is hereby emphasised that this notion is intended neither to lay the groundwork for a new paradigm in strategy nor to say a final word on the subject. In fact, the issue co-opetition is intended to supply new (and stimulating) interpretative lenses to read the present world realities, which depicts the simultaneous existence of cooperation and competition between firms; i.e., a behaviour according to which interdependencies lead firms to compete and cooperate at the same time. The structure of co-opetition emerges and comes to light from a condition that may be defined as partial congruence of interests.

Although co-opetition strategies first aim at strategic decision making (Brandenburger & Nalebuff, 1996), adopting a co-operative state of mind is not enough; it is important to manage this strategy. Co-opetition as strategic model supports the exchange of tacit and non tacit knowledge and information, but it can present gaps regarding the channelling of informational flows and of the decision-making process, as well at the alliance level (inter-organisational) as at the partner level (intra-organisational). Indeed, the strong propensity of co-opetitors to exchange information makes it difficult to control information flows. It can disrupt the decision-making process and ultimately, the ability of the network to make the right decision at the right time. The publications on co-opetition turn out to rarely tackle the informational aspect. The network viewpoint (Gadde and Mattsson, 1987; Hallén et al., 1991; Axelsson and Easton, 1992; Svensson, 2004) underlines the need for adopting a collective and concerted approach to the strategy coordination in order to make organisations more effective. Thus, one brushes aside the individual and partitioned approach in favour of the collective and opened approach. The latter can have two complementary meanings: distributed knowledge: the network implies sharing the knowledge gained within a community of practice; the possibility of creating knowledge and know-how.

In this direction, attention is hereby called on the impact of the concept of co-opetition strategy on business practice. Additional work is needed to add to this valuable endeavour because despite the fact that co-opetition is diffused in practice it has not been coherently and thoroughly incorporated in strategy investigation. In conclusion, a few intriguing queries that wait for appropriate response in future studies are posed. What are the determinants of the emergence and development of inter-firm co-opetition? What types of co-opetition can we define? What are the critical issues related to the strategic management of co-opetition? Which kind of learning do firms experience under co-opetition? What are the most interesting business or industry cases of co-opetition strategy?

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Where is the competition? Identifying potential competitors within supply chain vs. supply chain competition

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The purpose of this paper is to consider the application of the ecological niche theory to the identification of potential competitors within the supply chain vs. supply chain (SC vs. SC) competition framework. Identifying competitors in general helps to reduce an organization’s vulnerability to competitive blind spots in relation to other similar organizations; this is no different for supply chains. The paper explores the niche theory within the ecology framework and its consequent overlap technique for identifying potential competing species, and illustrates this on randomly generated data of supply chain utilization of logistics modes. Results indicate that the larger the overlap in the utilization of logistics modes of two supply chains, the larger the potential for competition between them. Limitations include the inability to obtain real life data. The paper presents several relevant implications for researchers, managers and policy makers in Africa.

INTRODUCTION

Competition remains at the core of business success or failure (Porter, 1985). However, emphasis on value creation for end customers within a framework of supply chain management has changed the way competition is perceived and consequently implemented. It is no longer novel to acknowledge that competition in today’s business world is primarily carried out along the supply chain. A supply chain is the network of organizations involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of goods and services for end customers (Christopher, 1992). In business literature, it had been reasonably unproblematic to identify firms that competed against one another in a typical product-based or company-based competition; however the notion of competition between supply chains takes this straightforward process to new levels of complexity. Further, engaging in supply chain vs. supply chain (SC vs. SC) competition represents higher levels of complexity in identifying who competitors are. While the process of identifying competitors helps reduce an organization’s vulnerability to competitive blind spots (Zajac and Bazerman, 1991), value creation for end-customers remain one of the important goals of supply chains and its management (Mentzer, 2004). Within the framework of SC vs. SC competition, competitor identification can be important because: 1.) Value offered by an organization or firm are usually created along the supply chain; by the time the product/service gets to the market the competition for value creation is already carried out/done. 2.) It is important to identify supply chain competitors in order to maximize awareness of the competitive value creation measures being undertaken by competitors. 3.) By identifying your competitor, it is possible to minimize or avoid the competitive consequences of overlap along the supply chain, e.g. in supply chain resource use, which has the potential to heighten rivalry between competitors. In this way, rivals could actually reduce the amount of competition between them thereby reducing the
amount of resources they expend on these competitions. Therefore, identifying competitors in supply chain competition is necessary as much as it is important.

The most obvious types of competitors are those that offer similar or identical products or services to similar customers. This also alludes to the fact that the more similar competitors are to each other, the more severe their competition (Henderson, 1983). While this is readily obvious between competitors in the traditional style competition, these competitors are not so comprehensible within SC vs. SC competition. The current frameworks for identifying competitors focus solely on techniques carried out in and within the market place, and as such are incapable of identifying competitors that operate on a SC vs. SC framework along their respective supply chains.

This paper suggests an empirical technique for the identification of competitors within SC vs. SC competition, given shocks to the environment within which competing supply chains operate. Based on the niche theory of ecological competition, this paper applies the idea of niches and its overlap to the identification of competitors within the supply chain management domain. It exploits the discrete competitive dimension of logistics/transportation modes utilized by supply chains. That is, given the limited modes with which supply chains may move goods and services from point to point, supply chain competitors may be identified by the similarity with which they use certain essential and critical resources necessary for their continued business survival. Other competitive dimensions such as quality, cost, speed to market, etc can also be exploited using this method. The basic approach to competition in this paper is behavioral rather than institutional, i.e. in the spirit of Henderson’s (1983) proposal of competition as a system of relationships between interacting entities which is drawn from ecology and which views the concept of competition as a striving for scarce resources like customers, profits (via reduced costs), service providers, value, etc.

In the following sections, a brief overview of methods that have been used to identify competitors in business and management literature is undertaken. Subsequently, a method commonly used within ecology, is proposed and illustrated on randomly generated data followed by the results presentation. Finally, a conclusion and some implications for African businesses are provided.

IDENTIFYING COMPETITORS IN BUSINESS

The idea of supply chain competition is beginning to alter the way we know competition from other previously recognized platforms like company vs. company, product against product, to SC vs. SC competition. The supply chain contains a variety of activities taking place within them, a multitude of firms operating within the chains and a huge number of services carried out by primary and supporting members of the supply chain (Lambert et al., 1998). In such a dynamic environment, members and service providers within the supply chain work together to achieve certain goals. However, within this very complex supply chain environment, competitors may work side by side, and sometimes use the same service providers to handle their supplies. In such situations, the traditional pitching of company against company or product against product approach to identifying competitors cannot be justified, due in part to the lack of differentiation of the supply chains in terms of company or destination or end-product.

Regardless of how competition is defined, approaches to identifying competitors in the literature have always been of interest to practitioners and scholars alike, and this is even more so the case as the competition playing field is changing. Dixit (1988) and Digby et. al. (1988) identified competition by means of differentiation by country of origin of goods and services. With a smaller global world and the ease of movement, methods using country of origin as an identifier of competition becomes problematic as many labels and brands from a specific country are manufactured in other countries, e.g. Volvo cars. Easton (1988) suggests the attenuation and the sector models, which relate to the structure of the industry, as a rationalization for differentiating competitors. The attenuation model posits that competitors differ in terms of their activities in the market and hence, their market share. As the market activity of firms in the
market reduces, a threshold point is reached beyond which firms are no longer perceived as competitors. The sector model view, on the other hand is given by the idea that firms concentrate their activities in specific market segments or sectors, and would thus recognize firms within these sectors as direct competitors.

Parmerlee (2000) presents three models for identifying the competition, which include discerning the competition by identifying their product line and their target market. A second model seeks to identify competitors by performance power in the marketplace, i.e. trying to determine the area of distribution and percentage of market share, and this is usually ranked. The third way of identification is by using sales and market share performance.

Literature to a large extent utilizes the concept of similarity in the process of identifying competitors and this is based on two premises as argued by Kotler (2000);

1. Firms compete with one another in product markets to the extent that they attract the same customers.
2. Firms are rivals, to the extent that their products satisfy the same basic customer needs.

However, this quickly becomes apparently problematic with the application of the SC vs. SC competition framework. While the proposed method in this paper utilizes the concept of similarity in indentifying competitors, the difference lies in the fact that the target context that forms the basis of the similarity comparison vary widely. The traditional context for similarity comparisons are goods/products and customers/characteristics of customers. On the other hand, along the supply chain it is not readily obvious as to which type of customers a given supply chain will or intends to attract. Likewise, the end product of a supply chain can be difficult to determine when looking from a position three or more steps of the end product from the end-customers. Hence, the SC vs. SC competition format creates much confusion for competitor identification based on the above given premises. Even though competition is acknowledged to be important for economics and business, competition does not exist as a state of nature. Economic presumptions suggest that if buyers and sellers do not act in ways that creates pressure on others to innovate and improve; the gains of competition may never be achieved. In other words, competition must be created. In reference to this, Porter (1980) affirmed that the level of competition in a marketplace is neither determined by luck nor by coincidence, but rather by the dynamic participation of entities in the market. This participation is largely assumed to be carried out in the supply chain via collaboration of entities of specific supply chain units. By cooperating in a collaborative manner, supply chains can act as a unit and therefore forge alliances that allow the gains of cooperative interaction to be achieved. Thus, by its very nature, competition in supply chains includes approaches to collaboration and integration, which are essential for the supply chains in terms of differentiation for competition as suggested by Kotler and Scheff (1997).

**METHOD AND MATERIAL**

Competition principles, whether applied to biological analysis or business studies, are regarded as universal (Henderson, 1983). Thus, competition at its very basic level is described as being natural or ecological competition (Henderson, 1989), whereby natural competition is one that essentially involves low risk and incremental trial-and-error for learning within the market. Hence, it is conservative and produces nearly imperceptible changes usually as a consequence in the long run (Henderson, 1981). Supply chain vs. supply chain competition, being a fairly new form of competition, is likely to benefit from such a mode of competition, as the form and structure of competition within this framework is neither familiar nor predictable.

From the ecological perspective, competition notably revolves around the struggle for scarce resources within the environment in which a given species is located. Hence, the more scarce a resource is the fiercer the competition between species that depend on such resources for their survival (Henderson, 1983). The central underpinnings of ecological competition lie in the idea of the ecological niche.
According to Hutchison (1957), an ecological niche is the n-dimensional space that describes the characteristics of resources a species needs for survival. The niche is central to ecology and the competition that takes place between them; because it essentially presents an account of the available scarce resources within the environment for which species compete (Milne and Mason, 1990). Thus, the wider the niche of a given species, the wider the amount of scarce resources it is able to survive on. On the other hand, a narrow niche would entail that species have a smaller range of resources to survive on. Building on this is the idea of the niche breadth. The niche breadth refers to the range of resources on which a species can exist (Milne and Mason, 1990), i.e. the resources within the reach of a specie that allows it to survive in the environment. It thus indicates how different species utilize different resources in the environment and it is on this premise that competition between species occurs. The commonality or intersection of niches between species represents the core of ecological niche competition. Niche overlap, simply put, is “the joint use of a resource, or resources, by two or more species” (Colwell and Futuyama, 1971). From this it follows that the larger the overlap of niches, the more intense the competition between species utilizing the overlapping resources. The strength of the competitive effect exerted by a species on another species depends on the extent of overlap and the niche breaths of its competitors. Therefore, an overlap in the niches of different species creates a potential for competition. According to Levins (1968) the niche breadth of species $i$ can be evaluated as:

$$B_i = 1/ \sum_{k=1}^{n} P_{i,k}^2$$  \hspace{1cm} (I)

Where $P_{i,k}$ is the proportion of total resources utilized by species $i$ which are in resource state $k$.

It should be noted however that Levins’ (1968) niche breadth measure can be standardized on a scale from zero to one via:

$$B_A = \left( \frac{B - 1}{n - 1} \right)$$  \hspace{1cm} (II)

Where $B_A$ is the standardized niche breadth and $n$ is the number of resource categories. When the niche breadth of a species can be determined, it is possible to go on to estimate the overlap that may occur between different niches in the environment. Pianka (1974) proposed the following measure of niche overlap between species $i$ and $j$:

$$M_{i,j} = \frac{\sum_{k=1}^{n} P_{i,k} P_{j,k}}{\sqrt{\sum_{k=1}^{n} P_{i,k}^2 P_{j,k}^2}}$$  \hspace{1cm} (III)

where $P_{i,k}$ is the proportion of resource $k$, of the total available resources, used by species $i$. $M_{i,j}$ evaluates probability that two species would use resources in the same state to the average probability that any of them would avoid the other (the denominator is in fact the geometric mean).

Anchoring on this perspective, it is useful to think of supply chains as competing species. To be competitors, two supply chains must target similar resources critical to their survival to a significant extent. In other words their niches must overlap. Assume that the average utilization of logistics modes (say, Road, Air, Rail and Sea) by four supply chains are given in the following proportions; (0.67, 0.0, 0.12, 0.21) for SC1; (0.22, 0.05, 0.73, 0.0) for SC2; (0.12, 0.0, 0.1, 0.62) for SC3; and (0.07, 0.80, 0.0, 0.13) for SC4. Competitors in SC vs. SC competition may thus be identified through their utilization of critical or scarce resources (i.e. logistics modes) required for business survival via the ecological niche theory (within the discrete framework).

**RESULT AND DISCUSSION**

Using discrete utilization averages from four supply chains, this paper illustrates the usefulness of the niche theory of competition to the identification of competitors within supply chain vs. supply chain competition.
Table 1. Niche breadth as estimated for the supply chains

<table>
<thead>
<tr>
<th></th>
<th>SC 1</th>
<th>SC 2</th>
<th>SC 3</th>
<th>SC 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breadth ($B_i$)</td>
<td>1.97</td>
<td>1.71</td>
<td>2.45</td>
<td>1.51</td>
</tr>
<tr>
<td>Standardized ($B_{si}$)</td>
<td>0.32</td>
<td>0.24</td>
<td>0.48</td>
<td>0.17</td>
</tr>
</tbody>
</table>

Results of niche breadth of the different supply chains (Table 1) display a significant difference between the niche breadths of SC 3 and the other supply chains. Intuitively, this indicates that SC 3 depends on a wider range of logistics resources in order to carry out its business activities, while the other supply chains depend on a narrower range of logistics resources to carry on business. This result is also clearly illustrated in the standardized niche breadth which estimates niche breadths on a scale of 0 to 1 with SC 3 commanding a standardized range of 0.48, which is larger than the other supply chains.

Table 2. Estimates of overlap between the different supply chains

<table>
<thead>
<tr>
<th></th>
<th>SC 1</th>
<th>SC 2</th>
<th>SC 3</th>
<th>SC 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC 1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SC 2</td>
<td>0.43</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SC 3</td>
<td>0.49</td>
<td>0.20</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>SC 4</td>
<td>0.13</td>
<td>0.08</td>
<td>0.17</td>
<td>1</td>
</tr>
</tbody>
</table>

Based on Pianka’s (1974) overlap measure, table 2 indicates the extent to which the utilization of logistics resources of the different supply chains overlap. Overlap is generally said to be significant when $M_{i,j} > 0.6$. While overlap might not be significant here, it must be realized that the larger the overlap between two supply chains, the larger the potential for them to be competitors. However, overlap in and of itself does not imply competition, as overlapping supply chains may decide not to compete, decide to cooperate instead or diversify. The important question, however, is trying to determine over what regions such overlaps between supply chains occur. As can be noticed from the supply chain utilizations above, SC 1 uses the road mode most (67%) and thus depends to a large extent on that logistics mode. SC 2 on the other hand depends on rail (73%) logistics mode for most of its transportation needs. SC 3 uses sea transport (62%) for most of its logistics needs, while SC 4 flies its products 80% of the time. As is usual with supply chains and businesses in general, a need to create some kind of specialization and hence differentiation from other businesses is always present as is shown with the data above. When the areas (modes) in which the different supply chains specialize in overlap, then there is a greater potential for competition between those supply chains.

CONCLUSION AND MANAGEMENT IMPLICATIONS FOR AFRICA

No economy achieves any significant level of development without building a rich ecology of marketing institutions that work to facilitate open competition between organizations. This is necessarily so because competition breeds innovation, and innovation is the root of all economic progress. Hence, competition is necessary as much as it is important. The broader underlying implications of the results obtained in this paper for African businesses are twofold; First, African businesses must already realize that competition in today’s business world is increasingly being carried out along the supply chain. Second, that being a fairly new form of competition, the regulation of competition based on the SC vs. SC format will present significant challenges for African business competition regulators and policy makers.

More specifically, in today's business environment characterized by dynamism and recurrent uncertainty in the face of apparent scarcity of resources, firms will compete. Business managers in Africa responsible for supply chains can employ the model presented here as a first step to identifying the other supply...
chains that may be considered as competitors. The models is easy to create and use, and also provides a way of taking stock of the resources that their own supply chains use in the course of its business activities. Knowledge of your potential competitors in the market place provides management with the benefit of adequately evaluating their procurement procedure, scheduling and the monitoring of the changing conditions, and also to analyze the operational options available to the firm. Thus, identifying potential competitors has implications for the firm’s bottom line (profits).

To determine the strength of your business, you must understand what and who your competition is, and their position in the market. The questions you should be asking are: Who competes with me for my customers’ time and money? Are my rivals directly selling competitive products and services? What are their strengths and weaknesses? How are they positioned in the market? Identifying competitors is therefore a key ingredient of a marketing strategy.

The results of the model proposed in this paper also present some research implications for African business researchers, especially within the context of the illustrated example of logistics competitive dimensions. The reduced number of logistics modes available to supply chains in Africa and the subpar conditions of many existing logistics modal infrastructure means that many more African supply chains are expected to overlap where there are viable and functioning logistics modes for moving goods and services from one point to the other. This is expected to amplify competition between supply chains to the level where it may become counter-productive for the firms running these supply chains, as well as the customers the supply chains are supposed to serve. It is hoped that the implications of results, such as those presented here, for researchers into African business will provide impetus to evaluate the potential problems of such magnified competition within the SC vs. SC framework in advance, so as to be able to deal with them when such problems become relevant.

Finally, implications for regulatory and policy authorities provide important insights to the difficulty and challenges presented by a changing paradigm of competition with reference to policy and regulation. This means that regulation and policy creation for competition monitoring will have to change to reflect the paradigm of competition within which the current business system operates. Competition is important, and even necessary for development and increasing standards of living. Thus, it is incumbent on governments and their regulatory agencies to come up with pragmatic policies that are sensitive to inter-industry differences in relation to the main drivers of competitiveness in different industries. This is important, given the fact that supply chains are the platform upon which future competition takes place, and that future is now. To ensure a competitive environment for business in Africa, individual governments should strive to address the rent-seeking arrangements that seem to benefit both the political and private sector and try to reduce administrative barrier to doing business in the continent. These may include improving the information accuracy, improving operational performance, designing pricing strategies to stabilize orders and building partnership and trust. It is important that the process of improving supply chains in Africa is carried out in a manner that is compatible with, and takes advantage of, the existing local culture and social structures into consideration.

REFERENCES

Performance impact of mergers and acquisition in Ghana-the case of Guinness Ghana Breweries Group

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This work explored the effect of the consolidation between Guinness Ghana Limited and Ghana Breweries Limited on the financial performance of the new company, Guinness Ghana Breweries using financial ratios of Profitability, Activity, Liquidity and Shareholder from 2000 to 2009 representing five years of pre-merger and five years of post-merger years respectively, to ascertain the changes in financial ratios as a basis for assessing performance. The findings of the study revealed that whereas the ratios generated did not show an increase in performance, A T- test conducted revealed that there is no statistically significant decrease in performance of the Group as a result of the Acquisition.

INTRODUCTION

Corporate acquisition and the merging of two companies into a single organization are increasingly becoming very common in the business world today. 2007 and 2006 were marked by a spate of mergers and acquisitions all over the globe in both developing and developed countries. The general trend was that, there was a decline in the number of public sector undertakings along with a hike in the number of private sector enterprises. This was due to the fact that many public sector organizations worldwide were either acquired by large private sector enterprises or merged with them.

The explanation to this merger and acquisition trend as observed in 2006 and 2007 lay in the robust growth recorded by the Private Equity Funds. The other factors propelling this trend were the emphasis on short term earnings growth and the strict regulatory structure of public sector enterprises. This merger and acquisition trend towards increased privatization of public sector holdings was observed in Europe, Brazil, North America, and China.

China was a unique case in point. There the powerful trend towards mergers and acquisitions involving private equity dealings comprised a lot of policy and regional diversity. A great amount of equity capital flowed into China from US, Japan, Israel, and Europe as retail sector investments. This was primarily aimed at tapping China's heightened domestic consumer demand. Focus shifted to the northern and western regions of China as costs escalated for the commercial hubs alongside the eastern seacoast.

In the US, private equity funds succeeded in raising more than $200 billion in this period for international merger and acquisition dealings. As these types of funds usually possessed a time frame of 3 to 5 years for putting the new invested capital to work, they were expected by the analysts to power heightened merger and acquisition activities across major global markets for the coming decade.

For Europe the general prediction was that of a high transactional demand related to private equity. Analysts observed that certain European markets were characterized by different financial advantages and tax structures. Western European nations possessed well oiled legal machinery conducive to investment climates. In particular Britain exhibited a strong market for public to private investments. After the
accession of nations like Poland, Czech Republic and Hungary into the EU, a section of European funds for private equity were seen to be abstaining from applying the 'emerging market discount' for investment in those nations.

Equity investment in Brazil turned attractive with the program called Novo Mercado. Brazilian pension funds turned out to be a prime investment force. Their bankruptcy code got a revision. The elected government was supportive of a free market structure.

In Ghana, over the past few years, mergers and acquisitions have been taking place in almost every sector of the economy; brewery, oil, mining and banking. Prime examples are those between Guinness and Accra Breweries, Mobil and Total, Anglogold and Ashanti Gold, and Societe Generale and SSB. This calls for a significant effort in research into the effects of mergers and acquisitions on organizational performance, and recommend guidelines to guide companies who may enter into mergers or acquisitions to avoid being led to bidding blindly, so that in the near future, such deals would be well thought of before being adopted as alternative growth strategies.

There are several motives for mergers and acquisitions. These include: reviving failing businesses, to reduce competition, to acquire particular production technologies, to take advantage of work forces with particular skills, to complete a particular product line, and to diversify production increased market share, the impact of synergy and various other factors such as increase in asset base and scale economies. In each of these cases, the underlying goal is to maximize profit. From another perspective, mergers and acquisitions end up in failures. Expected attractive stock prices and less rigorous due diligence underlie most recorded mergers and acquisitions failures. Also, Chief Executive Officers (CEOs) of target companies tend to pursue their own selfish interests because of the golden parachute, some of which may even last for a lifetime.

Jensen and Meckling (1976), Fama and Jensen (1983) and Shleifer and Vishny (1997), in Brown and Caylor (2004) share a similar view that managers have incentives to expropriate a firm’s assets by undertaking projects that benefit themselves personally, but have adverse impact on shareholder value. Also, Tompson et al. (2006) add that mergers and acquisitions do not produce the expected outcomes. They continue that “combining the operations of two companies, especially large and complex ones, often entails formidable resistance from rank-and-file organisation members, hard-to-resolve conflicts in management styles and corporate cultures, and tough problems of integration, cost savings, expertise sharing, and enhanced competitive capabilities may take substantially longer than expected or, worse may never materialize at all.”

The objective of the study is to determine the profit margin before and after merger or acquisition; generate ratios of the company to ascertain its financial performance and assess the level of increase or decrease in shareholder value after merger or acquisition to assess the effectiveness or otherwise of the merger between Guinness Ghana Limited and Ghana Breweries Limited in financial terms. The rest of the paper is organised as follows: section two looks at literature review, section three looks at the methodology of the study, section four presents the results and the analysis whilst section five draws the conclusions and implications of the study.

LITERATURE REVIEW

The "free cash flow" theory developed by Jensen (1988) provides a good example of intermediate objectives that can lead to greater profitability in the long run. This theory assumes that corporate shareholders do not necessarily share the same objectives as the managers, thus, the agency problem. The conflicts between these differing objectives may well intensify when corporations are profitable enough to generate "free cash flow," i.e., profit that cannot be profitably re-invested in the corporations. Under
these circumstances, the corporations may decide to make acquisitions in order to use these liquidities. These acquisitions are often financed both by issuing debentures and liquidating the cash in hand. It is therefore higher debt levels that induce managers to take new measures to increase the efficiency of corporate operations. According to Jensen, long-term profit comes from the re-organization and restructuring made necessary by Mergers and acquisitions.

However, in Brown and Caylor (2004), mergers have adverse effects on shareholder value. Also, Hall and Norburn (1987) found that “Returns to the shareholders of acquiring firms are at best slight and tend to disappear rapidly, and, at worst, are significantly negative; Returns to the shareholders of acquired firms are strongly positive; Gains and losses of victims and predators became a zero-sum”. In consistent with this findings is the view of Watson and Head (1998) that shareholders of target companies enjoy significant returns while acquiring companies experience insignificant negative or positive abnormal returns. If this is the case, why then do CEOs and Managers employ several defensive mechanisms in attempt to avoid being acquired? The answer lies in the fact that there is lack of goal congruence between management and shareholders.

Acquisitions and mergers bring forth the problem of cultural integration of two disparate organizations, each with its own history, systems and structures. As soon as a merger is announced, employee’s morale may plummet. Many valuable employees may resign because of the thought that a new atmosphere would be imposed on the workplace and having to cope becomes a problem. This may pose problems for the company if such valuable employees are lost to competitors. As quoted in Watson and Head (1998), Singh (1971) and Kelly (1967) concluded that mergers have proven unprofitable from the acquiring firm’s point of view, adding that the result, to a large extent depend on how reliable accounting data provided are. This assertion can be true on the part of the target company in order that its assets will be valued higher, leading the acquirer to bid blindly.

METHODOLOGY

The study uses financial ratios chi-square and t-statistic to examine the impact of merger and acquisition between Guinness Ghana Limited and Ghana Breweries Limited. Jooste (2006) used cash flow ratios as a yardstick for performance assemant. According to Hogan and Overmyer-Day (1994), the most common objective measures of mergers and acquisitions are performance measures such as Return on Capital Employed (ROCE), Asset Turnover and Net profit Margin. Gomes et al (2004) also used Return on equity, Return on Assets, Sales-to-total assets and Equity total assets. This study uses data from Guinness Ghana Limited and the Guinness Ghana Breweries Group. The data are captured from annual financial and income statements and covers a ten year period from 2000 to 2009: five years before the acquisition, five years after the acquisition. Following Jooste, Gomes et al and Hogan and Overmyer-Day, the following financial ratios were used in assessing the financial performance of the group and compared with that of the individual companies: profitability (return on capital employed, asset turnover, net profit margin), activity (debtors, fixed asset turnover, stock turnover), liquidity (current, quick,), gearing (capital, debt equity, interest cover) and shareholder (return on equity, dividend yield, dividend cover).

Definition of terms

Return on Capital Employed (ROCE) = (profit before interest and tax x 100)/capital employed.................................................................................................................................................................(1)
Net profit margin = (profit before interest and tax x 100)/sales...........................................................................................................................................................................................................(2)
Asset turnover = sales / capital employed...........................................................................................................................................................................................................(3)
Stock turnover = (stock x 365) / cost of sales........................................................................................................................................................................................................(4)
Fixed assets turnover ratio = sales / fixed assets........................................................................................................................................................................................................(5)
Debtors’ ratio = (debtors x 365) / sales........................................................................................................................................................................................................(6)
Quick ratio = current assets less stock / current liabilities
Current ratio = current assets / current liabilities
Return on equity = (earnings after tax and preference dividends x 100) / shareholders’ funds
Dividend yield = (dividend per share x 100) / share price
Dividend cover = earnings per share / dividend per share

PRESENTATION AND ANALYSES OF RESULTS

The extracts of financial statements for 2003, 2004 and 2005 were obtained to generate the ratios for analysis. These extracts are presented in tables 4.1 and 4.2. The ratios were tested to find the statistical significance in the differences. The data for the first two years represent the averages of the two companies - Guinness Ghana Limited and Ghana Breweries Limited. The 2005 data represent the group - Guinness Ghana Breweries Group.

Presentation of results

Table 4.1 presents the results of the pre and post merger performance of Guinness Ghana Breweries Group.

Table 4.1: Presentation of results

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on capital employed</td>
<td>17.75</td>
<td>37.34</td>
<td>56.52</td>
<td>54.7</td>
<td>41.7</td>
<td>29</td>
<td>36.7</td>
<td>23.5</td>
<td>27.7</td>
<td>33</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>8.89</td>
<td>13.84</td>
<td>18.75</td>
<td>14</td>
<td>12</td>
<td>13.5</td>
<td>18.2</td>
<td>18.3</td>
<td>14.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Asset turnover</td>
<td>2.0</td>
<td>2.7</td>
<td>3.0</td>
<td>3.04</td>
<td>2.35</td>
<td>1.49</td>
<td>2.0</td>
<td>1.4</td>
<td>1.8</td>
<td>3.15</td>
</tr>
<tr>
<td>Stock turnover</td>
<td>182</td>
<td>101</td>
<td>104</td>
<td>58</td>
<td>55</td>
<td>74</td>
<td>119</td>
<td>111</td>
<td>162</td>
<td>173</td>
</tr>
<tr>
<td>Fixed assets turnover</td>
<td>1.8</td>
<td>2.8</td>
<td>3.2</td>
<td>1.71</td>
<td>1.65</td>
<td>1.2</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Debtors period</td>
<td>140</td>
<td>78</td>
<td>80</td>
<td>20</td>
<td>32</td>
<td>37</td>
<td>118</td>
<td>126</td>
<td>146</td>
<td>154</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>0.42:1</td>
<td>0.28:1</td>
<td>0.28:1</td>
<td>0.42</td>
<td>0.23</td>
<td>0.36</td>
<td>0.56:1</td>
<td>0.59:1</td>
<td>0.33:1</td>
<td>0.25:1</td>
</tr>
<tr>
<td>Return on equity</td>
<td>16.6</td>
<td>26.0</td>
<td>41.3</td>
<td>47.6</td>
<td>47.1</td>
<td>25</td>
<td>28.9</td>
<td>22</td>
<td>19.9</td>
<td>17.9</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>7</td>
<td>9</td>
<td>17.5</td>
<td>4.5</td>
<td>2.4</td>
<td>2.9</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
</tr>
<tr>
<td>Current ratio</td>
<td>0.98:1</td>
<td>1.2:1</td>
<td>1.16:1</td>
<td>0.78:1</td>
<td>0.6</td>
<td>0.7</td>
<td>0.6:1</td>
<td>1.02:1</td>
<td>0.85:1</td>
<td>0.7:1</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>1.27</td>
<td>1.74</td>
<td>1.71</td>
<td>1.72</td>
<td>1.80</td>
<td>0.05</td>
<td>2.25</td>
<td>2.25</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Analysis of Results

Profitability and Shareholder ratios showed an upward trend from 2000 to 2003, but declined from 2003 to 2009 representing, at a glance, a general decrease in performance whereas Activity and Liquidity ratios showed a mixed report of increase and decrease in the ratios generated in both pre and post merger performances. However, we want to go further by using T-test in analysing the differences in the ratios as to whether they are statistically significant or otherwise.
Testing for significance
The averages of the pre and post performance ratios are used to generate a T-test to find the statistical differences in the pre and post merger performances, with 95% confidence level. The pre merger performance is represented by 2000-2004, whereas 2005-2009 represent post merger performance.

Hypotheses
H₀:μ₁=μ₂
H₁:μ₁≠μ₂

Table 4.4: T-test

<table>
<thead>
<tr>
<th>Ratios</th>
<th>T-statistic</th>
<th>d.f</th>
<th>Standard Error</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
<td>-1.792</td>
<td>2</td>
<td>23.59368</td>
<td>0.215</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.298</td>
<td>1</td>
<td>0.18526</td>
<td>0.816</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.961</td>
<td>2</td>
<td>6.82650</td>
<td>0.438</td>
</tr>
<tr>
<td>Shareholder</td>
<td>1.461</td>
<td>2</td>
<td>6.72599</td>
<td>0.281</td>
</tr>
</tbody>
</table>

From the T-test conducted, the differences in the ratios for the three years showed no significant difference. In each of the cases the H₀ is accepted since the P-value greater than the significance level. Hence the performance of the group did not necessarily increase nor deteriorate after the merger as portrayed by the ratios. The difference is thus, arbitrary.

CONCLUSION AND IMPLICATION

Conclusion
This objective of this study was to find out whether or not mergers and acquisitions enhance corporate financial performance. In this study, the pre-merger and the post-merger performances of Guinness Ghana Limited and Accra Breweries Company Limited were analyzed using financial ratios and t-test statistic to assess their performance as individual companies and as a group. The study uses financial ratios computed from the financial statements of the individual company and that of the group. The ratios generated were profitability, liquidity, activity and shareholder ratios. The study finds that out of the five categories of ratios analysed, the group absolutely did worse in two of them: profitability and shareholder ratios. The group’s performance was however; mix in two of them, which were liquidity and activity ratios.

However, the t-test statistic conducted finds that there is no significant difference in performance between pre-merger and post-merger between the two companies. Therefore it does not really matter whether they operate as individual companies or as a group. In other words, even though the ratios analyzed showed a downward trend of performance, the t-test statistic revealed that the differences are not significant. Thus, mergers and acquisitions may not necessarily lead to enhanced performance and this is supported by Tompson et al. (2006) that corporate consolidations do not produce the expected outcomes. In this recent age of globalization where the wave for such consolidations is prolific, extra care must be taken executing such deals since they may not necessarily produce the expected outcomes.

Implication
“One plus one makes three: this equation is the special alchemy of a merger or an acquisition. The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies. Two companies together are more valuable than two separate companies - at least, that's the reasoning behind mergers and acquisition. This rationale is particularly alluring to companies when times are tough. Strong companies will act to buy other companies to create a more competitive, cost-efficient company. The companies will come together hoping to gain a greater market share or to achieve
greater efficiency. Because of these potential benefits, target companies will often agree to be purchased when they know they cannot survive alone.”

Unfortunately, improving performance after mergers and acquisition may be easier said than done. The findings of this study clearly shows that after the consolidation between Guinness Ghana Limited and Accra Beweries Limited, the expected financial performance have not been achieved yet after five years of the consolidation. The analysis of the financial ratios clearly indicate that the group in yet to achieve efficiency in its operations, be it technical, financial or operational. The shareholder value too is yet to improve. The results should make managers, investors, acquiring and acquired companies as well as government to be aware that consolidation is not an absolute panacea to ailing and struggling companies. This study amply demonstates that extra care must be taken in executing consolidations even though mergers and acquisitions may have high potentials of transforming firms.

References


Understanding the Patterns of Distribution Management of a Leading Multinational Company in Ghana

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University of Ghana Business School

The purpose of this research is to gain an insight into distribution channel structuring, and conflict management of a leading multinational company in Ghana. **Design/methodology/approach** - The study adopted a case-study approach. Data was gathered and analysed qualitatively. The interview method was employed as the tool for data collection. This was achieved by the use of an interview guide where five key informants of the case company were contacted and interviewed. **Findings** – The Company is practicing a four-level, channel system, a combination of exclusive and intensive distribution strategies and a partial integration, thus limiting its control of the chain of distribution. There are a number of conflict prone zones, however, management of the case company have adopted some measures to mitigate these conflicts. **Research limitations** – This research has limited generalisability to other fast moving consumer goods companies and other producers of household insecticide. Further research may be done to assess distributors, wholesalers, retailers, and customer’s perspective of the case company distribution system. **Practical Implications** - The research emphasizes the importance of developing and implementing an effective distribution setup to ensure channel integration and conflict minimization. **Originality/value** – The major contribution of this paper is that it develops theoretical and empirical insights into a marketing concept that is grossly under-explored from developing country contexts.

**Introduction**

Scholars in marketing and management postulate that the field of marketing channels research is currently in a state of evolution with little agreement as to how to frame issues and what the appropriate modes of enquiry are (Gundlack, et al., 2006). They further illuminate that this evolving nature of this research presents both opportunities and challenges for further scholarship in the area. On one hand, it gives researchers the freedom to explore the area for better alternatives. On the other hand, the differing alternatives in terms of perspectives and methods has made it more difficult to achieve a consensus and thus to accumulate findings that yield robust generalization concerning important phenomenon (Gundlach, et al., 2006). Despite these multiple perspectives and approaches, some scholars indicate that research appears to converge with some agreement in findings and explanations about what issues in marketing channels warrant further inquiry (Anderson, 2002; Gundlach et al., 2006). Most marketing practitioners and academics are inclined to concentrate on the more conspicuous aspects of marketing, which are product, price and promotion (Kotler and Armstrong, 2006). Choosing the right distribution channel to move products or services to the end user is a long-term strategic decision and varies according to the product, service and market (Coughlan et al., 2006). When choosing a distribution strategy, a marketer must determine what value a channel member adds to the firm’s products and / or service. A vital determinant of the structure of marketing channels is the type of middlemen, (Luk, 1997).

Bowersox et al. (1980) hold that marketing channels are structured according to the availability and willingness of channel institutions to perform the marketing functions necessary to satisfy the target market’s desire for channel service. A well-chosen channel is necessary because it constitutes a significant competitive advantage and it is designed to save cost, improve and increase efficiency, provide regular transactions, provide a larger customer base, and allow businesses to focus on other aspects of the organization (Menkhaus et al., 2004). Poorly chosen channels can have long-term consequences and can ultimately lead to a superior product or service failure in the market. Having access to a good distribution channel is fundamental to good marketing. Within the distribution channel is the ability to use
intermediaries to strategically market a product or service (Clarke, 2000). For most physical products and situations, it is generally more efficient for a manufacturer or a supplier to go through a distributor rather than selling directly to the customer (Coughlan et al., 2006). This is especially the case when consumers need to have a variety and assortment of goods, when products are bought in small volumes or at low value; or even when intermediaries have skills or resources that the manufacturer does not. Nevertheless, there are situations when these conditions are not met most typically in industrial setting.

No matter how well channels are designed and managed there will be some conflict if for no other reason than the interest of independent business entities do not always coincide (Kotler, 2004). Several types of conflicts have been identified and dealt with in the extant literature and these include; vertical, horizontal and multi-channel conflicts. Distribution management has largely been focused on developed economy context (Gundlack et al. 2006) and rapidly industrializing and emerging economies like the BRIC (See Luk 1997); but there is a stark paucity of distribution related to African emerging country contexts. This study attempts to start addressing this imbalance in the distribution management literature.

To guide this current study; three research questions regarding physical distribution are posited as follows: how does the case company organize its distribution channel? What are the sources of conflict in the case company? And how are the conflicts managed? The paper is structured as follows: the first session dealt with introductory discussions of distribution management and its importance. The next section provides the theoretical approach and the distribution framework. Section three of the paper describes the methodology adopted for the study whilst section four presents a brief profile of the leading multinational company which is referred to as the case company in this study for reasons of anonymity. The fifth section presents the research results and discussions on distribution structure and conflict prone zones and their management by the case company, whilst the sixth section concludes the paper and provides some insights for managerial actions.

**Literature and Theoretical Framework**

Choosing the right channel of distribution is crucial in getting products to the target market place. Distribution provides time and place utility and makes possession of utility possible (Coughlan et al., 2006). Marketing channels are typically composed of multiple companies, each pursuing its own interests and because these interests are competing, channel members often fail to cooperate with each other and sometimes even work at cross-purposes. The main function of a distribution channel is to provide a link between production and consumption. Organisations that form any particular distribution channel perform many functions (Farley, 1997). Albaum et al.; 1998; Jobber, 2001; Czinkota and Ronkainen, 2004, and Osman and Westgerd, 2008; postulate five alternative types of consumer channel.

![Five Alternative Consumer Channel](image)

**Fig. 2.1: Five Alternative Consumer Channel: Adapted from (Osman and Westgerd, 2008).**

Kotler and Keller (2009) view the alternative channel arrangement in figure 2.1 as being a zero-level, a one-level, a two-level, a three-level channel and so on depending on the number of intermediaries involved in delivering the product to final consumer. These alternative channel arrangements could be based on the conventional marketing channel system (CMCS) or vertical marketing system (VMS) depending on the level of desire to control channel behaviour. The CMCS is a channel arrangement where no channel member has absolute or substantial control over other members whereas in the VMS the
members act as unified system and as such a strong member attempt to exert control over other channel members behaviour (Kotler and Keller, 2009).

Jobber, (2001) also proposes another channel strategy known as the intensity of the distribution channel. He mentioned that three approaches were available to companies who will have to decide on the number of intermediaries to use at each channel level. Quoting Mallen (1996), Jobber (2001) states that intensive distribution is at one end of the scale where the policy is to distribute as to many outlets as possible. Extensive distribution on the other hand is at the other end of the scale where the policy is to distribute to only one intermediary at a given level in a given geographical area. In exclusive distribution the producer severely limits the number of intermediaries. This is done in order to maintain control over the service level and service outputs offered by the resellers (Kotler, 2000). According to Mallen (2006) as cited by Osman and Westgerd (2008) it often involves exclusive dealing arrangements in which the resellers agree not to carry competing brands. Also, the producer hopes to obtain more dedicated and knowledgeable selling (Kotler, 2000).

Channel conflict is defined by Coughlan et al. (2006) as the behaviour by a channel member that opposes its counterpart. They further assert that, it is an opponent centered and direct opposition, in which the goal or objective sought, is controlled by the counterpart. Brown and Day (1981) affirm that, conflict is an inherent aspect of interdependence relationships in distribution channels. Conflict management is an aspect of distribution management as identified by Jobber (2001). Managing conflict in a multinational company distribution channel is important in order to keep the efficiency and for all parties to be satisfied (Kotler and Keller, 2009; Jobber, 2001). They further outline the major sources of channel conflict as differences in goals most resellers tend to maximize their own profit by increasing sales, improving profit margin, and lowering expenses), differences in desired product lines (here, resellers who grow by adding product lines may be regarded as being disloyal to their original suppliers), multiple distribution channels (this may be used by the producer when he tries to achieve market coverage, e.g. A producer may decide to sell directly to a key account because their size warrant a key account sales force) and inadequacies in performance (parties in the supply chain do not perform to expectations). Jobber (2001) indicated that there are many ways of managing conflicts. Citing McDonald (1999), Osman and Westgerd (2008) stated that the best way of avoiding and preventing conflict is to keep a regular and mutual communication and a close collaboration. He reiterated that a close and frequent relation is determinant in order to identify before it hurts the counterparts. Holmvall (1995) warns that if problems arise in the collaboration, it is crucial that the companies involved inform the intermediary in order to find an immediate solution. Jobber (2001) advocates that parties can be trained in conflict management and to deal with tough negotiations in a bid to manage conflict. The extant literature review presents different opinions on distribution structural arrangement as well as different strategies that multinationals adopt in managing conflict. The purpose of this review was not to dispute the previous scholars understanding and analysis on these issues but rather to serve as a foundation to make further inquiries and build on the empirical body of knowledge on distribution of multinationals. The next section presents the methodology of this study.

Methodology

A qualitative approach was adopted for this study. According to Chisnall (1997), the findings of a qualitative research approach cannot provide statistical evidence but can provide unique insights to inspire and guide the development of marketing strategy and tactics. The qualitative approach was therefore appropriate for the study since the purpose of the study was to gain a deeper understanding of how the case company organizes its distribution channel with its attendant conflicts. Yin (2003) outlined five research strategies that can be used to collect data. They are experiments, case studies, survey, archivals analysis, and histories. Amongst the five, a single-case study design was adopted for this study. Although critics believe that the study of a small number of cases can offer no grounds for establishing
reliability and generality of findings, advocates of the case study method have indicated that case studies provide a depth and richness of description that are indispensable to the social sciences (Stake, 1995). Data for the study was gathered qualitatively and the interview guide served as a tool to collect the data. The interview guide was formulated based on the extant literature to solicit information on the case company distribution channel structuring and conflict sources and management. Five key informants were used because they are in key positions and are knowledgeable in the distributing process of the company. The case company was visited three times from 3rd to 5th January, 2010. Each day was dedicated to 2 key informants. The Business Development Manager (BDM) was the first to be interviewed, followed by the Regional Sales Manager (RSM) and Field Sales Managers (FSM). The last to be interviewed were the Logistics Executive (LE) and Finance Manager (FM). The interview was recorded with ICD P-520 Sony recorder. Except for the BDM whose interview lasted for 49 minutes 17 seconds, on the average, less than 20 minutes was spent in interviewing the other officers. More time was allocated to the BDM because of his key knowledge in the company’s distribution system and he being the longest serving employee among the others to be interviewed.

The interview was later transcribed through a series of playbacks in order to appreciate the distribution system and conflict management practices of the leading company in the insecticide market in Ghana. Ensuring quality standards on research design requires attention to be paid to validity and reliability (Chisnall, 1997). According to Saunders and Thornhill (2000), validity is said to be concerned with whether the findings are really about what they appear to be about. By ensuring validity of this study, the researchers made sure that they interviewed key informants. These informants are involved in decision making process of the company, and had been with the organization for a considerable number of years. The interview guide was e-mailed to the key informants two weeks before hand to help them read through and prepare for the interview. Besides the recorder used by the researchers, notes were also taken as a support in case the recorder breaks down or the voice could not be heard in order to increase the validity of the study. According to Malhotra and Birks (2007) reliability is the extent to which a scale produces consistent results if repeated measurements are made on the characteristic. According to Yin (2003) as cited by Osman and Westgerd (2008) two prerequisites for allowing another investigator to repeat an earlier case study is to document the procedures and to develop a case study database. The present study fulfills the above prerequisites since the stages in the study have been well documented. This was done by designing an interview guide and making sure that the interview conducted was recorded. Also, the researchers have brief profile of the key informants and their contact addresses.

**Case Study**

The case company is one of the largest multinationals operating in Ghana. It serves the insecticide market and is one of the largest in the industry. It has operated in Ghana for over 50 years with solid footing in the Ghanaian market. The case company entered the 21st century as an aggressively expanding firm, strongly committed to research and development and willing to pursue blockbuster acquisitions. The company was chosen for market brand leadership in the insecticide market and the company operates in Africa, Europe and America with its headquarters in the US. The company is one of the companies in the United States leading in the manufacturing of home, personal care, and insect-control products and sells its products in more than 100 countries. The company has its manufacturing plant in Nigeria from where the West African sub-region is served.

**Results and Discussions**

**RQ1: How does the case company organizes its distribution channel?**

The case company has a four-level distribution channel system as described by Kotler and Keller (1990). They consist of the case company as the supplier, the 11 key distributors, wholesalers, large retailers like the multinational retail chains and final consumers or institutional buyers (the hotels, hospitals,
educational institutions etc.). The case company is aware of the distributors operating with wholesalers; they do not deal directly with them. However, the company distribute directly to the distributors, large retailers and institutional buyers but not to the wholesalers in the chain. They however attempt to build relationship with all channel members. In the words of the BDM of the case company, “basically our structure is such that we have distributors and then we have wholesalers but its such that for our company we deal directly with the distributors and other institutions……….. we don’t deal directly with the wholesalers”.

As to how the multinational nature of their operations of the case company affects the designing of the structure of the company, this is how the BDM of the company puts it, “Is a blend of what happens world-wide and what happens here. First you need to look at the terrain in which you operate. So I will say is a bottom-up sort of approach where we take into consideration the local market, and what other multinationals do to deliver to the local market”. “First, we need to look at our consumer, our target group, which is the first consideration, where they shop, where activities happen, that is allowing a bottom-up, where the density of retailers are. You have to look out for a distributor who covers a particular area and meet the needs of the consumers so that the structure is from the bottom-up”. He was however quick to add that since the case company is a multinational organization, there are certain principles that are standard despite the differences in territorial locations and this is how he puts it, “but we work through the multinational certain principles have to run through all subsidiaries I would say in terms of distribution structure”. It can be observed from the responses of the BDM that the case company is employing the four-level distribution channel system as presented by previous scholars (Albaum et al., 1998; Jobber, 2001; Czinkota and Ronkainen, 2004 and Osman and Westgerd, 2008).

The case company also adopts three main strategies in distributing their products. These include the intensive and exclusive strategy, the push and pull strategy and the partial vertical integration strategy. As to the intensive, extensive and exclusive nature of the case company strategy reveal a combination of intensive and exclusive kinds of distribution. The exclusive nature is explained by the fact that the case company has 11 key distributors in the country. 1 key distributor focuses on the institutional buyers whereas each of the other 10 exclusive distributors is based in a regional capital of Ghana. The BDM explain that the key distributors are not expected to carry or stock competitors’ brands. The case company also employ the push and pull strategy by explaining that the company ensures the distributors and wholesalers stock-piled their products through persuading and assisting the trade. In addition, they have built their brand to become powerful brand that consumers seek for them at the retail level that eventually affect the trade channel as a whole and that is the pull aspect. The BDM sums it up by indicating that; “---------------------so is a push and pull sort of system”. The relationship between the case company and the intermediaries depicts a kind of partial vertical system where they attempt to control some level of the channel and allow other part to operate independently. Some kind of control is desired by the case company at the key distributor level and not much is done to control the wholesalers and the retailers and the institutional buyers

RQ2: What are the sources of conflict?

The potential sources of conflicts for the case company are exclusive rights with distributors not to distribute competitors’ products, the case company dealing directly with large retailers and institutional buyers, lack of direct relationship with wholesalers, diversion of funds to stock other products during certain seasons, partial integrated nature of the structure and margins to the intermediaries, especially, the wholesalers. The arrangement with the key distributors could serve as a potential breeding ground for conflict. According to the BDM these key distributors are not to carry competing brands, however, for explicit and implicit reasons some of these key distributors may stock competitors brands in contrast to the arrangement with the case company. Another major source of conflict is the case company dealing directly with large retailers and institutional buyers. When the BDM was asked whether they might not
create conflict by dealing directly with the large retailers and institutional buyers, he explained as follows; “We might create conflict but then the point is you have to develop your brand around your consumer so if the wholesaler doesn’t get good margin, our product doesn’t go out for the consumer to get to know it. We have to bypass the wholesaler at certain times to get the retailer and to the consumer”. Related to this is the fact that the case company encourages the key distributors to bypass the wholesalers and distribute to retailers in order to move the case company products faster. “We expect our distributors to do a lot of re-distribution by bypassing the wholesaler to the retailer”. The results also reveal the relevance of the wholesaling function to the case company despite their inability to integrate them properly into the design of their structure. The FSM sums up the importance of the wholesale functions: “You can never do away with the wholesaler. You definitely need them, because there are some days you don’t work or the distributor doesn’t work but the wholesaler does. So is a matter of trying to build up the brand for the consumer to act and that will generate the pull for the wholesale”. The lack of direct relationship over the wholesalers and the retailers leaves much in the hands of the intermediaries with little being done by the case company. In this regard, the FSM of the case company spelt out the challenge of this type of arrangement as follows “we don’t have direct control over the wholesalers and for the wholesale business is really on their margin. So if the wholesaler is not getting a good margin he does not even buy your product, he will prefer to buy from someone where he will get a higher margin”. One of the challenges that this structure operated by the case company has is the issue of margins to the wholesalers. The distributors are served at an ex-factory price and they are to sell at a list price for commission but the rest is left between the intermediaries and the consumers. “So basically I will say our margins sometimes are a little bit low slightly lower for the wholesaler we expect our distributors to do a lot of re-distribution by bypassing the wholesaler to the retailer”.

Another conflict area arises when distributors tend to shift from selling the company’s products and engage in other product lines during seasonal celebrations such as Christmas and when school reopens. The LE indicated that “what happens also is that during Christmas although sales goes up, the wholesalers tend to shift to selling of rice, drinks, biscuits to mention a few. That means the channel money is being used for those products. You have to start watching all those dynamics. In January, February and September that is where school reopens (the university students, first and second cycles students) so distributors go into stationary selling. Do you get me? So if you are not careful take your money and go and buy stationary. So the seasonality depends on the normal weather or whatever base on the market dynamics”.

RQ3: How are the conflicts managed?

By way of managing these conflicts, the case company enumerated a number of measures they adopt to reduce or avoid conflicts with other channel members, with the issue of diverting the case company’s funds into other products during certain seasons, the FM stated that “In October, November, you have to start controlling your credit because the exposure will be high because they will use your money to go and buy imported rice. When school is about to open too, we do some controlling because parents are paying school fees, so for instance an air care customer may do without air care product but cannot refuse to settle the ward school fees”. On the issue of low margins the wholesalers’ complaint about, the BDM indicated that the case company has merchandisers who go direct to the wholesalers and the retailers to persuade and assists them to appreciate the benefits associated with stocking the case company’s brand and not to focus on the margins. According to the BDM, some benefits enumerated by the case company to manage the conflicts between the case company and the wholesalers include carrying a strong brand name, a leading brand in the market, high sales turnover rate are some measures adopted. The BDM stated that “our brand is such that is highly priced because of the premium, the quality so we are the market leaders in terms of pricing and even in terms of the business we are the market leaders”.
Another approach in resolving conflict between the case company and the wholesalers is making sure the multinational company salesmen sell at a higher price to the retailers. When the researchers’ suggest to the company to discontinue selling directly to the retailers to avoid conflict, the case company argues that they need salesmen to make up for stock out of retailers to avoid losing sales to the competition as a result resolve the issue of their salesmen selling directly to retailers by ensuring that the salesmen sell to the retailers at the retail price and not the ex-factory. The Field Sales Manager puts this way “So we just get the salesmen to go in there to sell but they sell at a retail price that will not conflict I mean with the wholesaler”.

Conclusion

Channel structural arrangements, strategies, sources of conflicts and its management are legitimate areas for enquiry since they have far reaching implications on multinational success in the marketplace. The study has presented the theoretical perspectives as well as empirical evidence on these major dimensions of a multinational channel management. Some key discoveries include; alternative channels arrangements exist for which multinational use or provide convenience for their target market, there are numerous conflicts prone zones in channel management that require the attention of corporate managers and multiple methods abounds in resolving channel conflicts for the case company. The key managerial implication is that the case company must endeavour to set up an integrated channel system which runs through the distribution channel i.e. from the case company to the retailer. This will ensure proper control of the channel structure and the conflicts that may exist among channel members. The case nature of this paper did not allow us to make a generalization in the distribution management in the Ghanaian economy. This study therefore triggers further research into the distribution strategies of multinationals in the FMCG market in the country. Also, channel management involves a lot of variables; however, this current study is restricted to channel structure and strategy as well as conflict sources and mechanisms to deal with them. Future studies could explore other variables in channel management relationships.

References


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The poverty and hunger targets of the MDGs in sub-saharan africa

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Introduction.

Sub-Saharan Africa (SSA) has come full circle to a position of promise after four decades since most countries in the region attained political independence. At independence, there were great expectations of rapid economic and social progress. These expectations were broadly realized in the 1960s, when production grew and real per capita incomes increased appreciably. After this initial period of growth, however, most economies stagnated in the 1970s and went into decline in the 1980s. Although a number of countries undertook far-reaching adjustment and reform programs with considerable success, the region's aggregate economic performance remained disappointingly weak, with falling real incomes per capita and increasing poverty throughout the continent. Now, in the new millennium, renewed signs of economic progress and a broader commitment to reform augur well for the future. These reform efforts need to be sustained, strengthened and directed towards the attainment of the millennium development goals and targets.

The objective of this paper is to assess the performance of SSA towards achievement of what is the most important MDG for SSA, i.e. the poverty and hunger targets. Identifying the factors that influence the achievement of these targets will inform policy that would not only eradicate poverty but also other policies to improve education and health in SSA.

In September 2000, world leaders set out an original blueprint for humanity in their “Millennium Declaration”, where they recognized their “collective responsibility to uphold the principles of human dignity, equality and equity at the global level” (UN 2000, p.1). With this in mind, they pledged to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty to which more than a billion of them are currently subjected” (UN 2000, p.4).

The Millennium Development Goals (MDGs) are a set of numerical and time-bound targets that address key elements of human development. According to Annan, et al (2000), “The goals are set in precise terms - measured in numbers to ensure accountability. The openness and transparency of such numbers can help us chart a course to achieve the goals and track progress”.

In total, there are eight MDGs that provide a framework for the entire United Nations (UN) system, and allow each agency to contribute according to its comparative advantage in a coherent and complementary manner towards a common end. The eight goals are, halving extreme poverty and hunger; achieving universal primary education and gender equality; reducing under-5 mortality by two-thirds and maternal mortality by three-quarters; reversing the spread of HIV/AIDS, Malaria and other diseases; and halving the proportion of people without access to safe water. Within each goal there are a number of targets, monitored using a set of quantifiable indicators which need to be achieved by 2015, from their 1990 baseline levels.

The rest of this paper is presented as follows: Section 2 outlines the history behind the MDGs, its importance in providing an overview of their origins, and presents a theoretical analysis of the MDGs. Section 3 evaluates SSA’s progress through the examination of the key poverty targets and indicators. It also assesses and analyses SSA’s performance towards meeting this goal. Section 4 concludes the study by highlighting the main points.
The evolution of the MDGs

The MDGs were borne out of many international conferences that took place during the 1990s. It is important to note that the negotiations and decisions made at these conferences were arguably grounded on certain theoretical positions, many of which may have had a greater or lesser impact on international development policies. First, we cast a historical eye over development theories and policies, particularly those which have been fundamental in shaping the MDGs, and second, we highlight some of these influential conferences.

One of the first influential development theories was the linear-stages-of-growth theory of the late 1950s/early 1960s. W.W. Rostow believed that development should be seen as a process, since all countries can be placed in a hierarchy of development stages. He identified the five stages as: the traditional society; the transitional stage: the preconditions for take off; the take off; the drive to maturity; and, the stage of high mass consumption. Hence, in order for economic growth to take place, a country must pass through each successive stage of development. In keeping with this doctrine, therefore, developed countries would be classed as being at stage 4 or 5 of the development hierarchy, whilst LDCs would be at stages 1 or 2.

The Harrod-Domar growth model and its variants such as the Mahalanobis model is the analytical tool used to demonstrate the linear-stages-of-growth theory. This model can determine the mixture of savings, investment, and foreign aid that LDCs must attain if they are to achieve steady economic growth. In addition, the model demonstrates that it is the rate of savings and investment in the economy that determines how fast it grows. However, this theory did not have a major influence on the development process since it failed to recognize that LDCs do not have the same institutional and structural conditions as those found in developed countries.

The 1970s gave rise to two other influential development theories, that of structural change and neo-colonial dependency. Structuralists believe that changes need to take place in the underlying structure of the economy if they are to generate and sustain economic growth. They assume that LDCs have various institutional features and weaknesses and that market operate imperfectly, and tried to identify specific rigidities, lags and other characteristics of LDCs that affect economic adjustments and the choice of development policy. Two well-known examples of structuralism are the Lewis’s “two-sector surplus labour” theoretical model, and the “patterns of development” empirical analysis of Hollis Chenery. They believe that economic growth is driven by sectoral shifts - for instance, manufacturing firms replacing traditional agriculture - and analyze the sequential process through which the economic, industrial, and institutional structure of an underdeveloped economy is transformed over time.

Neo-colonial dependency theories attribute “the existence and continuance of underdevelopment primarily to the historical evolution of a highly unequal international capitalist system of rich country–poor country relationships” (Todaro and Smith 2003, p. 124). This make attempts by poor nations to be self-reliant and independent difficult and sometimes even impossible. It was colonization that exposed many LDCs to the capitalist mode of production, which may have been traditionally dominated by feudal or peasant systems, became engulfed into the capitalist system. This automatic “incorporation” into international capitalism created distributional struggles between rich and poor nations and, ultimately, resulted in dualistic economies and societies.

The neoclassical counterrevolution of the 1980s ushered in supply-side macroeconomic policies, rational expectations theories, privatization of public corporations, and the liberalization of national markets. These neo-liberal principles were founded on the belief that failure to develop was due to too much government intervention, and the regulation of the economy. In order for LDCs to create economic efficiency and growth, they must allow free markets to flourish, the privatization of state-owned enterprises, the expansion of free trade and exports, and greater inflow of FDI. All analyses in this paper are fundamentally based on neoclassical doctrines and analytical techniques.
The late 1980s and the 1990s saw the birth of new growth theories, such as endogenous growth theory and new institutional economics (NIE). According to the endogenous growth theory, a mixture of neoclassical and dependency principles are needed for sustained economic growth to take place. Hence, the theory concedes that, in a neoclassical world of private markets, it is highly likely that a government may still have an important role to play in the development process. Thus, the models of endogenous growth are unique in that persistent GNP growth is determined by the system governing the production process, and not by forces outside that system.

The NIE is more than just an amalgamation of the neoclassical and structuralist doctrines, in that it builds on, modifies, and extends previous development theories in order to incorporate the theory of institutions into the analysis. Hence, NIE theory goes beyond the previous simplistic assumptions made by many other development theories, and focuses on the belief that institutions govern the performance of an economy and, as such, are intrinsic to the development process.

However, it is important to note that, despite the criticisms of the former development theories, each of them has its advantages and disadvantages. The linear-stages-of-growth model, for example, emphasizes the crucial role of savings and investment in promoting sustainable long-term growth; the Lewis’ two-sector model of structural-change underlines the importance of analyzing the many linkages between traditional agriculture and modern industry. While the neoclassical theories bring to the fore the importance of free-markets and the need to foster an economic environment within which firms can compete. Thus, it is easy to see that the MDGs are the collective result of theoretical compromises that took place between advocates that ordinarily may have favored one particular ideological stance to another. The theory that appears to capture and represent this compromise is the NIE theory, simply because it tries to amalgamate many of the different development ideologies into an eclectic framework.

Poling’s (2003) summary of the evolution of the international conferences that took place throughout the 1990s, highlights the contribution that each made to the MDGs. The UN conference on Environment and Development held in 1992, for instance, made a contribution to 6 out of the 8 MDGs, in areas such as education, health, and sustainable development. For certain goals, numerical targets were specified at the conference, for instance, a 10 to 40 percent improvement, by 2000, in the rates of child mortality, maternal health, and malaria. The Education for All conferences that took place in 1990 and 2000, and The Fourth World Conference for Women held in Beijing, in 1995, focused primarily on ensuring access to education and gender equity in education. Unlike the MDGs, these narrowly defined goals were not underpinned with numerical and time-bound targets. The Copenhagen Declaration on Social Development and The Habitat II conferences that took place in 1995 and 1996, respectively, covered all eight aspects of the MDGs.

A highly influential policy paper, “Shaping the 21st Century: The Contribution of Development Co-operation” (OECD, 1996) recommended a collaborative approach to the development process, and at its core the aim was to realize seven fundamental goals, from which quantifiable targets and measurable indicators for each MDG were conceived. These goals came under three main headings: Economic well-being: the proportion of people living in extreme poverty in LDCs should be reduced by at least one-half by 2015; Social development: there should be substantial progress in primary education, gender equality, basic health care and family planning; and Environmental sustainability and regeneration: there should be a current national strategy for sustainable development in the process of implementation in every country by 2005, in order to ensure that by 2015 current trends in the loss of environmental resources – forests, fisheries, fresh water, climate, soils, biodiversity, stratospheric ozone, the accumulation and other major indicators – are effectively reversed at both the global and national levels.
Achieving the poverty and hunger targets of the MDGs in Sub-Saharan Africa

This section of the paper analyses the first goal of the MDGs, i.e. the eradication of extreme poverty and hunger, which we believe should aid both our understanding and the achievement of the rest of the MDGs.

The progress of this goal is monitored by using two main targets: firstly, the reduction of poverty by half between 1990 and 2015 and, secondly, the reduction in the number of people suffering from hunger by half. Each target uses a number of indicators in order to quantify progress. Target one, for instance, uses the poverty ratio as one of the monitors of changing living standards, and target two uses the prevalence of underweight children (under the age of five-years old) to measure hunger levels.

The total number of people in the ‘poverty trap’ is approximately one billion (UNDP 2005, 2008). Even though this number has declined and continues to do so, it remains a high statistic. Between 1990 and 2005, in Southern Asia, and Eastern and South-Eastern Asia, there has been a noticeable decline in the percentage of the population living on less than US$1 per day. Conversely, in the regions of North Africa and West Asia, Latin America and the Caribbean, SSA and the transition economies of South Eastern Europe, poverty appears to have deepened in 2000, with the proportion of people living on less than US$1 per day increasing, and then fell in 2005.

The figures also show that the poverty rate in SSA had hardly declined at all in the 10 years prior to the end of the trend period (UNDP, 2008). In 1990, the proportion of people in SSA whose income is less than $1 a day was 55 percent. To meet the 1st poverty target in 2015, this proportion should halve to 28 percent. In 2005, however, the proportion stood at 50 percent, just five percent down on the 1990 level. The 2nd poverty target is to halve the proportion of people who suffer from hunger. For SSA countries, this proportion stood at 32 percent in 1990 and 31 percent in 2005. A few countries are progressing slightly better, including Botswana, Cape Verde, Cote d’Ivoire, Mauritius, Senegal, Seychelles, and South Africa.

The historical reasons for SSA’s poverty provide an insight into its hunger problem and could be seen to explain much of the results in table 1. The countries most affected by these events are also the worst performers in terms of achieving the poverty and other targets. SSA countries have been more prone to catastrophic natural events such as floods and droughts. Sixty percent of SSA is vulnerable to drought and 30 percent is extremely vulnerable. Niger, Sudan and Ethiopia are very good examples of such major disaster areas associated with drought. The analysis in table 1 provides a clear picture of the poor performance of Sudan, Chad, Eritrea, Angola and Niger. SSA suffers the most from food shortages, because rodents, insects, mould, and spoilage destroy 40 percent of grain crops and more than 50 percent of their fruits and vegetables each year. Such losses are largely prevented in industrialized countries. Famines are still occurring in SSA even when national food supplies are adequate, but parts of the population lack the capacity to produce or purchase food.

Traditional societies and rural communities in SSA are thought to embrace values which impede their development. For example, the high fertility rates in most SSA countries have led to a high level of dependency and poverty. However, it is important to note that having a large family in SSA is often a rational response to poverty. The basic necessities of food, water and fuel require large inputs of labor and an extra pair of hands can increase rather than decrease a family’s chance of survival, and might also lead to a vicious cycle of poverty.

Poverty in SSA is often the outcome of the operation of national and global economic structures under capitalism. There is a large academic literature that sees this as the root cause of inequalities not only in
SSA but globally. There is no country in SSA that is now removed from the influences of globalization. However, globalization is a label covering a whole diversity of processes and it is important to distinguish between them since they impact on SSA countries in different ways.

Analyses and data from the World Bank (2002, 2005, 2008) suggest two important sources of finance to SSA; foreign direct investment (FDI) and official development assistance (ODA) declined in 2000, even to those countries who are adhering to sound economic and social policies. The ODA to SSA countries fell to $12.3 billion in 2000 from $17.2 billion in 1990. While aid flows have declined most sharply to SSA countries at war, assistance to governments recognized as having sound policies has also dwindled. Net ODA to Ghana, for example, dropped by almost $100 million in 2000 from the year before. Mozambique, one of SSA’s poorest countries, but regarded as a strong policy performer, saw aid fall to $804 million from $1.04 billion over the same period. Both these countries are off-track in achieving the poverty targets. Since 2000, however, total net ODA has consistently increased to a record $39 billion in 2006, but declined by 10.8 percent to $38.7 billion in 2007. Similarly, SSA’s share in total aid also declined to 36.9 percent in 2007 compared to 41.2 percent in 2006. This drop in ODA flows to SSA in 2007 was mainly due to decline in debt relief.

Those regions that seem to have fared best in terms of their absolute poverty, also seem to have fared best in their relative poverty. Hence, not only does it appear that certain regions were able to decrease the percentage of people living below the poverty line, but also they were able to narrow the poverty gap between the richest and poorest of their society. At the same time, however, there were a number of regions where the living conditions of the poor either remained unchanged or worsened over the sample period, such as SSA and Southern Asia.

The FAO (2008) states that one in three people in SSA, or 236 million in 2007, are chronically hungry, making the figure the highest proportion of undernourished people in the total population. Most of the increase in the number of hungry in the region occurred in the DR Congo, as a result of widespread and persistent conflict, from 11 million in 2003 to 43 million in 2005. Overall, SSA has progressed in reducing the proportion of people suffering from chronic hunger, down from 34 percent in 1995/7 to 30 percent in 2003/5.

**Figure 1: Relationship between income growth and poverty reduction**

![Figure 1: Relationship between income growth and poverty reduction](image)

*Note: Sub-Saharan countries are labeled, including the years of the change in poverty. Regression line shown: $y = -1.15x - 0.01; R^2 = 0.54*
The strong relationship between growth and poverty reduction is well documented in the literature. Figure 1 shows changes in poverty, using the $1 a day headcount for a large number of LDCs, over the last two decades (Kraay, 2006). The figure also indicates wide variations around the average. Like other LDCs, most SSA countries are clustered in the top left quadrant (with negative growth and rising poverty) or bottom right quadrant (with positive growth and declining poverty). SSA countries have a median per capita growth rate of 0.8 percent a year, substantially lower than the overall median of 2.1 percent, and most SSA countries in the sample fall above the regression line, indicating worse poverty reduction performance than for a typical LDC with similar growth performance.

There is also important differences across countries in the rate at which poverty declines for a given growth rate. Take two groups of countries with similar growth rates; Ghana, and Uganda, and Kenya and Burundi, for example. The first group had similar positive annual growth rates (1–3%), but their rates of annual change in poverty ranged from about –8 percent to +2 percent. For the second group, they have similar negative growth rates, but the change in poverty ranged from -9 percent to +3 percent (World Bank, 2005). This mixed results show Kenya and Uganda are below the line, implying reduced poverty, but different growth experiences, while the opposite is true for Burundi and Ghana. Two reasons suggested for such differences are cross-country differences in the sensitivity of poverty to growth and cross-country differences in how the distribution of income changes over time.

In SSA, reaching the poverty goal will require a substantial acceleration in income growth or a significant increase in the poverty elasticity of growth. While the recent pickup in growth has improved prospects, the economic stagnation of the early 1990s caused poverty rates - already the highest in the world in 1990 - to increase even further by 2001. Household surveys, which are available for twenty eight countries (accounting for 78 percent of the region’s population and 87 percent of its GDP), suggest that the weighted average annual growth in per capita income required to achieve the income poverty goal is about five percent. Of these countries, Cameroon, Ethiopia, Senegal, South Africa, and Swaziland have a required per capita growth rate of less than three percent a year, leaving them well positioned to meet the poverty goal. Also close are Mauritania and Mozambique, where the required per capita growth rate is less than 3.5 percent a year. But together these seven countries contain less than a quarter of the population of SSA. This pattern did not change much in 2008 (UNDP, 2008).

Although there has been some improvement in SSA’s performance recently, its overall economic record over recent decades has been dismal and volatile (IMF 2005). Of the forty five SSA countries, only five consistent recorded real per capita growth rates above two percent a year: Botswana, Cape Verde, Mauritius, Seychelles, and Swaziland. Moreover, economic disruptions have been widespread, with nearly three quarters of the region’s countries recording at least one year of per capita growth lower than –10 percent. Consequently, Africa’s real income per capita has steadily declined relative to other regions, and is roughly the same as in the mid-1970s. Botswana is the only SSA country that can claim to have achieved structural transformation during the period 1990-2000. In addition, World Bank (2005) shows that income distribution has not improved, with the incomes of the poorest deteriorating while those of the richest, at least, have not declined. Most of this inequality in SSA is within countries, rather than between countries.

Negligible improvements in productivity have been the primary source of Africa’s slow growth. Since the 1960s the private investment rate has consistently been lower in SSA - even when the comparison is restricted to low-income countries in other developing regions. In the 1990s and early 2000s, a small number of major oil-producing countries received the bulk of the increase in such investment, including Angola, Cameroon, Chad, Republic of Congo, Equatorial Guinea, Gabon, and Nigeria.

Similarly, modest increases in education enrollments have implied a smaller contribution from increased human capital than for most other developing regions. But the key source for the region’s weak economic performance was that total factor productivity growth was nonexistent between 1960 and 2002 - unlike in
other developing regions, where such efficiency improvements played an important role in supporting
growth (See Bosworth and Collins, 2003 and Tahari et al, 2004).

Firms in SSA consider high taxes and poor access to finance to be among their most significant
constraints (World Bank 2005). In countries with small tax bases, firms often bear a disproportionate
share of the tax burden, particularly small and medium-size firms. With the informal sector representing
more than 70 percent of nonagricultural employment in the region, many firms do not pay any taxes,
particularly small ones, and do not see many benefits from becoming formal. Most firms lack confidence
that courts will uphold their property rights, and most have little access to finance due to shallow financial
systems and the difficulty of obtaining collateral.

Corruption and policy uncertainty are also significant constraints in SSA. In particular, the discretion that
many officials enjoy in implementing complex regulations creates opportunities for bribes and uneven
application of requirements. More than 95 percent of firms in the region report that corruption or policy
uncertainty are a problem, with most firms calling them major or very severe constraints on their ability to
operate and expand. See also the impact of corruption on investment, Mauro (1995) and on trade Musila
and Sigue (2010).

Unreliable electricity supply is reported as a constraint by 52 percent of firms in SSA, compared with 42
percent in South Asia, 24 percent in East Asia and Latin America, and less than 10 percent in Europe and
Central Asia. Moreover, a much larger share of African firms report frequent power outages and serious
production losses stemming from such interruptions in production.

There is considerable cross-country variation in the ranking of constraints reported by SSA firms. For
example, policy uncertainty is reported as a major or severe constraint by 27 percent of firms in Uganda
but by 57 percent in Zambia. Similarly, unpredictable interpretation of regulations is a problem cited by
40 percent of firms in Uganda but by 70 percent in Zambia. In Kenya, more than 75 percent of firms
report paying bribes, averaging more than five percent of sales. Losses from power interruptions average
six to seven percent of sales in Ethiopia and Zambia, and 10 percent or more in Eritrea, Kenya, and
Senegal.

The above picture, derived from the World Bank’s Investment Climate Surveys, is corroborated by its
Doing Business indicators. The business environment, as measured by the regulatory burden, is weakest
in SSA. Among the 20 countries with the most regulatory obstacles to doing business, sixteen are in SSA—
with Angola, Burkina Faso, Chad, and the Democratic Republic of Congo ranking among the worst
five worldwide. On average, starting a company in SSA costs the equivalent of 224 percent of national
per capita income, compared with 45 percent in South Asia and only seven percent in high-income
countries.

Nigeria has some of the world’s most cumbersome regulations for registering property, requiring twenty
one procedures, 27 percent of the property value in fees, and a registration period of 274 days. Other
African countries present similar obstacles to registering property: Completing the transfer process takes
more than a year in Ghana and 354 days in Rwanda, and costs 34 percent of the property value in Senegal
and 23 percent in the Republic of Congo. Moreover, Africa’s property registries tend to be poorly
organized and provide little security of ownership.

**Tracking Poverty and Hunger in Sub-Saharan Africa**

Van De Walle (2001) and other economists have evaluated and assessed the economic performance of
SSA by comparing the GNP of each country over several periods of time to assess their performance
during a particular period. In this section, the GNP ratios of SSA countries for the period between 1990
and 2005 are used to assess the economic performance of each country. Each SSA country’s GNP per
capita for 2005 is divided by the same statistics (in constant 1995 terms) for 1990 to determine the GNP
ratios over such period.
Data available from various sources, mainly the UN statistical database, on SSA are used to identify individual countries that are either on-track or off-track in terms of reaching the poverty, education and health targets. We measure progress towards the MDGs as the ratio of the annual rate of change required between the current year, i.e. end of the trend period or nearest available year, and the target year, against the annual rate of change achieved during the trend period, i.e. between the start year and the current year. This ratio could be expressed as follows:

$$\rho_t = \frac{x_0(x_T-x_t)}{x_t(x_T-x_0)}$$

Where: \(x_0, x_t\) and \(x_T\) represent the value of the indicator (poverty and hunger) in the start year, the current year and the target year, respectively.

When \(\rho_t \leq 1\), that country is on-target, when \(1 < \rho_t \leq 2\), that country is moderately off-target and when \(\rho_t > 2\), that country is seriously off-target.

Finally, a high number suggests poor performance towards the targets while a small number (close to one) indicates a very good performance towards the goals and targets. These are summarized in table 1.

| Table 1: Overall performance towards the poverty and Hunger goals for Selected SSA countries (1990-2006) |
|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| \(\rho \leq 1\)                               | \(1 < \rho \leq 2\)                             | \(\rho > 2\)                                    |
| Cape Verde                                     | Botswana                                        | Angola                                          |
| Cote d’Ivoire                                  | Benin                                           | Central African Republic                        |
| Mauritius                                      | Cameroon                                        | Chad                                            |
| Senegal                                        | Ghana                                           | DR Congo                                        |
| Seychelles                                     | Kenya                                           | Eritrea                                         |
| South Africa                                   | Mozambique                                      | Ethiopia                                        |
|                                                 | Namibia                                         | Niger                                           |
|                                                 |                                                 | Nigeria                                         |
|                                                 |                                                 | Mali                                            |
|                                                 |                                                 | Sierra Leone                                    |

Source: UN Statistical Database, 2008

The table shows the progress of SSA countries in terms of being on-track (\(\rho \leq 1\)), off-track (\(1 < \rho \leq 2\)) and seriously off-track (\(\rho > 2\)) for the two poverty and hunger targets. It confirms that the majority of SSA countries are either off-track or seriously off-track. Separate measures show that the poverty situation impacts other indicators. The health situation is particularly dismal for the majority of SSA countries – being seriously off-track in at least three of the five targets. Only six of these countries are on-track in two or more health targets, and only one, the Gambia, is on-track in four of the five targets.

The majority of SSA countries are off-track to half the 1990 illiteracy rates by 2005. Similar to the primary completion target, these off-track countries are concentrated in Central and West Africa. Because of the historical neglect of girls’ education in many of these countries, illiteracy rates are especially high for women. Once again nine of the sixteen on-track countries are in Eastern and Southern Africa, including the wealthier countries in SSA.

The majority of SSA countries were off-track (74%) and (85%) for achieving gender equality in primary and secondary enrolment by 2005 respectively. As countries approach UPE, it is necessary to close the gender gap in enrolment. Countries that did not achieve gender equality in its intake since 1999 were
unable to attain the 2005 target. Moreover, given the extreme gender inequalities in secondary education in SSA, the task of reaching the 2005 goal was commensurately greater than at the primary level. It is not surprising therefore, that the majority of the 85 percent off-track countries were seriously off-track, and needed to more than double their rate of progress if they were to attain the target by 2015. The results also show that Kenya was the only country in SSA that was on-track to reach the 2005 target for both primary and secondary education.

**Conclusions**

To achieve the poverty target, SSA economies must grow at an annual average of 7 percent a year, fuelled by much higher domestic savings, and external flows of loans, grants and investment. The poor performance of SSA countries can be attributed to three principal factors: a lack of openness to investment/trade, a lack of market incentives, and a lack of national saving. The current performance trends of SSA countries clearly indicate that they urgently need a serious dramatic change in the pace of progress, as the majority of them are not on-track towards the universal agreed targets. Countries seriously off-track need to at least double their current rate of progress to achieve the development goals.

**References**


UNDP (various years) *Human Development Index*; available at http://hdr.undp.org/eng/reports/


An Assessment of the Static Trade-Off Theory of Capital Structure Using Ghana Stock Market Data

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The study conducted an assessment of the Static Trade-Off Theory of Capital Structure using multiple regression method on data of companies listed on the Ghana Stock Exchange (GSE). It sought to examine whether the theory had an influence on Ghanaian companies in their decisions about capital structure during the period 2001-07. Among the study findings were firstly, that there was negative relationship between leverage and size, and between leverage and profitability, contrary to the theoretical prediction; secondly, that the firms with tangible fixed assets would employ high levels of leverage since tangible fixed assets have a high collateral value, and firms with growth opportunities would take on debt to finance growth, but large and profitable firms would use less debt or no debt at all in their capital structure; which appears inconsistent with the theory; and lastly that, most of the companies did not employ long-term debt, probably because the debt market was not well developed. The resulting policy implications are: that policy-makers should strive to develop the debt market to increase access to long-term sources of finance by Ghanaian companies since the use of equity financing leads to loss of tax benefits enjoyed from debt financing; that public companies are encouraged to use more equity funds than long-term debt; and that finance managers should engage in better planning of the capital structure of their companies, that is, relevant companies should employ long-term funds to finance their long-term assets, and short-term funds to finance short-term assets.

Introduction

The subject of capital structure decisions by firms constitutes an important area in Finance. Among notable authors on the importance of capital structure in investment decisions was Modigliani and Miller (1958) that influenced the emergence of varied capital structure choice decision models under different assumptions. For example, theories on trade-off tend to rely on traditional factors of tax advantage and potential bankruptcy cost of debt, while others dwell on the asymmetric information with debt used as a signalling mechanism. But there appears no consensus on how firms choose their capital structure, implying that the link between theory and practice of capital structure must be appreciated.

In Ghana, for example, it appears no accurate knowledge exists as to whether companies use the static trade-off theory in arriving at their capital structure decisions. Most of the research in the area has considered the trade-off theory against the pecking order theory. This study thus seeks to fill the gap by investigating the extent to which the static trade-off theory provides an empirical explanation for capital structure decisions of firms listed on the GSE in the period 2001-7.

The aim of this study is to investigate empirically the determinants of capital structure decisions by Ghanaian firms based on well known optimal capital structure theories, namely, the tax based theory and the agency theory. Specifically, the study seeks to:
- investigate the extent to which the static trade-off theory of capital structure provides a satisfactory account of the financing behaviour of publicly traded Ghanaian firms over the period 2001-2007;
- examine the relationship between leverage ratios and firms’ capital structure; and
- put forward relevant policy recommendations
The study will attempt to provide answers to the following research questions in relation to the analysis of the capital structure of Ghanaian firms in the sample. The research questions in relation to the firms' leverage ratio are with respect to the firms’:

(a) Asset Tangibility?
(b) Growth Opportunities?
(c) Size?
(d) Profitability?

Hopefully, answers to these questions, could provide some link between available theory and practice, and thereby contribute to existing research in the area. Furthermore, the study will highlight the financing behaviour of publicly traded Ghanaian firms and help to fashion out appropriate policies that will help in making finance available to Ghanaian firms. Policy makers could likewise benefit from the study in the design of regulatory and taxation regimes that could maximise aggregate output at the minimum possible risk to the nation’s economic stability.

The small sample size due to the smaller number of firms listed on the GSE, coupled with the apparent under developed nature of the Exchange appears a limitation to the study. The small sample size making it impossible to work with larger observations could produce a problem of multi-collinearity. This fact is also compounded by the difference in sizes of the companies listed on the exchange. Furthermore, the use of accounting data could pose a problem of reliability and validity of the data being used, especially in most developing countries where accounting standards are not rigorously enforced.

The rest of the paper is organised as follows: Section 2 deals with the review of existing literature; Section 3 presents the research methodology; Section 4 discusses the analysis and related findings; and Section 5 offers the conclusions and related policy recommendations.

**Literature Review:**

Among the many well-known authors on the importance of the capital structure in investment decisions are Modigliani and Miller (1958), Titman and Wessels (1988), Rajan and Zingales (1995), Graham (1996) writing on the determinants of corporate debt ratios; and Marsh (1982), Jalilvand and Harris (1984), Bayles and Chaplinsky (1991), Mackie-Mason (1990), and Jung et al. (1996) looking at issuing firms’ debt versus equity financing choice. These studies have successfully identified firm characteristics such as size, research and development (R & D) intensity, market-to-book ratio of assets, stock returns, asset tangibility, profitability, and the marginal tax rate as important determinants of corporate financing choices. The effects associated with profitability and market-to-book ratio have been found to be very significant.

The Trade-Off theory rather than the Pecking Order theory (Fama, et al, 2002) is our main focus in this paper, but a brief look at the latter is not out of place here. The pecking order theory suggests that firms will initially rely on internally generated funds, i.e. undistributed earnings, and where there is no existence of information asymmetry, they will turn to debt if additional funds are needed before they finally will issue equity to cover any remaining capital requirements. The order of preferences reflects the relative costs of various financing options. Myers and Majluf (1984) maintain that firms would prefer internal sources to costly external finance; firms that are profitable or do generate high earnings are consequently expected to use less debt capital than those that do not. The pecking order theory would indicate that the profitability of a firm affects its financing decisions. If the firm issues debt, it is because it has an investment opportunity that exceeds its internally generated funds. Thus, changes in the capital structure often serve as a signal to outsiders with regard to the current situation of the firm, as well as the managerial expectations about future earnings. This is referred to as the Signalling Theory. The offering of debt is believed to reveal information the management of a firm is expecting about future cash flows if
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it will cover the costs of debt. However, the bankruptcy fears still impact on the signal, and intensify the cost of this signal (Asquith and Mullins, 1986; and Eckbo, 1986).

The trade-off theory of capital structure refers to the idea that a company chooses how much debt finance and how much equity finance to use by balancing the costs and benefits. The classical version of the hypothesis goes back to Kraus and Litzenberger (1973) who considered a balance between the dead-weight costs of bankruptcy and the tax saving benefits of debt. Frequently agency costs are also included in the balance. This theory is usually set up as a competitor theory to the pecking order theory.

The trade-off theory helps to explain that corporations are normally financed partly with debt and partly with equity. It indicates that there is an advantage in financing with debt, (the Tax Benefit of Debt), and there is a cost of financing with debt (the costs of financial distress including bankruptcy costs of debt and non-bankruptcy costs, such as staff leaving, suppliers demanding disadvantageous payment terms, bondholder/stockholder infighting, etc). The marginal benefit of further increases in debt tends to decline as debt increases, while the marginal cost tends to increase, such that a firm that is optimizing its overall value will tend to focus on this trade-off in choosing how much debt and equity to use for financing. The theory may successfully explain many industry differences in capital structure, but apparently, it fails to deal with why the most profitable firms within an industry generally have the most conservative capital structures. With the theory, high profitability should imply high debt capacity and a strong corporate tax incentive to use that capacity. Iddrisu (2009) identifies a few factors generally considered by firms in making capital structure decisions. According to Pandey (1984), a number of companies in practice would always prefer to borrow for the following reasons:

- Tax deductibility of interest
- Higher return to shareholders
- Complicated procedure for raising equity capital
- No dilution of ownership and control.

There are, however, managers whose choice of financing depends on internal and external factors. The internal factors include the purpose of financing, the company’s earning capacity, the extant capital structure, the firm’s ability to generate cash flows, and investment plans. The external factors include such factors as the capital and money market conditions, the debt-equity stipulations being followed by financiers, and the restrictions imposed by lenders.

The wide and varied literature on capital structure can be summarised under:

i) Those authors with the view that the firm’s leverage ratio is positively related to asset tangibility, defined here as the ratio of net property, plant and equipment and inventories to total assets. Among them are Myers (1977), Scott (1977), Marsh (1982), Bradley, et al (1984), Titman and Wessels (1988), Rajan and Zingales (1995), Antoniou et al (2007), and Seifert and Gonene (2007).

ii) Those who maintain that the leverage of firms is negatively related to growth opportunities, championed by such authors like Kim and Sorensen (1986), Titman and Wessels (1988), Rajan and Zingales (1995), Booth et al (2001) and Padron et al (2005). Here, the-market-to-book value is used as proxy for growth opportunities.

iii) Those authors of the view that the leverage ratio of firms is positively related to size. Among these authors are Marsh (1982), Narayanan (1988), Rajan and Zingales (1995), Wald (1999), Booth et al (2001), and Seifert and Gonene (2007). Here, the natural log of sales and the natural log of total assets are used as proxy for size, which is meant to control for possible non-linearity in the data and the likely resulting problem of heteroskedasticity. The natural log of total sales is easier to calculate and is also more accurate.

iv) Those who maintain that the leverage ratio of firms is positively related to profitability. Among them are Long and Miller (1985), Wald (1999), and Abor (2005).
The importance of this grouping is that it makes it easier to make a decision on the choice of variables for our model specification in the next section on research methodology.

Research Methodology:

Model Specification

The dependent variable is the leverage ratio. In our calculation of the leverage ratio, short-term debt was included because it constitutes a significant portion of total debts employed by Ghanaian firms. Data limitations dictate the use of book values of debt rather than market values. The general empirical model has the form:

\[ y_{it} = \alpha + \beta X_{it} + \varepsilon_{it} \]

with the subscript \( i \) denoting the cross-sectional dimension and \( t \) representing the time series dimension. The left-hand variable \( y_{it} \) represents the dependent variable in the model, leverage for the \( i \)th firm at time \( t \), \( \alpha \) represent the firm-specific intercepts, \( \beta \) is a \( 4 \times 1 \) vector of parameters, \( X_{it} \) contains the set of explanatory variables for the \( i \)th company in the \( t \)th period. The fixed-effects model, by allowing different company intercepts, serves as a solution for the known problem of the capital structure model, which is not fully specified, and \( \varepsilon_{it} \) is a disturbance term defined as \( \varepsilon_{it} = \mu_{it} + \nu_{it} \), where \( \mu_{it} \) denotes the unobservable individual effect, and \( \nu_{it} \) indicates the remainder of the disturbance. An obvious way to deal with the fixed-effects of those omitted variables that are specific to each firm, but remain constant over time is to introduce dummy variables into the regression model. Hence the fixed-effects model is also referred to as the least squares dummy variable (LSDV) model. It provides a common set of partial regression coefficients while allowing a different intercept for each of the cross-sectional units. The set of explanatory variables \( X_{it} \) is represented by: asset tangibility, growth opportunities, size, and profitability.

Our current model is adapted from the above general model (Rajan and Zingales, 1995) and is specified as:

\[ \text{LEV}_{it} = \alpha + \beta_1 \text{TT}_{it} + \beta_2 \text{MBV}_{it} + \beta_3 \text{LTA}_{it} + \beta_4 \text{PRF}_{it} + \varepsilon_{it}, \]

where:

- \( \text{LEV}_{it} \) = the leverage (debt level) defined as (total liabilities/total assets) for firm \( i \) in time \( t \);
- \( \text{TT}_{it} \) = Asset Tangibility (non-current assets/total assets) for firm \( i \) in time \( t \);
- \( \text{MBV}_{it} \) = the market-to-book value ratio (market value of equity/book value of equity) for firm \( i \) in time \( t \);
- \( \text{LTA}_{it} \) = the natural log of total assets (size) for firm \( i \) in time \( t \); and
- \( \text{PRF}_{it} \) = profitability measured by earnings before interest and tax (EBIT/total assets) for firm \( i \) in time \( t \).

Table 1 below provides information on the definition and description of the above variables.

Data Types, Sources and Data Processing

Our data was extracted from the annual published financial statements of non-financial companies listed on the Ghana Stock Exchange (GSE) for which consecutive data is available for the period 2001-2007. All firms that were listed on the GSE for the period 2001-2007 were sampled. Because variables were calculated over this period, the study only maintained firms that provided data over the seven-year period. This excluded newly listed firms and firms that did not exist between 2001 and 2007. Firms with missing values were also excluded from the sample, as well as financial firms with capital structures likely to be significantly different from others in the sample, and which might constitute serious outliers.

The sources of data were the annual financial statements of the companies included in the sample. The income statements and balance sheets data were available at the Securities and Exchange Commission (SEC) and the Ghana Stock Exchange (GSE). The GSE Fact Books published in 2006 and 2008 contained financial data of the listed companies. The extent to which the data reported on the dependent and independent variables is accurate was certainly an issue. However, accounting reports are normally subject to independent audit and since all firms in the sample are publicly traded, accounting reports are subject to the supervision of the SEC. Accounting standards impact on the accuracy, and interpretability
of accounting policies, assets and liabilities and the income and expenses, even though Ghana’s accounting standards are said not to be enforced with sufficient rigor (World Bank, 2005).

The data extracted from the income statements and balance sheet was organised into a panel data set. The panel nature of the data allowed the study to use a panel regression model for testing the trade-off model. A panel data consists of a time-series for each cross-sectional member in the data set. Hsiao (2003) and Baltagi (1995) look at the advantages of a panel data approach. The data was organised in excel spreadsheet and processed, using the Quantitative Micro Software (Eviews 6) computer software package to generate the relevant inferential statistics for analysis and interpretation in the next section.

Table 1: Definition and Description of Variables in the model

<table>
<thead>
<tr>
<th>Definition</th>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leverage ratio</td>
<td>(LEVit)</td>
<td>Total liabilities /(Total assets + book value of equity)</td>
</tr>
<tr>
<td>2. Asset Tangibility</td>
<td>(Tit)</td>
<td>(Tangible assets + inventories) / Total assets</td>
</tr>
<tr>
<td>4. Size</td>
<td>(LTAit)</td>
<td>Natural logarithm of total assets</td>
</tr>
<tr>
<td>5. Profitability (ROA)</td>
<td>(PRFit)</td>
<td>EBIT /Total assets</td>
</tr>
</tbody>
</table>

Analysis and Discussion of Regression Results

Results of our regression model of the determinants of leverage are presented in Table 3. Coefficient $\beta_T$ behaves in line with expectation, but coefficients $\beta_{MBV}$, $\beta_{LS}$ and $\beta_{PRF}$ do not. As expected, the results indicate positive coefficients for asset tangibility. But, in contrast, the coefficients for size and profitability are negative, while that for market-to-book value is positive. The asset tangibility coefficient of 0.72 means that, holding other variables constant, if asset tangibility increases by one percentage point, on average, leverage ratio will increase by 0.72 percentage points, which could be interpreted to mean that tangible assets are used as collateral to encourage firms with tangible assets to take on more loans. Lending institutions tend to lend to firms with tangible assets that could be used as security for loans. Similarly, if growth opportunities for a company increase by one percentage point, on the average, leverage ratio will increase by about 1 percentage point, implying that companies with growth opportunities (particularly young companies) would need more funds to invest in these opportunities and would tend to rely on debt to raise the funds needed. On the other hand, holding other variables constant, a one percentage point drop in total assets (a proxy for size), on average, would result in a drop of leverage ratio by about 3.4 percentage points, an indication that mature and large firms would normally accumulate large reserves that obviate the need for debt finance. Holding other variables constant, percentage drop in profitability would lead to a marginal drop in leverage ratio.

In contrast to the prediction of the trade-off theory, firms with low profitability tend to employ low levels of debt since the use of debt increases financial and bankruptcy risks. The negative coefficient of the intercept has no practical significance in finance theory.

Test of the Coefficients

Test of significance of the various coefficients in the regression at 5% level of significance with 93 degrees of freedom (d.f) is provided below. The $t$-statistic for this d.f at the 5% level of significance is 1.980.

Test of TA ($\beta_{TA}$) - value of test statistic: $t = 14.028$; $p$-value = 0.0000.
Test MBV ($\beta_{MBV}$) - value of test statistic: $t = 2.634$; $p$-value = 0.0098.
Test of Size ($\beta_{LS}$) - value of test statistic: $t = -2.088$; $p$-value = 0.0395.
Test of PRF ($\beta_{PRF}$) -value of test statistic: $t = -2.246$; $p$-value = 0.0270.
The values of all the above tests imply that there is linear relationship between the leverage ratio and the independent variables.

In Table 3, the coefficient of determination of 0.736, means that about 74% of the variation in the leverage ratio is explained by the four explanatory variables. The $F$-statistic of 64.905, with a $p$-value of 0, provides overwhelming evidence that our model is well fit and valid. Table 2 presents a summary of the expected signs of the coefficients according to the Static Trade-off Theory, and the signs actually obtained in our regression model.

**Table 2: Expected signs of the RZ model vrs. Actual signs in our model**

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>Expected sign form RZ model</th>
<th>Sign Obtained from our model</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>MBV</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Size</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>PRF</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Rajan and Zingales (1995) adapted

**Correlation Analysis**

A test of possible degree of multi-collinearity among the explanatory variables indicates that a positive correlation exists among asset tangibility, market-to-book value and logarithm of total assets, but a negative correlation with profitability. Among the regressors, logarithm of total assets (proxy for size) and market to book value are found to be highly correlated, but unlikely to cause any serious problem of multi-collinearity, considering the fact that the model equation has been earlier proved to a good fit.

**Table 3: OLS Regression Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.005986</td>
<td>0.030987</td>
<td>0.193161</td>
<td>0.8473</td>
</tr>
<tr>
<td>TA</td>
<td>0.725325</td>
<td>0.051706</td>
<td>14.02778</td>
<td>0.0000</td>
</tr>
<tr>
<td>MBV</td>
<td>0.010214</td>
<td>0.003872</td>
<td>2.637658</td>
<td>0.0098</td>
</tr>
<tr>
<td>Log(total assets)</td>
<td>-0.034271</td>
<td>0.016408</td>
<td>-2.088590</td>
<td>0.0395</td>
</tr>
<tr>
<td>PRF</td>
<td>-4.63E-08</td>
<td>2.06E-08</td>
<td>-2.246562</td>
<td>0.0270</td>
</tr>
</tbody>
</table>

R-squared: 0.736259
Adjusted R-squared: 0.724915
S.E. of regression: 0.100214
Log likelihood: 64.90451
Prob(F-statistic): 0.000000

Source: Eviews output of the data processed

**Conclusions and Recommendations:**

A major conclusion of the results of our analysis is that publicly traded Ghanaian firms did not use the trade-off theory in setting their capital structures over the period 2001-2007. The study also finds a negative relationship between leverage and size; and between leverage and profitability, contrary to theoretical prediction, which also predicts a negative relationship between leverage and growth.
opportunities, contrary to the study findings. Another conclusion is that firms with tangible fixed assets tend to employ high levels of leverage since tangible fixed assets have a high collateral value and that firms with growth opportunities tend to take on debt to finance growth. But, firms that are large and profitable tend to use less debt or no debt at all in their capital structure. This is inconsistent with the trade-off theory. Perhaps, firms with high levels of profitability are able to plough back their profits to finance their operations. These findings are however consistent with past empirical studies. Lastly, the study shows that most of the companies do not employ long-term finance in their capital structures, probably because the debt market is not well developed; they rather depend much more on bank loans and trade credit as sources of funds.

A number of recommendations have resulted from the foregoing analysis. Firstly, policy-makers should strive to develop the debt market to increase access to long-term sources of finance by Ghanaian companies since the use of equity financing leads to loss of tax benefits enjoyed from debt financing. Most firms do not employ debt in their capital structure, and so do not benefit from interest tax shields associated with the use of debt and would thus always call for reductions in the tax in order to improve their cash flows, a fact policy makers need to be aware of. Secondly, the size of the GSE is small and hence illiquid, therefore publicly traded Ghanaian firms must be encouraged to use more equity than long-term debt. Finally, finance managers should plan the capital structures of their companies. Companies should employ long-term funds to finance their long-term assets while using short-term finance to finance short-term assets. A high debt ratio is not necessarily bad, if a company could service its debt without any risk, thus increasing shareholders’ wealth. Conversely, a low debt ratio can prove to be burdensome for a company which has liquidity problems.

References


Africa at the crossroads: The Beijing Consensus versus Washington Consensus?

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Discovering the ultimate process of bridging Africa’s gap in the development arena currently lies between options from the East or West. The dismal outcome of the externally imposed Washington Consensus on Africa’s post-independence development prompts the need for an alternative model. This paper gives a brief description, pros and cons of both the Beijing and Washington Consensus, and then ends with a discussion on adopting the more realistic Beijing Consensus.

Introduction

Integrating and incorporating Africa into the global development arena is of great challenge and priority to African and non-African development scholars and practitioners’. Africa’s pace in the globalisation race is at the pace of the folklore African tortoise - slow and steady. Unlike the tigers and dragons which are part of the race to development Africa has been left behind by its co-competitors. To reach the finish line, Africa needs much more than cheering assistance. However, the “much needed assistance” rotates between their “contemporaries” from the East and their “masters” from the West. Chances of Africa’s change of fortune currently revolve between the East and the West.

Historically, Africa has been a battle ground of ideologies and a fertile ground for policy experimentation. However Africa has more structured economic and political affiliations with the “Colonialist West” than the predominant informal trade relations and pre-independence struggle support with the East. Thus countries mainly have alien development plans modelled in line with Western thoughts. These alien plans are often prescribed, adopted and applied without taking into full cognisance Africa’s unique characteristic of a continent coveted by all for its abundant supply of human and natural resources but notoriously famous for its unending conflict, crisis and war; disease; poverty; drought and famine.

Development strategies which are modelled on the principles of the controversial Washington Consensus (WC) has been part of the fundamental development prescription pill for Africa by International Financial Institutions (IFIs) like the International Monetary Fund (IMF), and the World Bank; and by the political West essentially driven by the interests of the United States Government. These development theories are judged by adherent critics to be based on false-paradigm. Rodrik (2006) acknowledges that the tropics – Africa obviously included - have been a victim of misinformation from a generation of technocrats who shifted from the mantra of stabilisation, privatisation and liberalisation (SPL) to institutional reforms as the panacea of development without realizing the fact that Africa is a continent made of countries with divergent cultures, histories, experiences and ideologies not a country like the United States.

The outcome of about half a century’s attempt at development fashioned around the basic ideologies of the WC is no secret. As a matter of fact it’s a source of genuine concern and embarrassment to both the prescribers and the adopters of these “development nightmares”. Africa’s economic, political and social records speak for its self-dominators of the bottom of most economic and social index. Africa seems to be centuries behind other continents. African economies are still raw materials dependent; riddled with low levels of domestic capital formation, high indebtedness and deteriorating terms of trade. There is absence of value adding industries, technological backwardness; deepening levels of poverty which is
further aggravated by climatic change, unfocused educational system and the collapsing state of health infrastructure and services. As of 2002, Sub-Saharan African dominated the list of Highly Indebted Poor Countries (HIPC) with a total of 34 countries out of 42 (Njoroge, 2003). These facts collectively support Samir Amin’s (1990:200) earlier proposition that:

“it may not no longer be helpful to retain the appellation ‘Third World’, ‘for the countries that have been the object of the politics of development’ rather, there be a group of newly industrialised and competitive Third World with a marginalised “Fourth World” that includes the whole of Africa.”

The era of the original WC and its succeeding versions is definitely over. At various times it has been described by both critics and defenders as a “damaged brand” (Naim, 2002), likened as a prelude to “confusion” (Rodrik, 2006) and “a hallmark of end-of-history arrogance” which left behind it destroyed economies’ and bad feelings around the globe (Ramo, 2004). Even the inventor of the WC John Williamson, in recognition of the disappointing outcome of the WC drew the conclusion that countries ought not to have adopted the WC as an ideology (Williamson, 2002). The dismal outcome of the theoretical WC applied in the practical development fields of Latin America were it was originally proposed for and in Africa were it was extended and adopted, probably made Stiglitz (1998) to call for a post-WC and for Rodrik (2006) to declare that “the debate now is not over whether the WC is dead or alive, but over what will replace it”.

The recent emergence of global economic super-powers from the East lead by China and India however provides alternative development options at the moment for Africa’s adoption. The most notable model originating from the East is Joshua Ramo’s Beijing Consensus (BC), which came into prominence with China’s rise in the New World Economic Order. Ramo proposes the Beijing Consensus as a replacement for the “widely discredited Washington Consensus”, the prescriptive “Washington-knows-best approach to telling other nations how to run themselves”. Like the WC, its parallel model the BC contains ideas that are not just about economic but about politics, quality of life and the global balance of power (Ramo, 2004). The BC on its own has equally raised a lot of dust on its merit and suitability to be labelled a development model and invariably its applicability and practicability elsewhere from Beijing (Kennedy, 2008).

Like other developing regions, Africa is looking for alternatives to the much discredited Washington Consensus. The dismal outing of the Washington Consensus in Africa and elsewhere in the world has led to the growing popularity of the BC. The main attraction to the Beijing Consensus lies in the transformation of China from a “limping dragon confined to its local territory” to a “globally dominant flying dragon”. Nevertheless, like the Washington Consensus, the Beijing Consensus is un-African. Even Ramo (2004:3) admits that China’s path to development and power remains fraught with contradictions, tensions and pitfall and moreover is unrepeatable by any other nation.

Today more than ever there is a need to question the fate of Africa in the globalising world and in the race to sustainable development. As Africa’s development options expand, it is imperative for African countries to critically analyse their fate, future and stance when it comes to adopting international development frameworks, principles, paradigms or theories that may positively or inversely affect their overall growth and development. After all even the world economic super-powers are currently at a loss of what the global economy will be in the future. Then the dilemma lies in the probability that Africa chooses to adopt the BC as an alternative development model, will it be successful or will it lead to another failed attempt development? What will be the cost, consequence or opportunities available if Africa adopts the model? Are there options for re-modifying and adopting the Beijing Consensus? Can it be adopted as a short-term, medium-term or long-term development measure? What will be the criteria
for judging the success or failure of the BC? Finding answers to these questions may help avert another phase of embarrassing economic and socio-political down-turn.

**Brief Description of the Washington Consensus (WC)**


The set of 10 fundamental policy instruments reflected the “lowest common denominator” of reforms required in Latin America (Marangos, 2008) to conquer inflation; promote macroeconomic prudence and financial management; opening up of the economy to the market and to at least trade and foreign direct investment (Mavroudeas and Papadatos, 2005). These policies include: fiscal discipline; a redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure; tax reform (to lower marginal rates and broaden the tax base); interest rate liberalization; competitive exchange rate; trade liberalization; liberalization of inflows of foreign direct investment (FDI); privatization; deregulation (to abolish barriers to entry and exit) and secure property rights (see Williamson, 1994; 2004).

However, Williamson alleged that the WC was not originally intended as a policy prescription for development but as a list of policies that widely held sway in that particular era which harmonised and simplified Washington’s economic, ideological and political thought. Thoughts that were supposedly expected to hasten the pace of economic growth in Latin America (Aziz and Wescott, 1997:4). For Williamson, the Washington in the Consensus integrated the Washington based technocrats from the International Financial Institutions (IFIs) – the World Bank, the International Monetary Fund (IMF); the economic and political arms and think tanks of the US government – the Federal Reserve Board, the Inter-American Development Bank, the Washington Congress, senior members of the administration and all who were interested in Latin America as at that period (Williamson, 2004).

In fairness to Williamson he never envisaged that his set of policies will be misinterpreted and regarded as a comprehensive for development by economic advisers and practitioners globally. His innocent conceptualisation of his geographical and time-bound set of policies was transmuted into various versions and with connotations beyond what he had in mind, especially as it regards the role of the state in resource allocation. These second generation WC contains policies mainly identified by their inclination to institutional reforms highly influence international financial and donor agencies engagement and dealings with the developing world. Notable amongst them is a list of 10 policies which Rodrik (2002) calls the “Augmented Washington Consensus”. They include: corporate governance; anti-corruption; flexible labour markets; WTO agreements; financial codes and standards; prudent capital-account opening; non-intermediate exchange rate regimes; independent central banks/inflation targeting; social safety nets and targeted poverty reduction (Mavroudeas and Papadatos, 2005). The “Augmented” WC is worth mentioning because it influenced the eligibility of developing countries to George Bush’s Millennium Challenge Account (Marangos, 2008).

**Pros of the WC**

In its bid to foster growth and development, the WC advocates for the reduction of budget deficits; stabilisation of inflation; promotion of private sector participation in resource allocation.

**Cons of the WC**

The most apparent cons of the WC in Africa are its lack of innovation and poor reputation as a myopic assessment of unique economic challenges. Its core set of guidelines is synonymous with aid
conditionality. An “externally brewed impotent concoction” prescribed for all manner of economic ailments of the developing, transiting and troubled developed countries. It failed to recognise the peculiarities of Africa’s growth problems - the existence of a dual economy; the absence of social capital and the importance of the state in social capital development. Moreover, the role of external factors like trade and development assistance in the context of the African environment was misinterpreted (Manuel, 2003). Consequences of the negligence of these factors by the IMF and the World Bank resulted in the destabilisation and reversal of Africa’s post-independence development efforts. African countries that adopted the ill-timed structural adjustment policies under the auspices of these IFIs fared worse than other countries that adopted those policies elsewhere in the world (Naiman and Watkin, 1999). The impact of these policies went beyond the boundaries of macroeconomics to tearing the thin lines of people’s existence.

Woo (2004: 12-14) summaries the cons of the WC as: wrong interpretations of the East Asian growth experience especially in the case of Taiwan and Korea from 1965-1980 whereby trade regimes that featured heavy import tariffs and export subsidies were wrongly labelled free trade regimes; the falsification of the initial mantra of getting prices right to which led to the emergence of the second mantra of getting the institutions right; denying the state its rightful role in providing important public goods; overlooking poverty traps and the limitations of self-help in Sub-Saharan Africa; ignoring the role of the state in facilitating technological innovation which is the engine growth of development and its failure to understand the constraints of geography and ecology in a countries potential for development.

Even in Latin America were the WC was hurriedly imposed, the policies created new imbalances in various sectors of the economy, were too rigid to adapt to changes in the macro economy and neglected social dimensions thus causing social clashes (ECLAC, 1995; Ffrench-Davis, 2000; Ffrench-Davis, 2004). For example, the deregulation of interest and entry barriers in the banking sector resulted in the explosion of number of banks which fuelled excessive speculation and non-performing loans. The state had to leave its confines to intervene in preventing the total breakdown of the economy, political and social order. The outcome of corrupt ridden privatisation programmes were equally similar to what transpired in Africa. The WC was simply used as a “camouflage for looting the state and embezzling public funds” (Woo, 2004). State-run monopolies were substituted with private monopolies and handed over to the political elite at discounted prices further fuelling inequality and disdain.

In recognition of the disappointing performance of many countries that adopted the original WC Williamson identified three defects in his formula: first, he did not lay emphasis on crisis avoidance, secondly the agenda was incomplete and required a second generation of reforms and thirdly the objective of the original Washington Consensus was excessively narrow (Williamson, 2002).

The Beijing Consensus

The BC is simply made up of three theorems conceptualised by Joshua Cooper Ramo in a paper titled "The Beijing Consensus: Notes on the New Physics of Chinese Power", as a model for countries who simply want to develop, independently fit into the international order, and protect their way of life and political choices. The first theory extols the importance of innovation in “reducing the friction-losses of reforms” by arguing that the “old-physics” developing countries must start development with trailing-edge technology, and advocates for developing bleeding-edge innovation which creates changes that are faster than the changes that problems create. The second theory advocates for a development model where sustainability and equality are priorities and measures like per-capita GDP is replaced with quality of life. The last theory calls for political self-determination in global relations (Ramo, 2004).

Pros of BC – Unlike the WC, the BC are not a commandment. It allows for innovation as it does not stipulate rigid reforms that must be implemented. Moreover the BC is propelled by China’s “soft-power
diplomacy” built on mutual trust and respect for other nations’ sovereignty. Contrary to the WC that vilifies the state’s role and extols the market as the sole positive driver in economic development, the BC propagates the state as an important driver of economic development by participating in core and strategic decision making process.

Cons of BC
The BC is still in its early phase therefore it is impossible to speculate on its continued success in the near future or the long-term consequences of adopting it. However, the major flaws of the BC are its lack of a step-by-step plan or list of policies to be adopted (Li et al, 2009) and it’s specific limitation to China’s development experience. It is bound China-specific conditions like the political economy – “a rare fusion of communism with the market”- that is almost impossible to copy or duplicate elsewhere in the world and most especially by African countries; political stability – the Chinese Communist Party (CCP) have been in for so long and the human capital specifics – abundant rural labour and overseas Chinese who contributed to initial FDI.

Even in China, the development setbacks of the BC have begun to rear its head. China is facing growing disparities in: income (between the rich and the poor, the urban and the rural residents); geographical disparities (eastern and coastal belts attract more investment than the central and western regions). The dependence of the model on high consumption of energy and resources is at a huge negative impact on the environmental (Dirlik, 2006).

The main ideas, pros and cons of both the WC and the BC are illustrated in Table 1.

### Table 1 Washington Consensus versus Beijing Consensus

<table>
<thead>
<tr>
<th></th>
<th>Washington Consensus</th>
<th>Beijing Consensus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year of establishment</strong></td>
<td>1989</td>
<td>2004</td>
</tr>
<tr>
<td><strong>Main ideas</strong></td>
<td>Market fundamentalism; Withdrawal of the state in resource allocation; assumption of a perfect market; getting prices right; stabilisation; privatisation and liberalisation; phase 1 (original) WC concentrated on getting the prices right while the 2nd phase concentrates on getting the institutions right.</td>
<td>It emphasises commitment to bleeding-edge innovation and constant experimentation that breeds change; rejection of the GDP as the end to economic growth; it focuses on measures such as quality of life sustainability and equality and self-determination.</td>
</tr>
<tr>
<td><strong>Pros</strong></td>
<td>Aimed at curbing inflation; aimed at fostering sustainable economic growth; market-oriented; promotes private sector participation in development; securing property rights</td>
<td>It’s not a commandment; there are no set down bidding rules; decisions are taken by the sovereign government; the state is given a dominant role in socio-economic reforms; it allows room for flexibility and innovation;</td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td>It has poor reputation; not innovative; foisted through aid conditionalities; over looked the existence of poverty traps, geographical and socio-cultural barriers; economic imbalances which are outcomes of the policies exacerbate social and political tensions; overlooked the non-existence of basic laws/ rules and guiding institutions; it was time bound; diminished the role of the state in socio-economic development; reduced crucial state spending on education, health and sanitation; it became a one policy solution for all sorts of economies – developing, transitional and ailing advanced economies; failed to recognise the</td>
<td>It has no set down rules; the policies are not tangible, specific or measurable; Geographically bound; not original to Africa; it is limited to China’s unique experience at development and there are doubts that the feat can be replicated successfully elsewhere; difficult to plan programme based on the policy.</td>
</tr>
</tbody>
</table>
Conclusions and Discussion

There no doubts that the era of the WC is finally over in the development discourse. Apart from the dismal economic performances of countries that adopted the policies of the WC and the subsequent socio-political tensions, the WC is reputed as a neo-liberal infringement on the sovereign rights of countries. Thus in a bid to escape Washington’s economic and political grip, African countries would likely embrace the more amiable, cheaper, flexible, un-commanding and non-binding BC as an alternative. Nevertheless, before over-zealous development experts and political advisers’ hurriedly adopt the BC, the basics should be properly analysed and the consequences weighed. Simply adopting the principle of the BC might not be the end of our problems. It could be the beginning of unique, unpredictable complex issues.

Even though it is still very tricky to speculate the long-term outcome of the BC, there are still basic realities on the ground. For countries outside the region adopting the BC it might be perfect but for Africa scepticism come in. Even the “non-commanding and not-yet-damaged” BC will likely come with its own unique challenges and consequences in the region. The BC is “much about social change as economic change” (Ramo, 2004: 3). The theorems of the BC are based on ‘commitment to innovation and constant experimentation’; ‘sustainability and equality’ and ‘political self-determination’. Frankly, China is certainly not Africa hence the BC is obviously un-African. The fundamentals that drive the success of the BC simply do not exist in Africa – stable economic, social and political ideology. Since the BC is a whole lot about stability the practicability of adopting and sustaining the BC in Africa’s complicated environment definitely will not be an easy task.

The BC originates from a society where things are much more predictable- one identity, regular economic surveys, strict social policies and a single political ideology. Africa’s identity is fragmented into North, Sub-Saharan or South. Even within countries, Africa is still fragmented. China does have conflict within its territory but definitely not in comparison to Africa’s numerous conflicts.

Political stability is sheer luxury in Africa. One party has been in power in China for as long as most African countries became independent. Even in parts of Africa where political parties can be freely formed, it is mostly without clear cut ideologies and manifestos. The frequency of regime change is unpredictable. In countries like Nigeria, the military and civilians share power almost at a proportion of 1 is to 1. A decade of military rule is approximately equal to a decade of democratic rule. The existing democratic regimes are children of circumstances, collations of ex-war lords and cronies of powerful colonial allies, who are not accountable to the citizens.

In spite of growing market-oriented policies, the state is still in firm control of resource allocation in China. But in Africa, the state has been vilified as an inefficient resource allocator incapable of making and taking charge even the simplest economic decision. Africa still finds it tasking to register births or deaths, conduct successful population census or voter registration even with donor finance and logistics. Although controlling population growth might be a prerequisite for economic planning, a controversial policy like the ‘one-child’ policy is unimaginable anywhere in Africa where polygamy is still widely practised as a status and prosperity symbol and counting children (divine gifts from God) is a taboo.
At the crossroads where the option lies between the BC and the WC, the BC is more attractive and definitely of more benefit to Africa if we truly strictly stick to its principles. There are no laid down guidelines, so Africa must simply be innovative and pragmatic in its approach to equitable and sustainable development by- diversifying resource dependent economies; protecting our infant industries; improving on China’s failures by taking environmental and human right issues more seriously; positioning and asserting its self in global politics as a united politically mature block; adopting which ever consensus that positively favours its development no matter where the aid or FDI is coming from; and expanding its knowledge base. As a matter of fact, adopting the BC is not an end but a means to an end for Africa. It must come up with its own unique consensus that suits its peculiar circumstances.

References


Comparative analysis of the determinants of residential land values

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City development is as a result of many factors, of which land value is one of major determinants. The past urban economics studies have shown that land value is largely determined by location factors ignoring the non-location factors. Therefore, this paper attempts to establish the relative importance of location and non-location factors in the determination of residential land value by positing Onitsha, Nigeria as a case study. Eight hundred and fifty residential housing units were selected and questionnaire administered to the landlords through multi-stage sampling technique. The stepwise regression analysis results showed that non-location factors, especially, time of land purchase, contribute more to the variation in residential land values. The paper suggests the revision of the classical economic theories to represent the conditions of urban areas in developing countries.

INTRODUCTION

Land has been incorporated in economic theories in various ways as explained by Klaus at al (2006). Originally, land used by agriculture was the main motivation for economic treatment of land. This is gradually extended with various other land use categories. Today, residential land use, among the various competing urban land uses, is the largest consumer of land in urban areas. That’s why the residential land use is usually the focus of urban research. This has been confirmed through the works of many urban researchers like Burgess (1925), Mabogunje (1963), Sada (1995), Frishman (1977) Olaore (1981) Onakerhoroye (1984), Olayiwola et al (2006).

The growth of the economy generates physical development of which residential area is critical. This most often results in increase in land values. Land value is the cost per plot of land. Also, as explained by Lewis (1979), it is the price offered by a purchaser who is aware of price being paid for and asked for other plots or pieces of land in the vicinity at a time when the availability of land is known widely.

Most past studies on urban land values showed that distance from the CBD is the major determinant. That is, land values increase as distance is nearer to the CBD. This is confirmed in studies by the social scientists like Donnision (1961), Alonso (1964), Yeastes (1965) Brodsky (1970), Ball (1973), Smith (1976), Asabere (1982). These studies are biased in the sense that the CBD is accorded more importance than it really deserves while the effects of non-location factors like plot size, time of land purchase, age of neighbourhood, income, zoning policy, neighbourhood quality etc, are neglected.

It is the contention in this paper that land value is also largely determined by the non-location factors. Therefore the paper is aimed at establishing the relative importance of the location and non-location factors in the determination of the residential land values.

THEORETICAL/EMPIRICAL ISSUES

It is widely recognized that many theories have been formulated in the study of urban systems. In the area of urban land values, the concept of accessibility has been adopted by scholars to explain the determinants of the values of urban land. These efforts had their origins in the early works of Von Thunen and Ricardo (1893). The principle of bid rent theory was established by Hurd (1903) and this has been confirmed by later works of Ratcliffe (1949), Alonso (1964) and Asabere (1982). The theory as explained by Campbell
(1998) refers to how price on real estate or land changes as the distance from the CBD increases. This means that land values decay away from the CBD. However, this statement is contradictory given what has been observed about the suburbanization of both the high and middle income groups, which is facilitated by improved transportation technology.

Based on this observation, recent urban studies have not only shown that land values do not decay away from the CBD but they are also largely determined by non location factors. Olaore (1991) found that the most important determinants of residential land value in Kaduna were age of neighbourhood and infrastructural index; and that land values increase as one moves away from the CBD. Megbolugbe (1983) study in Jos showed that structural and neighbourhood attributes are the major determinants of residential housing values. Arimah (1990) added location attributes to the structural and neighbourhood attributes as the determinants of residential housing values in his study in Ibadan. Others studies in Nigeria on the determinants of residential land values in urban areas include those by Okewole (1998), Omirin (1998), Morenikeji (1998) and Olayiwola (2000).

In developed countries, recent studies have shown that fundamentals such as lending interest rates and psychological factors like behavioral expectations are also important determinants of residential land values. Mayer and Sinai (2007) explained that interest rates are capitalized into residential housing prices run – up in U.S. Also, relating fundamentals to house dynamics in U.S, Brunnermeier and Julliard (2007) developed a dynamic rational expectations model of house price based on interest rate factor. The conclusions of these studies are that interest rates are more important than the distance variables in the determination of residential land or housing values. On the role of psychology, Smith and Smith (2006) concluded that run – up in prices are not fully justified by fundamentals but that pricing inefficiencies are due to high transaction costs that limit arbitrage opportunities for rational investors.

**RESEARCH METHODOLOGY**

To carry out this study, a multi – stage sampling procedure was used. In the first stage, the layouts in Onitsha were stratified into low, medium and high density residential zones. In second stage, 18 major wards of these layouts were selected while in the stage streets in the chosen wards were selected based on their grade and surface conditions. Finally, in the last stage, houses were systematically selected in each street for questionnaire administration. Table 1 shows the number of selected wards and streets as well as number of questionnaires administered in each residential density type.

A total of 850 questionnaires were administered and 758 were retrieved. The sample frame was the residential housing unit and the respondents were the landlords or their representatives. The data obtained include socio – economic characteristics, land acquisition, size and cost, housing type, standard, facilities, cost and rent. Others were neighbourhood data such as age, infrastructures and security. In addition, distances of the housing units from the CBD were obtained by map measurement using street map of the city. The data collected were mainly subjected to stepwise regression analysis.

**THE CASE STUDY AREA**

Onitsha city is located in Anambra State in the south – eastern part of Nigeria. The city houses the biggest market in West African. The city has a total population of 256,447 as given by NPC (1991) and consists of 11 layouts, namely, Fegge, Odoakpu, Okpoko, Woliwo, Otu, Inland Town, Awada, Omogba, American Quarters, G.R.A and Trans Nkisi as shown in Table 1. Onitsha city covers the town itself and a long narrow area of low lying land generally situated between the Niger River and Owerri road extending southwards, with over 2,068 hectares of built up area.
The land use pattern in Onitsha is well defined. The commercial heart which is the Main Market area or central business district (CBD) is located in Otu. This mixed use area is surrounded by the high density residential areas of Odoakpu and Fegge and low/medium density area of American Quarters. The low densities residential areas of G.R.A and Trans Nkisi are found in the North while in East are medium density areas of Omogba, Woliwo and Inland Town. Others are the medium density residential area of Awada located in the East and high density residential area of Okpoko in the South. Land to the South of the Expressway from bridge head is largely committed by industrial development and also on both sides of Onitsha – Owerri Expressway.

The estimated total housing stock in Onitsha by NPC (1991) is 42,500. The housing consists of mainly blocks of flats and bungalow buildings.

**DATA ANALYSIS AND RESULTS**

Comparison of the Location and Non Location factors in the determination of Residential Land Values.

To compare the contributions of the location and non location factors, the variables used are first defined and presented in Table 2. The variables consist of quantitative and qualitative or dummy data. The purpose of the comparison is to establish the relative importance of location and non location factors in the explanation of the spatial variations in land values. The location and non location variables are entered in the stepwise regression analysis and $R^2$ change is used to examine which variables have more effects.

### Table 2 : Definition of variables used in the Regression Analysis

<table>
<thead>
<tr>
<th>S/N</th>
<th>Variables</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Land value (LV)</td>
<td>Cost per plot of land (in Naira)</td>
</tr>
<tr>
<td>2</td>
<td>Distance from CBD (d CBD)</td>
<td>Distance of plot/house unit from CBD (in meter)</td>
</tr>
<tr>
<td>3</td>
<td>Distance from major road (d MR)</td>
<td>Distance of plot/house unit from CBD (in meter)</td>
</tr>
<tr>
<td>4</td>
<td>Plot size (PLS)</td>
<td>Area of plot of land (in $m^2$)</td>
</tr>
<tr>
<td>5</td>
<td>Number of rooms (NRM)</td>
<td>Number of rooms in a building</td>
</tr>
<tr>
<td>6</td>
<td>Time of land purchase (TLP)</td>
<td>Period of time when land is purchased (in years)</td>
</tr>
<tr>
<td>7</td>
<td>Date of development (DOD)</td>
<td>Period of time when house is developed (in years)</td>
</tr>
<tr>
<td>8</td>
<td>Age of layout (AOL)</td>
<td>Period of time when layout is developed (in years)</td>
</tr>
</tbody>
</table>
9 Income per month (INC) Amount of money per month (in Naira)
10 Place of origin (POO) = 1 if non native or 0 otherwise
11 Density zone type (DZT) = 1 if located in low density or 0 otherwise
12 House type (HOT) = 1 if blocks of flats or 0 otherwise
13 Kitchen type (KIT) = 1 if separate or 0 otherwise
14 Bathroom type (BAT) = 1 if tub/shower or 0 otherwise
15 Toilet type (TOT) = 1 if water closet or 0 otherwise
16 Housing wall condition (HWC) = 1 if not crack or 0 otherwise
17 Housing roof condition (HRC) = 1 if not leaking or 0 otherwise
18 Road condition (ROC) = 1 if tarred or 0 otherwise
19 Number of primary school (NPS) Number of primary schools in a layout
20 Number of health clinic (NHC) Number of health clinics in a layout
21 Number of security types (NST) Number of security types in a layout

Source: The Author, 2008

That is, R² change is used to examine the contribution of each variable to the overall explained variance. The results of the stepwise regression analysis of both location and non location variables for land values are presented in Table 3.

Table 3: Stepwise Regression Analysis (Location and Non Location Variables): Land Values

<table>
<thead>
<tr>
<th>Step</th>
<th>Variables entered</th>
<th>Multiple R</th>
<th>R²</th>
<th>R² change</th>
<th>Regression coefficient</th>
<th>t - value</th>
<th>Sign level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TLP</td>
<td>.692</td>
<td>.479</td>
<td>.479</td>
<td>-.390</td>
<td>-6.073</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>BAT</td>
<td>.736</td>
<td>.541</td>
<td>.062</td>
<td>.190</td>
<td>5.887</td>
<td>.000</td>
</tr>
<tr>
<td>3</td>
<td>dMR</td>
<td>.755</td>
<td>.568</td>
<td>.027</td>
<td>.097</td>
<td>2.543</td>
<td>.011</td>
</tr>
<tr>
<td>4</td>
<td>HOT</td>
<td>.767</td>
<td>.587</td>
<td>.019</td>
<td>.253</td>
<td>7.175</td>
<td>.000</td>
</tr>
<tr>
<td>5</td>
<td>ROC</td>
<td>.772</td>
<td>.594</td>
<td>.007</td>
<td>.090</td>
<td>3.674</td>
<td>.000</td>
</tr>
<tr>
<td>6</td>
<td>KIT</td>
<td>.776</td>
<td>.599</td>
<td>.005</td>
<td>-.187</td>
<td>-4.146</td>
<td>.000</td>
</tr>
<tr>
<td>7</td>
<td>INC</td>
<td>.780</td>
<td>.604</td>
<td>.005</td>
<td>.083</td>
<td>2.879</td>
<td>.004</td>
</tr>
<tr>
<td>8</td>
<td>NHC</td>
<td>.782</td>
<td>.608</td>
<td>.004</td>
<td>-.061</td>
<td>-2.622</td>
<td>.009</td>
</tr>
<tr>
<td>9</td>
<td>AOL</td>
<td>.785</td>
<td>.611</td>
<td>.003</td>
<td>-.174</td>
<td>-3.096</td>
<td>.002</td>
</tr>
<tr>
<td>10</td>
<td>DOD</td>
<td>.786</td>
<td>.613</td>
<td>.002</td>
<td>-.156</td>
<td>-2.402</td>
<td>.017</td>
</tr>
<tr>
<td>11</td>
<td>dCBD</td>
<td>.788</td>
<td>.615</td>
<td>.002</td>
<td>.081</td>
<td>2.029</td>
<td>.043</td>
</tr>
</tbody>
</table>

F – value = 110.324

The results show that the F- value of 110.324 for land values is highly significant at 0.05 level and eleven variables are considered important. This implies that the eleven independent variables collectively account for the variations in land values and that R² values obtained are not chance occurrences. The R² change shows that the most important variable is time of land purchase (TLP), which accounts 47.9% of the spatial variations in the land values. The TLP coefficient shows that an increase in the number of years when land is purchased would result to a .39% decrease in land values. The next most important variables are bathroom type (BAT), distance from the major roads (dMR) and house type (HOT), which respectively contribute 6.2%, 2.7% and 1.91% to the explanation of the variations in land values. The other seven variables, including distance to the CBD,(dCBD) are not too significant and important because they contribute less than 1% of the variations in land values. However, the dCBD coefficient shows that an increase in the distance from the CBD would result to a .08% increase in land values. This implies that land values do not decay away from the CBD unlike the findings of Alonso (1964), Ball (1973) and Asabere (1982).
Arising from the results of this analysis, time of land purchase (TLP), which is non location variable, is more important in the explanation of the spatial variations in land values.

CONCLUSION AND IMPLICATIONS

This paper has analyze the location and non location factors influencing residential land values in Onitsha city. This has been done with respect to the different residential neighbourhood during which reasons for the observed views were established. The use of the stepwise regression analysis made it possible to establish the relative importance of the location and non location factors in the explanation of the spatial variations in land values. The paper concludes that the non location factors, especially the time of land purchase, are the most important determinants of residential land values than the distance variables. Also, it shows that land values do not decay away from the CBD.

The theoretical implications of the findings indicate the need to revise the classical urban economic theories, especially the bid rent theory, to represent contemporary conditions of urban areas in developing countries, in particular. This is because the economic development as manifested in urban land use patterns in most developing countries today, are continuously being modified through changes in size and composition of city population, level and distribution of income, road and information development, social organization and economy of living community, as well as the government policy.

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Leadership Vacuum and its Impact on the Cultural Dimension of Nation Building: The Case of Eritrea

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Applying a qualitative research approach, the purpose of this article is to examine the cultural dimension of nation building in Eritrea. The main conclusions drawn are that (i) the current leadership has systematically and in a well-planned approach destroyed the dynamic value-based Eritrean culture which is deeply rooted in the uniqueness of the people, (ii) the main reason for destroying the unique Eritrean culture is that, the leadership has since its very early existence realised that such a value-based typical culture and its elements cannot serve as pillars or building blocks of the illegal and unconstitutional PFDJ regime and finally (iii) the one man built, owned and controlled leadership has developed a militarist culture of liquidation, terror, intimidation, silence, blind obedience, unaccountability, mendacity, large power distance, time mismanagement, uncertainty, distrust, division, ambivalence, justifying the unjustifiable in order to secure the one man rule, i.e. an absolute and unique dictatorial leadership in the history of mankind.

Introduction

Referring to various organizational theory literature such as Kotter (1999 & 2001); Yukl (2001 & 2005); Adei (2004); Bloisi et al. (2003); Warren & Burt (1985); Northouse (2004) and Abraha (2009) defined, recapitulated and linked the concept of leadership, the specific roles and qualities of developmental and legacy-building leadership with nation building. Thereafter a model of developmental leadership which is presented in Fig. 1, page 4 is developed. In Abraha (2009) effective leadership is defined as managing changes by setting a direction, i.e. creating a vision, setting goals, promoting values, formulating strategies, mobilizing people, managing changes, developing other leaders, making decisions and solving strategic problems. In the same source, nation building is defined as “the systematic implementation and achievement of the political, economic, social and cultural visions and goals articulated after independence in light of what was promised to the Eritrean people during the liberation struggle and in the aftermath of liberation. By applying the developed model, figure 1 page 4, Abraha (2009) examined the social dimension of nation building which is one of the four main components of nation building. As a continuation and based on the recommendation of Abraha’s (2009) article, the main purpose of this (current) article is to examine the cultural dimension of nation building process in Eritrea and to evaluate the role of leadership in the process. Moreover, the current study will assess whether the cultural dimension of the nation building process was successful or not and why. Finally, it concludes by assessing the appropriateness of the Eritrean leadership to the cultural dimension of the nation building.

There are two main reasons to conduct this study: (i) there are widespread crises of developmental (effective) political leadership in Africa in general and Eritrea in particular. Considering this problem, this article endeavours to deepen and broaden our knowledge of the nation building process and the specific role of leadership in the process and thereby to make a contribution to the solution of the crises which are endemic in the continent and (ii) there are conflicting views among Eritreans regarding the cultural dimension of nation building and the quality of the leadership in Eritrea. The proponents of the government claim that the quality of leadership is very high, whereas the opponents attribute the current saddening situation of the nation to the lack of appropriate, i.e. developmental (effective) and quality leadership. Thus, this work endeavours to bridge the gap which exists among Eritreans in the issue
examined which in its turn can facilitate the nation building task by highlighting the main characteristics and qualities of the current leadership. Moreover, it can shed light and thereby make a contribution to solve, or at least improve, the serious leadership crises in the African continent. According to the Mining Magazine (1994) Eritrea is located in the turbulent part of Africa. This turbulence is related to the political situation in the neighboring countries, Sudan, Djibouti and Ethiopia. However, the Mining Magazine considering Eritrea resources possession characterizes it to be a unique country in terms of sustainable development in the African continent.

**A Model of Developmental (Effective) Leadership in Nation Building**

A model which contains three groups of variables is presented in Figure 1 below. The three groups of variables are: (i) the four dimensions of nation building, (ii) the six roles of leaders that build modern nations, and (iii) the characteristics by which developmental (effective) and legacy-building leaders are marked in nation building.

![A Model of Developmental (Effective) Leadership in Nation Building](image)

**Figure 1. A Model of Developmental (Effective) Leadership in Nation Building**

**The Four Dimensions of Nation Building**
Engendering a dynamic value-based culture rooted in a people’s uniqueness; developing appropriate economic infrastructure and policies; building a matured, progressive, stable and participatory political pluralism; and building social unity and cohesion are the four dimensions of nation building. This article addresses the first dimension, i.e. engendering a dynamic value-based culture, specifically the cultural dimension of nation building in Eritrea.
The cultural dimension of nation building

Culture is defined as an integrated system of learned behaviour patterns that are distinguishing characteristics of the members of any given society (Czinkota and Ronkainen, 2007). The first scholar to notice the relationship between progress and culture is Marx Weber, as he postulated that the pillars on which Western capitalism, initially was built upon was the Calvinistic Protestant ethic of hard work, frugality and better time management, etc. (Weber, 1905). In a broader sense, according to Jobber & Fahy (2009), the three social influences on consumer behaviour are: culture, social class and reference groups. Likewise, Hofstede (1992) applied the following five dimensions of culture to explain how cultural values influence various types of business and market behaviour (i) Individualism versus collectivism, (ii) Power distance that measures the tolerance of social inequality, that is, the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally, (iii) Uncertainty avoidance that measures how much members of a society tolerate uncertainty, (iv) Masculinity versus femininity deals with the division of roles between men and women and (v) Long-term versus short-term time orientation.

The author argues that the five cultural values presented above and other aspects of culture influence the citizens’ behaviour and mode of life in any country which in its turn affects how a nation is built and progresses. This is because all those elements of culture serve as pillars in building and determining the social, political, economic, ideological, legal structures and in determining a society’s behaviour and way of life which makes them of vital concern to nation building. In other words, all the main elements of culture in any country or society are some of the vital determinants of the nation building process and national progress. To conclude, the nation building process and national progress can be achieved, i.e. be successful or fail, be promoted or retarded based on the prevailing and developing cultural values in any country.

In this article, the impact of the following elements of culture in nation building will be addressed. Power-distance can either be wide or narrow. This is to what extent and how much people tolerate whatever the over ordinates do irrespective of whether it is good or bad. Do people react or remain passive whenever their leaders violate e.g. the rule of law, human rights and justice. If people accept whatever leaders do, power distance is wide, however if they oppose when something goes wrong power distance is narrow. Individualism versus Collectivism in determining national as well as other issues of common concern. Are the issues of national and common concern decided on the basis of individual wishes and whims or do the concerned authorities make decisions collectively? Masculinity versus Femininity. This shows how much and to what extent duties and responsibilities of men and women are properly determined in a society. High versus low level of uncertainty avoidance. Measured by the extent to which people are risk-takers or risk-avers in their everyday life in a society. Long-Term versus Short-Time Orientation, This measures how people’s attitude to work and time management is. Do people discuss issues of common concern and take the necessary measures in the immediate and right time or simply postpone them for an indefinite period of time? Neutrality (Ambivalence) versus Active Participation, in case of wrong doings such as human rights violations, do people remain passive or actively participate? The degree of acceptance of Evidence based Versus Unsubstantiated Allegations. This is a measurement of to what extent people expect and demand their leaders to present evidence before and or after any measure/s at the individual, organizational or national level are taken. High versus Low Level of the love of a country. Truth Versus Mendacity, Open versus Closed Mindedness and Inventiveness versus Lousiness in everyday life are the cultural elements to be dealt with in this work.

Developing appropriate economic policies and infrastructure to achieve economic progress

This one deals with improving the standard of living, specifically the material welfare of the citizenry. The economic dimension should put more focus on wealth creation and, to a certain extent, on poverty reduction.
Building a participatory, pluralist, stable and progressive political system
Developing a participatory, pluralist, stable, matured and progressive political order based on the people’s traditions and customs is a prerequisite to a successful nation building. According to Basil (1992), one of the main errors of post-independent Africa has been the total rejection of people’s traditions and customs in favour of the capitalist and socialist ideologies.

Social Development & Social Justice (Termed ‘Economic and Social Democracy’)
The social aspects of nation building includes education, health, water, and sanitation, information, communication and technology infrastructure which can be categorized under “socio-economic infrastructure”, (Adei 2004). These factors can be considered as almost the preconditions for modern nation building. The other aspects of the social dimension of nation building, addressed by Adei (2004) are: Building social cohesion, which incorporates sustained efforts to build social capital. Conflict prevention and peaceful resolution of conflicts, these issues necessitate dealing with various factors such as ethnic politics, inequity, and human rights abuses. Continuous efforts to build trust, consensus, and dialogue and Promotion of justice, equity, basic freedoms and the reduction of bureaucratic corruption. Abraha (2009) examined the social dimension of nation building in Eritrea by incorporating the above issues in the model, i.e. Figure 1 presented in page 4.

The Specific Role (Task) of Leaders

Setting the Direction
Leadership provides direction to nation building by formulating a national vision, by defining national development goals, by promoting right national values, and by being living models of their conviction (Yukl, 2006). To support a radical change, people need to have a vision for a better future that is attractive enough to justify the sacrifices and hardships the change will require. The vision can provide a sense of continuity for followers by linking past events and present strategies to a vivid image of a better future for the organization. To be the driving force of national efforts a vision has to be translated into S.M.A.R.T. (specific, measurable, attainable, realistic and time-bound) goals (Adei, 2004 & Bloisi, 2003).

Crafting Strategy to Fulfil the Vision
Be it governmental, non-profit, or a business to achieve the development goals that flow from the vision, every organization – needs to craft multiple strategies (Bloisi, 2003). The development of strategies is also applicable to nation building as Adei (2004) discusses it in detail. Leaders have to put together effective growth strategies translated into effective policies and programmes that, over time, enable the realization of national goals.

Mobilizing the Whole Nation behind the Vision, Goals and Strategies
Mobilizing people to achieve a development invariably starts with a competent and trusted national economic management team, such as the Korean Development Institute, and mobilizing the indigenous business community (Adei, 2004). Mobilization can be derived from a clear vision, credible strategy, demonstrating a commitment to improve welfare and being demonstrably zero-tolerant as far as corruption is concerned. Mobilizing people is different and it is more of a communications challenge than a design problem (Kotter, 1999)

Managing Change Effectively
Leaders have to develop the national capacity necessary to manage the chosen path to change and development (Adei, 2004). Kotter (1999) draws two lessons about change management. First, change process goes through a series of phases that, in total, usually require a considerable length of time. The second is that critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains.
Decision Making and Problem Solving
The two tasks of effective leaders are taking decisions and solving development problems. At certain times, leadership is a lonely job and more so when one has to take the critical, and sometimes, life-and-death decisions (Adei, 2004).

Developing Other Leaders
According to Kotter (1999) and Kul (2005), one of the main duties of leaders and managers is to develop leadership and management skills. To perform the duty of nation building, a great number of other leaders are needed under the leader of a nation. A successful national development leader should not hesitate to develop a competent leader to function as his successor with a similar vision to continue the ongoing national building process.

Developmental (Effective) and Legacy-Building Leadership Characteristics
National deterioration occurs if a nation lacks quality, legitimate and just leaders (Munroe, 1993). According to Adei (2004), the three central elements of leadership are quality, legitimacy and just. Quality means to be competent in the task of nation building. Legitimacy is winning an election. The third is Just. If a country has just, competent and legitimate leaders, within a certain period of time that every country is put on an irreversible path to socio-economic development.

Effective leaders tend to possess three important features, i.e. Character, Competence and Care (Janis, 1982).

The Research Methods
Both primary and secondary data are used in this article. The primary data is collected by interviewing previous government officials and from the author’s personal observations, experience and knowledge as an Eritrean who is well versed in the Eritrean culture. The following procedures are followed to collect primary data. (i) Selection of interviewees: The author identified people who were holding leadership positions during the liberation struggle and after independence. Moreover, others from the academia who possessed knowledge about the Eritrean culture are also identified and contacted. (ii) Formulation of the interview questions: The interview questions are formulated by strictly following the research issues and purpose of the article. (iii) The research proposal and the interview questions were read and commented by two researchers on cultural issues. Their comments were used to develop further the research issues and interview questions. (iv) Thereafter, the interview questions were sent to three interviewees some days before the interview so that they would read the questions and get prepared for the interview. All three interviews were recorded. The information collected was compiled and sent to the interviewees for their comments and some changes were done on the basis of the comments received. Some of the information was deleted and some additional information was also provided. (v) Presentation of the empirical findings: In this section the primary and secondary data collected from the primary and secondary sources was presented in a natural setting; (vi) Data analysis: The analysis was done by linking the empirical data with the various concepts, variables and sub-variables of the conceptual framework in order to address the research issues. Finally, conclusions are drawn and future research implications are drawn considering the contributions and limitations of the current study.

Empirical Findings

Secondary Data
In the PFDJ NATIONAL CHARTER, adopted by the 3rd Congress of the EPLF/PFDJ, (1994) under section 2, our vision for a future Eritrea and under the sub-section our vision can be summarized into six basic goals and specifically under number 5 which deals with cultural revival, one finds the statement below.
“5. Cultural Revival. Drawing on our rich cultural heritage and on the progressive values we developed during the liberation, to develop an Eritrean culture characterized by love of country, respect for humanity, solidarity between men and women, love of truth and justice, respect for law, hard work, self-confidence, self-reliance, open mindedness and inventiveness.”

Primary Data
The primary data is collected by interviewing three former government officials who are now in the Diaspora. The three interviewees are used as sources as they were ready to provide the required information. The author has contacted about ten other former government officials but they were not ready to be interviewed. The three people interviewed prefer to remain anonymous and are named respondent one (R1), respondent two (R2) and respondent three (R3).

R1 described the power distance development and situation as follows: “Whatever is being said and done by the leaders is not at all questioned irrespective of whether one agrees or disagrees. This is something that started during the armed struggle and continued to be wider and wider and it can be said that it has reached an extreme width at present.” R2 continued the discussion confirming what was said by R1, narrating that “Silence by the subordinates in the front and the people is tactically created by the leadership through coercion and intimidation. Objecting and questioning what is being said by the leadership in the front and thereby in the country is not at all allowed and those who object are isolated, terrorized, labelled as traitors and different measures can be taken upon them depending in the situation.” R3 continued the discussion as follows: “The power distance is not only large but it is getting larger and larger in due course of time and what we are witnessing at present is an absolute and complete dictatorship in Eritrea which is unique in the history of mankind. Disappearances and languishing in prisons for an indefinite period of time without facing any trial are some of the typical consequences of objecting orders and maintaining and airing out divergent views contrary to what is coming from the hierarchy.” As an Eritrean, the author’s observation is that “Opposing whatever the leaders do is regarded as treason. Isolation, freezing, and imprisonment for an indefinite period of time can be the measures against those who oppose.”

Individualism versus collectivism in decision making is said to be in current Eritrea as follows. According to R1: “In the Eritrean society, there was a collectivist way of thinking, decision making and mode of behaving as well as operating in almost everyday life. But, the collectivist structure started to change towards an individualist one in the armed struggle following the power distance which was created by the leadership as a means of creating a one man rule.” R2 does not differ at all from R1 in his answers. Accordingly, “decisions are made in advance by the individual at the top and a sort of collectivist discussion is conducted to only formalize or ratify what is already single-handedly decided. The president chairs the meetings and discussions are carried out in a very manipulative manner and he does not at all give participants the chance to present and air out divergent views. The loyalist and conformist behaviour of people is secured before they are given the position that allow them to participate in the artificial decision making process. Thereafter, the one man decision is made public in the name of the so-called decision making authority.” To R3 individualism versus collectivism in Eritrea functions as follows: “The typical collectivist Eritrean culture is eradicated by the leadership as it does not serve or tolerate the one-man rule. It is replaced by the individualist militarist culture as it serves as one of the main pillars of the illegal regime which does not at all understand the rule of law. What is funny, accordingly, the regime claims to have developed and created a collectivist culture and way of life. The regime definitely knows that its claims are not at all accepted by anyone however, it has the audacity to brag about the collectivist mode of life it has established in the Eritrean society.”

Both masculinity and femininity do exist at present in Eritrea, according to the three respondents. “The president himself is very assertive in all his expressions whether he believes in whatever he says or not and whether his assertions are accepted or not. He very well knows that people do not trust whatever he
says but he does say it as he knows that nobody would dare to oppose. He can thus be said to portray a masculine character and expects everyone else either to make the same assertions as he does or to remain silent. In sum, he is assertive and others can also be assertive conforming to whatever he says and does not refuting his ‘did’ and words.”

There is an extremely high level of uncertainty avoidance in the Eritrean society at present, according to the three respondents. R1 narrates that “people prefer to be silent in order to avoid the consequences of being active and to take a stand whenever crucial issues are taken up for discussion. The main reason for silence is that people are most of the time doubtful when some issues which are considered to be critical are included in the agenda set for a discussion. As an atmosphere of suspicion and distrust dominates the prevailing situation in Eritrea which means that people do not exactly know why certain issues are discussed, to avoid all the subsequent ifs they remain quiet. Of course, remaining silent is not at all appreciated by the authorities but it is much safer rather than to be active and take a stand. Remaining silent leads to suspicion and interrogation as it is considered by the leadership to be related to some new developments which is not to its favour.” R2 explains this situation as follows: “If things develop positively in line with your arguments and positive results are achieved, the results are said to be the fruits of the hardworking leader’s efforts and you will not face any problem as long as you can attribute your contributions to the president and his henchmen. However, if things develop to the contrary and the results are a failure, those who were active and took a stand are kept accountable for the failures and they can face severe punishments. To avoid bearing the consequences of failures, people try to remain quiet and that is why we witness a higher level of uncertainty avoidance at present.” R3 fully agrees with R1 and R2 and said that “it will make too much sense to make comments in connection with the issue following the cultural dimension long-term versus short-term time orientation.”

R3 discusses the fifth dimension long-term versus short-term time orientation by relating it to uncertainty avoidance as follows: “Depending on the situation, a combination of both long-term and short-term time orientation characterizes people’s daily life during the armed struggle and after independence. However the attitude to work and time management has changed after independence in line with the notorious PFDJ militarist culture which is typically characterized by mendacity and denial of the truth. In independent Eritrea the attitude to work and time are two of the mainly mismanaged resources. When a high level of uncertainty avoidance prevails in a society there cannot be a positive attitude to work and proper management of time.” After confirming R3s position, R2 presents the following explanation as to why there cannot be a positive attitude to work and a proper management of time. Accordingly, “what is rewarded is on the first hand confirming to whatever position the leaders take and if that is done one has to remain silent and obedient to whatever instruction comes from the above. Proper management of time and attitude to work are not as such very important. What is in the priority list of the authorities is to hail and accept whatever the leadership does, i.e. to follow it blindly and such an approach and attitude is rewarded best.” R1 concludes this aspect of culture with the following statements: “The person who mismanages the most critical resources time and work is the president by postponing whatever question is raised to an indefinite period of time. Whenever he wants to avoid answering questions he tells his listeners/audience that the concerned people will come up with the appropriate information in the appropriate time. He has made such promises or statements since he came to power in 1970 and none of the promised explanations or answers are given by anybody up till now. Moreover, all those who are maintaining high positions in this illegal regime are those who followed the same resource or time mismanagement model and who have blindly followed his orders not those who maintain a positive attitude to work. The very fact that time and work are extremely mismanaged by the president can be explained by his method of freezing people from their ordinary job for a number of years and to get paid their usual salary though they sit idly.”

The sixth dimension of culture is neutrality/ambivalence versus active participation in case something goes wrong. R1 commented as follows: “the PFDJ leadership has developed a culture of ambivalence,
i.e. to remain neutral whenever crimes are committed or anything goes wrong in the part of the leadership. This is tantamount to do not ask us whatever we do and it does not concern you whenever things go wrong. Consequently, people have developed a culture of pretension as if nothing has happened or taken place which makes it possible for the leadership to use its whips in achieving its whims.” R2 has made the following comments on this issue: “Various groups are organized by the leadership in different periods of time to spread this poisonous culture. Whenever, the leadership has made or intends to make some serious blunders, it activates these groups among the people or the army to preach for neutrality and indirectly to make legitimate and acceptable any illegal measures.” “The fact that people do not actively participate actively and try to find out what and why and simply remain dormant as if nothing has happened, when it actually has happened” is also confirmed by R3. According to the author, “it is not only that people remain neutral in such instances, some people actually hail the illegal and criminal acts of the leaders as such opportunistic behaviours are highly rewarded by the leadership. It is such type of people that one can find holding various key positions at various levels in the PFDJ regime with a typical militarist culture.” The existence of the militarist culture in the PFDJ regime is confirmed by the three respondents, i.e. R1, R2 and R3. Accordingly, “the ruling clique terrorizes, intimidates, and pacifies its opponents, however if those measures do not bear the intended results it finally imprisons and or liquidates its opponents, i.e. those who maintain divergent views. This clearly shows that it has created a militarist culture characterized by terror, intimidation, demoralization, isolation, liquidation, silence, blind obedience, secrecy, unaccountability, distrust, division and mendacity.”

The degree of acceptance of evidence based versus unsubstantiated allegations is also another cultural dimension discussed in our conceptual framework. R1, R2 and R3 have fully agreed that “people have started to accept the president’s unsubstantiated allegations against some elements without asking any evidence. The president whenever he is asked as to why certain measures are taken and what is happening his usual answer is to tell people that the concerned elements will give the right explanation about this issue or those issues when the time is ripe. Asking a concrete evidence whenever people are punished or some measures are taken against them is considered like a treasonous act and it can cost someone, whatever the president or his henchmen consider to be appropriate. Such an inhuman and harsh approach makes people remain silent, actually when they should agitate in public and ask for substantiated evidence as to why such measures are taken.” The author’s experience is that “a culture of ambivalence to secure his own existence, mendacity, pretension, justifying the unjustifiable to satisfy the leaders, the culture of why should I get bothered when those who oppose injustice suffer, the culture of denying the truth and the culture of reversed reality replaced the typical Eritrean culture of tell the truth and sleep in the railway line. Instead of saying/telling the truth, pretending as one has neither seen nor heard the suffering of the innocent or supporting injustice to secure self-promotion is observed to occur in the people’s daily life in current Eritrea.”

Making true versus mendacious statements whenever serious explanations and concrete evidences are needed in critical junctures or public meetings and interviews is the another dimension of culture considered in this study. According to R1, R2 and R3, “Say the truth and sleep in a railway line was the typical Eritrean culture. But, truth has lost its value after independence” according to all three respondents. “What is important or of value now is how to climb in the ruling clique’s hierarchy. It is not the one who tells the truth who can get or consolidate power in the current Eritrean regime. Denying the truth and telling something which is totally a lie has started to become a reality in the country which is highly valued. The person who is well known for denying the truth or the reality and telling something which is a pure lie is the president. In various occasions he has been heard saying something which does not reflect the reality in the ground. The president has made mendacious statements by denying the truth in televised interviews, public meetings and occasions such as a New Year address. Nobody dares to expose the lies as it can have grave consequences and, to the contrary, people blindly accept the line and it is really frustrating to listen to people repeating the white lies of the president. Such coward behaviour is rewarded with promotions and different types of benefits. In sum, it can be said that tell the truth and
sleep in a railway line is replaced by repeat whatever the people in power say and you will get some temporary benefits.”

High versus low level of the love of country is also another cultural dimension discussed. R1, R2 and R3 agreed that “there was a very high level of the love of their country among Eritreans during the armed struggle and during the early years of independence.” R1 explains “the high level of the love of their country of Eritreans can be measured by the readiness and willingness of both the youth and the elder generation both the male and female showed to join both liberation fronts during the armed struggle. On top of that Eritreans sacrificed their precious life to liberate their country which shows the high level of love of their country.” R2 compared the proportion of Eritreans who joined the revolution with those who were going to the Diaspora before and after independence to show the change which is taking place in the level of the love of country by Eritreans. Accordingly, “The level of the love of country has declined sharply as the number who was going abroad was a very small percentage of those who were joining the liberation struggle to sacrifice their life for the cause of the people. However, at present the number of Eritreans who want to live in the country is a very minor percentage of those who want to go abroad relative to those who want to stay in the country a percentage change which clearly shows how the love of country is changing from time to time after independence.” R3 explains the situation as follows. “Actually, it cannot be said that the love of country is declining but the people have lost hope in the leadership which is bleeding the country into death and people try to leave the country to search for a better life in the Diaspora as they do not see a promising future in the country. Moreover, most of those veteran fighters of the liberation of struggle are not properly rewarded by the leadership and people have started to develop the attitude of why should I, i.e. an attitude which has a negative impact on the level of the love of country.”

Open versus closed mindedness as well as inventiveness versus lousiness is the last cultural aspects discussed. R1, R2 and R3 said that “those two issues are closely related and argued that it is better to address them jointly rather than deal with them separately to avoid confusion.” Specifically, according to R1 “open mindedness and inventiveness are well appreciated and encouraged by the Eritrean leadership as long as they can contribute to the development and consolidation of their political power. However, by being open and inventive if one can challenge the leadership excessive illegal and unconstitutional power and if one can disclose their failures and misuse of power it is not at all tolerated and it can have very serious consequences and one can be labelled as a traitor or be accused as a treasonous individual.” According to R2, “open and inventive minds are in the process of being replaced by closed and lousy minds as a means of avoiding uncertainty and the thereby following harsh measures that can be taken against those who are involved.” R3 made the following comments: “A person who is open and inventive and who tries to find out mysterious things and facts that can lead to the disclosure of the leadership failures is not at all tolerated by the leadership as that can threaten its position. Such an act can be punished and to be on the safe side people have chosen to remain passive and blind followers of the developments which are initiated and appreciated by the leadership.”

Analysis

The main problem is not to assess how credible and realistic the cultural vision is and how it is implemented. The problem is due to the absence of a properly defined cultural vision and goals of nation building. Of course one can find a cultural vision in the PFDJ charter which was adopted in 1994. The ruling clique calls this charter a national charter and the author argues that this is unconstitutional and illegitimate as the PFDJ party is by itself an illegal and unconstitutional organization which is not the legitimate representative of the Eritrean people. This proves that the PFDJ has imposed its inhuman and militarist cultural vision, views and values which are discussed in the previous section on the whole country and its population.
This is a top-down approach rather which means that leadership sets a party direction and vision and imposes it to be a national vision and the people participate only by accepting what is imposed on them with no consideration of their vision, views, values and goals. The approach denies to the people the right to determine theirs and their country’s future and destiny. This is a leadership failure as it does not differentiate a party’s vision from a national vision, and at the same time as it imposes its party’s militaristic vision on the whole country. The other leadership failure is its inability to understand that a nation cannot be built in the absence of well defined and articulated national direction and vision developed with the full participation of the people. The third failure is the development of the non-participatory and top-down approach which does not consider the views, core values, principles and will of the people.

The contents of the cultural vision enshrined in the PFDJ charter under ‘cultural revival’ are also based on false premises as to what are promised to be developed in that section are cultural values which were possessed by the Eritrean people even before the beginning of the revolution. To claim that those values are developed during the armed struggle and will be developed further after independence makes the vision itself incredible, unrealistic, non-measurable and unachievable. Actually, our primary data has clearly illustrated that the clique in power has destroyed the dynamic value-based culture rooted in the people’s uniqueness as it does not tolerate the one man rule. Let us consider another aspect of the cultural vision that the charter promised and, i.e. to develop an Eritrean culture characterized by love of country. About one hundred thousand Eritreans are martyred to liberate the country and to defend its independence. If the love of country was not deeply rooted in the cultural value of the people, Eritreans would not fight for thirty years to liberate the country and they would not have continued to do so to defend the liberated country. This clearly shows that the leadership has miserably failed to be a living model for its conviction as it is not convicted at all.

To be the driving force of national efforts a vision has to be translated into S.M.A.R.T. However, as the vision was not at all realistic and credible it could not be converted into S.M.A.R.T goals and this makes it a major handicap in nation building which is one of the major failures of the leadership. Actually, the major leadership failure is that it destroyed the Eritreans love of their country and replaced it by the militarist culture to secure personal aggrandizement and personal interest. At present everyone starting from the president has become self-centred and promotes his own interest at the expense of the people and the country. Anyone who gets an opportunity leaves the country and does not want to return as he cannot see a better future that is attractive enough to justify the sacrifices and hardships the change will require.

The primary data provides a clear evidence that the leadership destroyed the Eritrean culture and replaced it by its militarist culture that serves its hidden vision and goals and this is one of its serious cultural blunders and worst failures in the cultural dimension of the nation building process in particular, and in the Eritrean history in general. The main aim of replacing the Eritrean culture by the militarist culture is to implement the PFDJ vision, i.e. the undeclared and hidden vision at the cost of the Eritrean official vision of building a peaceful, developed, democratic and constitutional government that respects human rights and the rule of law.

The cultural blunder committed by the core leadership created one of the serious in-depth division at various levels in the party in 2000 (http://news.asmarino.com/PFDJ/membership/Introduction.asp). The division had and has a catastrophic impact on the nation building process. One of the main reasons for the division in the party is because there was no unity about the vision of nation building in general and the cultural aspect in particular. It is also a clear illustration of the fact that the party charter was not even fully shared by the leadership and the other members. This further shows that a certain core faction of the leadership has imposed its vision and values not only on the party members and on the population as a whole, but also on another leadership faction, i.e. a peripheral faction. Imposing the minority’s cultural
vision on the other leadership members in particular and on the population in general is a serious cultural blunder and a measure leadership failure in nation building.

We have already observed that there was no credible cultural vision developed by the PFDJ. Moreover, the PFDJ vision was not set to be implemented but to mobilize various types of resources and to make the people rally behind the clique in power and to finally use the resources and the people to support the hidden vision and goals of the one man built and owned regime and its leadership. Instead of developing the said vision, the leadership developed a militarist strategy to destroy the existing value-based culture and to replace it by the PFDJ militarist culture that can serve the implementation of the vision of the one man unconstitutional regime. The militarist culture prevailing in Eritrea today and the strategy applied to build it is a long range process that started during the armed struggle. After independence, the same militarist strategy and militarist culture in a modified form camouflaged by some seemingly civilian values are applied though the objectives and the strategies remained the same.

Some of the prerequisites to mobilize people behind the vision, goals and strategies are a clear vision, credible strategy and a demonstrated commitment to improve welfare and being demonstrably zero-tolerant of corruption. All these prerequisites are nonexistent in Eritrea and they cannot be used to mobilize the people to rally behind the hidden militarist vision, accompanying deceptive militarist strategies and the thereby following hidden militarist goals.

The current leadership applies various militarist tactics such as coercion, deception, denial of the reality, diversion, confusion, distortion, terror and intimidation to mobilize the people, as it cannot mobilize people by motivation and inspiration. It cannot at all motivate and inspire people to motivate them in the implementation of the militarist vision as it never did or attempted to satisfy basic human needs for achieving a sense of belongingness, recognition, self-esteem, a feeling of control over one’s life, and the ability to live up to one’s ideals. It has committed a militarist cultural blunder and a leadership that has scored a worst failure in the cultural dimension of nation building cannot motivate people to rally behind the vague militarist vision, the thereby following militarist strategies and hidden militarist goals.

Nation building is mainly a matter of managing change effectively. The PFDJ clique in power is not ready to make any change if it does not serve its power interest. If it notices that a change can weaken its position it takes militarist measures which are diametrically the opposite of the change needed. Those who take initiatives for change can get punished with extremely harsh measures which are beyond imagination. In 2000 two groups of Eritreans took initiatives for a positive change when they clearly understood that the nation building process was jeopardized and was moving in the wrong direction. The ruling cliqued denied this reality and totally rejected the change demanded by accusing both groups of committing treasonous acts. The clique in power promised to build the existing Eritrean cultural values which is incredible and unrealistic. Finally, it destroyed those cultural values and replaced them by the militarist culture which can facilitate the implementation of the hidden militarist vision and militarist goals.

It is already illustrated that the leadership has failed to perform the first four tasks of leadership. These failures prove how poor and incapable the leadership is to make decisions and to solve problems. Actually, making underground, unpredictable and incomprehensible militarist decisions, creating problems and a sense of uncertainty, insecurity and tension typically characterize the leadership rather than making rational decisions and solving problems. It is not leadership by decision making and problem solving that typically operates in Eritrea, it is rather leadership by tension, uncertainty, insecurity, intimidation, interrogation, terror, distortion, disinformation, confusion and denying the reality. Such type of an atmosphere enables the leaders to cover up their weaknesses and past failures and to put the blame of the failures on others. Actually, the decision to destroy the Eritrean culture and to replace it by the militarist culture is a very clear evidence of the lack of the proper quality of decision making and problem
solving. The other typical example which shows how poor the quality of leadership is in terms of decision making and problem solving is how the president and his ‘yes-boss’ clique has dealt with the border issue with Ethiopia from 1998-2000.

One of the main duties of the PFDJ central office is to develop blind followers of the president and at the same time to destroy any leadership quality that exists in the country. Instead of strengthening the existing leadership quality immediately after independence, the president started to destroy, defame and underestimate the leadership capacity of the liberation struggle veterans and that of the civilians. Anyone who possessed a leadership quality in the country was either frozen or imprisoned or isolated and demoralized by the clique in power. The fact that the president has destroyed and is still destroying the existing leadership quality instead of developing new leaders and multiplying the existing ones is another remarkable chapter in the series of his failed chapters in the Eritrean history. According to the myth in the country which the people are made to widely believe, the only person who possesses leadership quality in the country is the president.

The fact that the leadership has systematically destroyed the typical Eritrean culture and at the same time national deterioration is occurring and getting worse continuously is a clear indication that the country lacks quality, legitimate and just leaders. Moreover, the fact that the leadership has done to the contrary of what it promised to do in the cultural dimension of nation building is a clear evidence that it does not possess the character, competence and care of developmental (effective) leadership.

Conclusions

This article both theoretically and empirically illustrates that the Eritrean regime has committed a cultural blunder and scored one of its main historical failures in the cultural dimension of nation building. The justification for this conclusion is that this work has clearly demonstrated that the current leadership has systematically and in a well-planned approach destroyed the dynamic value-based Eritrean culture which is deeply rooted in the uniqueness of the people. The other justification is that the main reason for destroying the Eritrean culture is that the leadership has from its early existence realised that such a value-based culture cannot serve as a pillar or building block for the illegal PFDJ regime. The other conclusion is that the one man built, owned and controlled leadership has replaced the Eritrean culture by a militarist culture of liquidation, terror, intimidation, silence, blind obedience, unaccountability, secrecy, mendacity, large power distance, time mismanagement, uncertainty, distrust, division and ambivalence to secure the illegal and unconstitutional one man rule. The other conclusion is that the cause for the failure in the cultural dimension of nation building is the lack of a developmental leadership and this is justified by the fact that the leadership does not possess quality, legitimacy, justice, character, care and competence to accomplish the task of nation building successfully. Moreover, it developed an incredible, unattractive, unclear, unspecified, non-measurable, non-achievable, unrealistic and not time bound militarist vision, goals and values that derailed the nation building process instead of providing proper direction for nation building as it promised. It further developed inappropriate militarist strategies which are inappropriate to mobilize people behind the nation building process. The other leadership deficiencies are its inability to deal with development challenges, to make vital decisions and to develop other leaders. The final conclusion is that a leader that can match the task of a nation building is a visionary and interactive leader that possesses quality, legitimacy, justice, care and competence none of which the Eritrean leadership possesses.

Managerial Implications

Firstly, the vision of nation building has to be developed with the full participation of the population from the very early stage. Secondly, leadership has to be honest to its people and should not promise a vision that it is not committed to and that it never intends to implement. Thirdly, developing a hidden party vision and mobilizing resources in the name of the official vision to be used in the implementation of the
hidden vision creates only confusion and nothing can be achieved from this mysterious way of leading nation building. Fourthly, such an approach makes people suspicious and makes it very difficult to make them rally behind any vision in the future. Fifthly, for the leadership to win the trust of the people again adequate explanation should be given of the underlying causes for failure and the lessons drawn and how they will be incorporated in the future course plans. Finally, an action plan should be developed by the leadership to bridge the competence gap that can exist among the current leadership and the leadership that can conduct the task of nation building successfully.

Future research should focus on the other dimensions of nations building such as the political, economic and diplomatic dimensions. Moreover, as this work is an explorative study based on empirical data collected from a small sample size a survey research based on a large sized population should be conducted in the future.

References
Historical evolution of economic interdependence: An input-output approach

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The objective of this paper is to summarize the historical evolution of the concept of economic interdependence within the general frame of reference of the input-output model. Modern macroeconomic thought has been profoundly influenced by two general equilibrium systems, the Keynesian one and the Input-Output model developed by Leontief. Although Keynes’ New School is considered an alternative to the Classical one, his approach is based on classical and neoclassical works. The first explanations of economic interdependence were examined by François Quesnay’s “Tableau Économique”, published in 1758. The recognition of Quesnay as pioneer of inter-industrial analysis was made by Wassily W. Leontief many years later. In his book The Structure of the American Economy, Leontief wrote that the statistical study presented in his Introduction to Part I could be better defined as an attempt to produce a “Tableau Économique” of the United States for 1919 and 1929. Leontief’s input-output model was originally intended to functionalize Léon Walras’ general equilibrium and interdependence model. That is why Leontief defined Input-output as an adaptation Neoclassical theory of general equilibrium to the empirical study of the quantitative interdependence among interrelated economic activities.

INTRODUCTION

The fundamental objective of this research effort is to summarize the historical evolution of the concept of economic interdependence within the general frame of reference of the conventional accounting system and the input-output model.

GENERAL EQUILIBRIUM SYSTEMS: J. M. KEYNES VERSUS W. W. LEONTIEF

Modern macroeconomic thought has been profoundly influenced by two general equilibrium systems, the Keynesian one and the Input-Output Model developed by Leontief. Although Keynes’ New School is considered an alternative to the Classical one, his approach is based on classical and neoclassical works. Both Keynes and the Classicists and Neoclassicists were interested in all possible macroeconomic forces affecting market equilibrium. Keynes’ new approach, however, induced a tremendous blow to the Neoclassical school by placing the employment determination issue at the center of the Great Debate, and by relegating price determination to a secondary level. His system considered the economy as a whole, not differently to the Classical school; that is, like a general equilibrium system, in contrast to the Neoclassical’s partial equilibrium approach. Leontief’s Input-Output Model was originally intended to functionalize Léon Walras’ general equilibrium and interdependence model (Myernik, 1965). That is why Leontief defined input-output as an adaptation of the Neoclassical theory of general equilibrium to the empirical study of the quantitative interdependence among interrelated economic activities.
QUESNAY’S “TABLEAU ÉCONOMIQUE”

The first theoretical explanations of economic interdependence were examined more than two centuries ago by the French physician of King Louis XV and Madame Pompadour, who became a famous member of the School of Economics known as Physiocracy, François Quesnay (1694-1774), in his notorious treatise “Tableau Économique”, published in 1758. For Quesnay and other Physiocrats, as Anne Robert Jacques Turgot (1727-1781) and Pierre Samuel Du Pont de Nemours (1739-1817), economic principles were just a part of a more transcendental entity deeply rooted in the concept of Natural Law and the Positive Rules of Nature, in other words, the so called Natural and Positive Order, from where they got their denomination. It can truly be said that Quesnay is the real founder of modern political economy (Phillips, A., 1955; Smith, A., 1869; and Marx, K., 1952). According to Quesnay and his colleagues, wealth or national income, production, and distribution belonged to the domain of scientific analysis and constituted a reflection of the universal truth (Gray, 1931; Haney, 1949; and Schumpeter, 1954). There were, however, other economists that objected the perception of the “Tableau” as a central piece of the physiocratic thinking. According to Quesnay, what his “Tableau” demonstrated was a graphical representation of a simplified version of general economic interdependences, reducing them to just three sectors (Blaug, 1997). The recognition of Quesnay as pioneer of inter-industrial analysis and accounting was made many years later by one of the greatest modern exponents of this type of analysis: 1973 Nobel laureate, Wassily W. Leontief (1906-1999). In his classic book The Structure of the American Economy, Leontief wrote that the statistical study presented in the following pages of his Introduction to Part I, could be better defined as an attempt to produce a “Tableau Économique” of the United States for 1919 and 1929 (Leontief, 1951, p.9).

WALRAS, PARETO, JEVONS AND MENGER

The next step in the evolution of economic interdependence had to wait more than 100 years. In 1874, Léon Walras published the first part (Theory of Exchange) of his book Élements d’Économie Politique Pure. The second part (Theory of Production) was published in 1877. He was the first one to conceptualize general equilibrium, rather than what is nowadays known as partial equilibrium in the context of Alfred Marshall’s school of thought. The General Equilibrium method became the central focus of the Lausanne School of Economics, where Walras acquired a professorship position in 1870. With William Stanley Jevons (1835-1882) from Cambridge, England and Carl Menger (1840-1921) from Vienna, Austria, Walras became one of the co-founders of the Subjective Theory of Value. This Theory that has also been called Neoclassical Theory of Value evolved from the classical works of Adam Smith, (1723-1790); David Ricardo (1772-1823); John Stuart Mill, (1806-1873); and Karl Marx, (1818-1883) and constitutes the seed of the Marginalist revolution of the second half of the XIX century. The essence of that subjective theory of value was determined by the idea that the “natural value” of a commodity is only a function of its relative scarcity, or the degree of what the consumers’ perceptions of need or want exceeds the commodity’s availability. It begins with the idea of scarcity (rareté) as a function of desire (perception of need or want). In other words, it is a matter of personal preferences among scarce or limited alternative goods or services and is exactly equal to their prices. As Vilfredo Pareto (1848-1923), also a member of the Lausanne School of Economics put it, prices should reflect scarcity and personal preferences. In other words, preference is pricing. Walras goes beyond other Neoclassicists by exploring the simultaneous determination of prices and the conditions for the existence of general equilibrium in the theory of production.

Production can be analyzed in two phases: The first one is related to the combined use of inputs or factors of production, and the second one is the role of time or timing in the production process. According to Hicks, the first phase is ultimately an extension of the theory of value by studying a special case of an inter relationship of prices (H.W. Spiegel pp. 580-591 and Haney pp. 781-802).
Walras focused on the specific case of fixed production coefficients in such a manner that the amount of inputs required to produce a certain amount of output is technically given. In other words, coefficients are pre-determined by technology and measure the inputs needed to produce a unit of final output. Given the fixed-coefficients condition and assuming perfect competition, equilibrium price should depend on the price of the inputs. Consequently, total prices can be derived by simple addition. In this total prices system, supply of and demand for goods and services can be determined by individuals’ preferences and ability (budget) to exercise those preferences (Hicks, p. 587).

Although Walras’ General Equilibrium model was a brilliant theoretical work, it was not empirically executed. In the meantime, the Great Neoclassical model was challenged by the historical conditions of the last part of the 1920’s and the 1930’s. A pure theoretical frame of reference without empirical application is as useless as a collection of data without a theoretical frame of reference.

THEORIES WITHOUT FACTS AND FACTS WITHOUT THEORIES: LEONTIEF’S CONTRIBUTION

Leontief in an article written for Scientific American (Leontief, 1966) made reference to his previous works of the 1950’s discussing this matter, when he pointed that “nowadays we have in Economics a high concentration of theories without facts and facts without theories”. In other words, while a group of theorists where building “empty boxes” and becoming experts in implicit theorization, the empiricists where using a series of very sophisticated statistical tools in the process of economic measurement without any theoretical foundation. Leontief developed a practical system guided to consolidate both processes. He not only developed a theory of production grounded in the concept of economic interdependence but also equipped it with empirical foundations by publishing an Input-Output Table of the U.S. economy in 1936 (Leontief, 1954).

Leontief was rescuing the theory of purely describing a static general equilibrium model, related to Quesnay, Walras and Pareto, by inserting a format capable of examining the interdependent structure of an observable economy. According to Dorfman, Leontief simplified Walras’ generalized model transforming it into empirically quantifiable equations (Dorfman, 1954). To achieve that, Leontief had to assume certain simplifications, like reducing Walras’ number of outputs and considering only one by each industry. For example, the automobile industry only produces motor vehicles. This is known as the industry-product identity assumption. Products are supposed to be homogeneous, also, with total uniformity, that is, all motor vehicles are exactly the same. The most important assumption, however, is that at any moment in time, the required input-output relationship is fixed. This is known as the fixed coefficients assumption, and it shows total independence to the level of output. According to Leontief, an instantaneous economy can only have fixed coefficients, and any change in the data in the short term, cannot lead into a substitution of productive processes (Kundo, et al, 1976). A large number of phenomena reported as input substitution when examined carefully, tend to show the non-homogeneous character of industrial classification (Leontief, 1951). Linear and constant production solve problems of input substitution and of economies of scale, but create others, like eradicating the time dimension needed when analyzing time periods in the production of capital or intermediate output. However, the final result demonstrates the numerous advantages of this model compensate all mentioned disadvantages (Richardson, 1972). The time problem can be resolved by transforming the model into a dynamic one. This is done by transferring the capital creation component of the final demand to the endogenous matrix.

Nowadays, input-output analysis is one of the most important areas of interest. As part of econometrics input-output combines economic theory, mathematics and statistics. It is used both in highly industrialized societies and developing countries. In the United States, the Department of Commerce, for example, has generated several input-output matrices, including the last one of 1997 (Bench-Mark Tables). In Europe, countries such as Denmark, France, Germany, the Netherlands, Norway, Spain, and
the United Kingdom, estimate input-output matrices every five years. In Latin America input-output matrices are estimated in Argentina, Colombia, Costa Rica, Cuba, Mexico, and Puerto Rico. In the case of Puerto Rico, there are input-output estimates for the years 1949, 1963, 1967, 1972, 1977, 1982, 1987 and 1992. Other countries with a long tradition of producing this analytical instrument are India, Japan, and Russia.

The rationale used to show the relevance of this type of analysis is: 1)- It is unbiased and consequently has been used in centrally-planned or command economies as well as laissez-faire and market-oriented ones; 2)- It has been applied to different branches of economics such as international trade, planning, regional analysis, theory of price, forecasting and others.

**POST-LEONTIEF DEVELOPMENTS**

Additional studies after the pioneering works of Leontief have contributed to generalize the Input-Output Model. In 1951, for example, Samuelson, Koopmans and Arrow showed that given certain conditions, the concept of substitution could be introduced to the model, adding more acceptance and legitimacy to it (Samuelson, 1951). In the long run, linear programming constituted its most significant contribution. Linear programming can transform the input-output model into an optimization tool eliminating some of the constraints of Leontief’s Simple Input-Output model. In Chenery’s words “linear programming offers a means to neutralize the limiting assumption of the constant inputs coefficients of every sector, simultaneously allowing for statistical measurement” (Chenery & Clark, 1963; Koopmans, 1951; Dantzig, 1949; and T.C. Koopmans, cf. Samuelson, 1951).

There are other historical developments that should be mentioned. Firstly, it is possible to integrate economics with ecology within the general frame of reference of input-output analysis. Economists and experts in related disciplines such as Cumberland, Daly, Isard, and Leontief have suggested that input-output can be applied to environmental research and policy implementation. These writers have emphasized empirical aspects while others like Ayres and Kneese have concentrated their research in the theoretical revision of the Walras-Cassel general equilibrium model. This theoretical revision provided for the satisfaction of the so called law of mass conservation of fundamental importance both in economics and environmental interrelationships (Victor, 1972; Ayres and Kneese, 1969; and Leontief, 1970). Another important development, mainly introduced by economists of Canada’s Dominion Bureau of Statistics (DBS), was the implementation of input-output analysis using commodity-by-industry matrices. In traditional analysis, input-output and inter-industry economics were synonymous. In the commodity-by-industry approach, commodities and industries are introduced explicitly, avoiding the aggregation of multi-merchandise produced by each industry and considering them as compounded merchandise. It is understood that every industry uses and produces many products, and that some products are produced by more than one industry (Rosenbluth, 1968). The commodity-by-industry models’ analysis requires commodities matrices quadrants. This type of matrix exists in Canada, the United States and other countries. Unfortunately and due to the high cost of producing this type of matrix, they are not generated in other regions and countries. Future studies should focus on African nations and discuss the mentioned topics and issues in that context and attempt to produce similar matrices for them.

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The quest for viable rural communities for sustainable economic growth and development in South Africa

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The post-1994 democratic South Africa has seen much effort being put into the design and implementation of government programmes intended to address past and present inequalities. South Africa, like other developing countries, has had its fair share of challenges in addressing the plight of the rural communities. The efforts thus far implemented were within the framework of Reconstruction and Development Programme (RDP); designed to reduce poverty and inequality through revival of economic growth, human resource development and broad-based ownership of assets to achieve growth with equity. This was later supplemented with the Growth, Employment and Redistribution Strategy (GEAR); a neo-liberal approach towards minimizing the role of the state in the delivery of services. Despite these efforts, there is relatively visible change for the rural communities in the areas of electrification, potable water, sanitation and roads, communities characterized by high levels of poverty. Their incomes are constrained because the rural economy is not sufficiently vibrant to provide remunerative and sustainable jobs or self-employment opportunities. Part of the explanation to this state of affair is largely due to rural areas being sparsely populated, weak manufacturing base and poorly developed infrastructure, weak human resource capacity (due to urban migration) and, local government having little or no tax base Ntsebeza (2004), Davids (2003).

The purpose of this paper is to reflect on the prospects and challenges for the new administration to implement the Comprehensive Rural Development Programme (CRDP) in relation to other similar initiatives and, concluding remarks will be in the form of suggestions for consideration by decision-makers.

INTRODUCTION AND BACKGROUND

South Africa’s rural communities are characterized by racial, geographical and gender elements with high levels of poverty, weak manufacturing base and poorly developed infrastructure, inadequate or lack of human resource capacity and little if any, tax/revenue base, Ntsebeza (2003) (2004), Perret and Mercoiret (2008). Rural development has taken a growing political discourse since 1994 to date, and has been promoted or implemented through various policies, legislations and programmes, most of which have been conceived and managed centrally. In spite of the government’s willingness to position local municipalities as the key providers and promoters of development in rural areas, these policy streams have long developed separately (between urban and rural local government), a view similar to the one expressed by Vaughan (1997) that for too long in South Africa, urban development and rural development have been polarized and pursued in almost total isolation: rural development being about agriculture and urban development being about management of big cities. However, as Perret & Mercoiret (2008) acknowledged, attempts were made to converge the policy streams identified above with the introduction and the integration of the Integrated Sustainable Rural Development Programme (ISRDP) with local municipalities’ Integrated Development Plans (IDPs).

The purpose of this paper is; firstly, to reflect on the plight of the rural communities in their quest for sustainable livelihoods and secondly; to assess the newly-coined concept and initiative of Comprehensive Rural Development Programme (CRDP). The assessment will be made in relation to its vision, objectives and implementation strategy to gauge its feasibility. Conclusion remarks will be made in the form of suggestions to be considered.
RURAL LOCAL GOVERNMENT PLAGUE AND DYNAMICS IN POST-1994 SOUTH AFRICA

Prior to the 1995/96 local government / municipal elections, democratic local government did not exist, these traditional authorities have been reshaped and transformed through exposure to colonialism and apartheid, until in most homeland areas, it became little more than a weakened extension of the apartheid state, Pycroft (2002), McIntosh (1995), Kanyane (2007). Most homeland rulers built their power base upon their ability to manipulate traditional leadership, and on the access to land and other benefits controlled by traditional leaders. To date, most rural areas in South Africa are still under the rule of traditional authorities, which are predominantly hereditary. This state of affair poses challenges on constitutional requirements for democracy, community participation in development and governance. The conditions on the ground are often characterized by tensions and conflicts between elected councilors and the incumbents of pre-democratic dispensation tribal authorities. What is more interesting is that both institutions of traditional authorities / leadership and representative democracy are entrenched in the Constitution of the Republic of South Africa (1996), chapters 7 and 12 respectively. The former while being recognized by the constitution, its role was not clearly articulated until the promulgation of the Traditional Leadership and Governance Framework Act, 2003, Ntsebeza (2003), (2004) Pycroft (2002). The elected councilors were introduced as a result of efforts to extend democracy to rural areas. Some functions of these democratically elected councilors are those used to be performed by the traditional authorities, for example, the promotion of state-led development in rural areas. These developments would later become a breeding ground for discontent, discomfort and confusion.

Most importantly, it was the function of land allocation that most of the tension revolved around, wherein civic structures and traditional authorities had more or less equal support from their communities, the relationship that Pycroft (2002) refers to as being complex and frequently contradictory. The tension manifested itself at two levels; law and practice. That is, apartheid-initiated laws are still being practiced, though with minor adjustments. This involved traditional leadership (chiefs / headmen) being the custodians of land allocation in the areas of their jurisdiction Kanyane (2007). This aspect is captured by Kariuki (2009) that in countries with a history of social injustice or exclusion where land ownership is concerned, political motives justify redistributive land reforms, injustices of land dispossession, inequity in land ownership, and its attendant poverty patterns, has proved a daunting task not only in South Africa, but also in Kenya, Zimbabwe and Namibia. The distinct features of South Africa’s rural communities which persist to this day are; low political will to deal decisively with the land question (especially in rural areas), limited fiscal allocations to their programmes of reform, limited institutional capacity along with overly bureaucratized state machinery to effect these reforms, hostile and liberalized agricultural environment, lack of post-settlement support to recipients of land reform, the dissonance between a preoccupation with land reforms, and the realities of rural economies / rural development Ntsebeza (2003) (2004); Pycroft (2002), Davids (2003), Everatt & Zulu (2001), McIntosh (1995).

As Ntsebeza (2004) succinctly puts it, traditional authorities are vehemently opposed to the moves by the post-1994 government to introduce decentralization and democratization in rural areas under their jurisdictions, they would only be happy to be the only primary structure in rural areas and; insist on preserving the concentration of functions they enjoyed under apartheid. They want land to be transferred to them or their structures, rather than to individuals or democratically constituted and accountable legal entities. To this end, the government seemed to have succumbed to the pressure, the evidence of which can be seen in the post-1994 policy and legislation which envisaged the extension of participatory and representative notions of democracy to rural areas. This aspect is evidenced by the promulgation of the White Paper on Local Government published in 1998 about the possible role of traditional authorities due to its perceived closest role to the people and the development role they have played for their communities and the Traditional Leadership and Governance Framework Act (TLGFA) (2003). However, the Reconstruction and Development Program (RDP) had it as its key pronouncement that, the developmental role of local government should be bestowed upon the democratically elected local
government, a fact that could not be said of the traditional leadership. Ntsebeza (2004) contests this aspect in the view that traditional authorities have played a role in the development of their communities must be viewed with suspicion, as no evidence can be adduced to support this assertion, instead, evidence shows that traditional authorities were never directly involved in development projects but acted as a link between government line departments and their communities.

The situation so far advanced paints a bleak picture of the participatory democracy in rural local government structures, and this raises questions about the prospects of creating and increasing sustainable development in rural local communities. The next section will allude to the initiatives so far undertaken by the post-1994 government in mitigating the plight of the rural communities.

INITIATIVES ON RURAL DEVELOPMENT AND LOCAL GOVERNANCE IN SOUTH AFRICA: 1994 – CURRENT

Perret & Mercoiret (2008) are of the view that local municipalities are the key providers and promoters of development in rural areas and in South Africa, there are two parallel streams that took place since 1994. On one hand local government has been gradually established and strengthened as the third sphere of government and, on the other, rural development has taken a growing place into political discourse from 1994 onwards and, has been promoted through various policies, legislations and programmes, which to a larger extent has been conceived and managed centrally. These (rural development initiatives) include, 1994 - Rural Development Programme (RDP); 1995 - National Rural Development Strategy (NRDS); 1997 - Revised Rural Development Framework (RRDF); 2000-1 - Integrated Sustainable Rural Development Strategy (ISRDS) and; the current 2009 - Comprehensive Rural Development Programme (CRDP). Not all these initiatives will be dealt with in this paper, attention will be given to the two latest programmes, viz; ISRDS and CRDP.

Rural Development: Reconstruction and Development Programme (RDP) v/s Growth, Employment and Redistribution Strategy (GEAR)

It needs to be pointed out from the outset that, the 1994 White Paper on Reconstruction and Development Programme is actually the first major milestone in the evolution of local government policy in South Africa, a successor to the RDP (a political manifesto of the Tri-partite alliance in the run-up to the first democratic elections) which set out to promote economic and social development, especially targeting the backlogs and inequalities left by the apartheid era. In particular, the White Paper identifies local government as a vehicle for taking forward the RDP. It clearly promotes municipalities as the key institutions to implement development projects. It also underlines consultation as an important process, which should take place with accredited local RDP forums consisting of representatives of all local stakeholders, Perret & Mercoiret (2008).

However, as the authors note, the principles enshrined in the RDP were seen to be lacking in terms of institutionalization, promised much, yet with some vagueness, especially regarding rural development and, lacked implementation and was characterized by welfarist, supply-driven approach to development. This was later augmented by the Growth, Employment and Redistribution Strategy (GEAR) as a macro-economic policy framework, with emphasis on neo-liberal approach. Its aims included, among others, social development and economic growth; integration, co-ordination and alignment of public-private investments, democracy and pro-poor development. The expected outcomes included; provision of services and infrastructure, creation of live-able, integrated urban and rural areas, empowerment and redistribution.

It was during 2000-2001 that Integrated Sustainable Rural Development Strategy (ISRDS) was formulated as a result of pressures from stakeholders concerned with rural development, notably, the
CSOs. This was a result of these bodies insisting on government to specifically and explicitly address the rural development issue. Among others, the ISDRS had principles geared toward a focus on district level where local government will be a key player and the locus on integrated rural development through Integrated Development Plans (IDP). Essentially, an IDP sets out the vision, needs, priorities, goals and strategies of a local authority (rural authorities included) as provided for in Chapter 2 of the TLGFA, 2003. The ISDRS acknowledged the weaknesses of municipalities and emphasized the differentiation of economic potential in rural areas. The ISDRS emphasized the role of local government in promoting rural development. It further made it clear that “successful rural development must be implemented in a participatory and decentralized fashion in order to respond to articulated priorities and observed opportunities at local level” The ISDRS was turned into a programme to emphasize its operational purpose, it represented a spatial development framework, which tried to accommodate environmental, social and economic agendas. It was designed to provide national and provincial means at local level, since many municipalities were and are still ill-equipped to play a significant role themselves. The ISRDP’s aim was not in any way intended to replace or duplicate any local initiative, it was meant to fit into the local IDPs and, to be driven by local municipalities.

The initiatives outlined above were noble efforts geared toward bringing rural municipalities at par with their urban counterparts to realize the principle of making rural development a consultative and participatory process. It can also be stated that both the ISRDP and IDP were initiatives meant to be complementary in their implementation, Ntsebeza (2005), Perret & Mercoiret (2008).

A New Vision for Rural Development in South Africa: The Comprehensive Rural Development Programme (CRDP)

The Comprehensive Rural Development Programme (CRDP) is a culmination of the 2007 ANC’s 52nd National Conference – Resolutions held in Polokwane, December 16-20 in which the ruling party notes “….interventions such as the ISRDP have made significant, but insufficient progress….in improving potential for economic growth in rural areas.” Further….” municipalities in the poorest and most rural parts of South Africa are among the most deprived in terms of human, physical and financial resources. This lack of capacity limits the extent to which rural municipalities can act as catalysts for growth and development”. These and other considerations led to the resolution to embark on an integrated programme for rural development, land reform and agrarian change (ANC: 2007). It is one of the key five priorities that the ruling party set themselves for the next five years starting from 2009.

The CRDP has a three-pronged strategy; viz:

- **Agrarian Transformation**: this will include initiatives such as increased production and sustainable use of natural resources, strengthening rural livelihoods for vibrant local economic development, use of appropriate technologies, modern approaches and indigenous knowledge systems, food security, dignity and improved quality of life for each rural household;
- **Rural Development**: this program will be geared toward picking-up pace of redistribution of land towards 30% and tenure reform, speeding-up of outstanding restitution claims and, support to all land reform programmes through Land and Planning Information and;
- **Land Reform**: this programme will be geared toward improved economic infrastructure, social infrastructure, public amenities and facilities and institutional infrastructure.

The CRDP terminology describe rural development to be multi-dimensional, encompassing improved provision of services, enhanced opportunities for income generation and local economic development, improved physical infrastructure and active representation in local political processes. Rural development in the context of CRDP is thus much broader than poverty alleviation through social programs and
transfers. The concept, and possibly its implementation, places emphasis on facilitation of change in rural environment to enable the poor people to earn more, invest in themselves and their communities.

The program has as its key elements; a vision for growth process in rural areas, mechanism for integrating existing rural programs, defining laws of decision-making, a meaningful role for local stakeholder and, key performance indicators or a process for generating them internally to do strategy (CRDP: 2009). Key to the envisaged implementation of this programme is geared toward developing a relevant and targeted policy in the form of the White Paper on Agrarian Transformation, Rural Development and Land Reform; and increasing capacity, this will be in the form of creation of the Rural Development Agency (RDA), which will be tasked with coordination, planning and resource mobilization, Monitoring and Evaluation and Reporting systems and accountability.

CONCLUDING REMARKS AND IMPLICATIONS

The efforts by the post 1994 successive ANC governments regarding rural government development need to be applauded. The architect of the program have set themselves goals and objectives to overcome what other initiatives could not adequately achieve, however, the critical issue of the role of traditional leadership and its role within a democratic system of governance needs to be given priority to avoid the current government being held hostage by these institutions and individuals and thereby stalling the progress. Though the TLGFA provides for specific and unambiguous functions for rural authorities, to ensure successful implementation of the initiatives of the CRDP and, the application of the relevant legislation, authorities will need to consider the following; to devise enforcement mechanisms for traditional authorities to fully carry out their legislated functions, instead of solely relying on their wisdom as per their customs and traditions. That is, compliance in this case is not sufficient; and concerted efforts and a change of strategy need to be devised regarding the principle of willing-buyer-willing-seller if the question of land reform is to become a success. All these will need a strong political will and less rhetoric by those in position of power and trust.

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Deregulation in the Midst of Poverty: The Planning Implication

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Deregulation as practiced in most of the developed world had the initial inbuilt support of social security system unlike most of the developing World like Nigeria that will only copy policies without adequately taking care of the side effects on the masses. Deregulation which could be seen as a general move toward reducing the degree of direct government intervention in the economy could not totally be achieved without adequate preparation for the people. As the alarming fact revealed that the poverty level in Nigeria has been extremely high, with about two thirds of the population below the poverty line in 1996 (FOS, 1999) and 75.5 per cent in 2004 (FOS, 2006). When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the society accompanied by social vices. These issues and many others are the basic consideration of this paper.

Introduction

Deregulation is a general move toward reducing the degree of direct government intervention in the economy. In a broad sense, deregulation of an economy may be defined as decreasing the number of administrative obstacles for doing business. Lack of competition is typically the outcome of regulation. Trade liberalization and the information revolution have paved the way for the globalization of financial markets. The pace of financial globalization, however, will depend critically on whether governments get out of the way of the market or whether they try to block the natural course of market forces by erecting new barriers to the globalization of trade and finance. A market-based approach to financial regulation would recognize the self-regulatory aspects of competitive markets and encourage sound institutions while allowing weak ones to fail. There would be little room for political maneuvering. The globalization of trade and finance has tended to weaken the influence of government and to strengthen the influence of the market in determining policy outcomes.

A glance at the relevant literature rapidly shows that there is no general consensus on any meaningful definition of poverty (NISER, 2003; Schubert, 1994). In fact, there are perhaps as many definitions as there are researchers. The former President of the World Bank, Robert McNamara was quoted by Aboyade (1975) to have defined poverty as a condition of life so degrading as to insult human dignity. In the same way Seebohm Rowntree was quoted by Abumere (1999) to define poverty as a state of household’s command over resources at a level which is insufficient to obtain a basket of goods and facilities judged to be minimum necessaries in the contemporary circumstances of the society. The Ninth Report of the Development Policy of the Federal German Government states that people affected by poverty are unable to lead a decent life (BMZ, 1992, 13). The following aspects were listed in the report: “poverty means not having enough to eat, a high rate of infant mortality, a low life expectancy, low educational opportunities, poor drinking water, inadequate health care, until housing and a lack of active participation in decision-making processes. All these aspects are true reflection of things in Nigeria. While over 70 per cent of Nigerians live below poverty level, over 90 per cent earn below US$1 per day. The effects of all these are the consequences of deregulation in a global economy.

While most of the developed countries and some developing ones have social welfare packages for their people, there is nothing to rely upon in Nigeria. Only the people in the corridors of power enjoy the affluence of life. The social system contained: old-age pension, support in the case of disability, job
accidents, health insurance and unemployment benefit. Can we then say that deregulation is good for the economy of Nigeria?

**The Trend of Poverty in Nigeria**

Poverty level in Nigeria has been extremely high, with about two thirds of the population below the poverty line in 1996 (FOS, 1999) and 75.5 per cent in 2004 (FOS, 2006), which disaggregated into 70.7 per cent for urban areas, and 79.2 per cent for rural areas. The situation would have been worse but for the damping effect the period 1985 to 1992 had on poverty, when the rising trend of the earlier period was reversed, before the upward movement resumed again. Specifically, poverty level went up 50% between 1980 and 1985, going from 28.1% to 46.3%. Between 1985 and 1992, there was a drop of about 4 percentage points to 42.7%. However, by 1996, the level jumped to 65% an increase of more than 50% of the 1992 figures.

During the four survey years spanning sixteen year period, 1980-1996 conducted by Federal Office of Statistics (1999), the proportion of the core poor, moved from 6.2% in 1980 to 12.1% in 1985, increasing slightly to 13.9% in 1992 and then shooting up to 29.3% in 1996. The estimated annual increase in poverty level for the core poor in the first period was 1.2 percentage points, which was almost one quarter of the 4 percentage points recorded for the last period i.e. 1992 - 1996. These figures mean that while only 4.1 million persons were core poor in 1980, the group had increased to 30 million by 1996.

The moderately poor, similarly had a sharp rise from 21.0% in 1980 to 34.2% in 1985, dropped by about 6 percentage points in 1992 and finally moved to 36.3% in 1996. Thus, the reduction in poverty from 1985 to 1992 manifested only among the moderately poor. Despite this reduction however by 1996, the size of the group had become 37.1 million, up from 14.2 million in 1980. In Nigeria, there has been a consistent increase in poverty among the people. The incidence of poverty increased sharply both between 1980 and 1985 and between 1992 and 1996. However, there was a decrease in poverty level between 1985 and 1992. The figures were 28.1%, 46.3%, 42.7% and 65.6% for 1980, 1985, 1992 and 1996 respectively (FOS, 1999). The 27.2% for 1980 translated to 17.7 million persons whereas there were 34.7 million poor persons in 1985. Despite the drop in poverty level in 1992, the population in poverty was about 5 million higher than the 1985 figure. By 1996, the population in poverty had increased sharply to 67.1 million.

Over the 16-year period, poverty was at a higher level in the rural areas than in the urban areas. But the gap in the levels fluctuated indicating that the two sectors had different experiences in the period. The gap was 11 percentage points in 1980, 13 percentage points in 1985, 8 percentage points in 1992 and 11-percentage point in 1996.

Urban poverty moved from 17.2% in 1980 to 37.8% in 1985 but remained at the same level in 1992. By 1996 it had risen sharply to 58.2% whereas rural poverty rose rapidly between 1980 to 1985, the figures being 28.3% in 1980 and 51.4% in 1985. There was a decrease of above 5 percentage points between 1985 and 1992, but there was a big jump from the 46% in 1992 to 69.3% in 1996.

**The Essence of Deregulation**

One of the basic elements of deregulation is the creation of a business environment supportive of enterprise performance and thus leading to significant gains in terms of competitiveness and welfare. The gist of deregulation is the inversion of the existing type of relations between the state and enterprises. The pattern of permission, with enterprises applying for government’s favourable decisions on allocation, must be replaced by the pattern, in which the government provides sufficient capacity for enterprises to take allocation decisions independently. To ensure competitiveness and welfare gains from deregulation,
the government must pursue consistent and predictable policies aiming at a creation of reliable institutional framework for enterprise performance. A failure to do so would strongly impede the real sector development and thus throw the country back in crisis.

Why is it so difficult to make an economy more competitive, and deregulation so hard to achieve? In Nigeria, the beneficiaries of regulation feed fat on the profit made with little or no services rendered. While many areas of the economy need to be deregulated like the energy sector, communications, airlines, transport, ports and others, there is need for corresponding provisions of social security since most people would pay for the economic rent of the goods. Most of the industrial countries like the U.S. and the UK have started long ago a process of vast deregulation. New Zealand and Ireland followed their example with flying colours. Other countries as well are proceeding with reform of economic structure. Japan is anxious to tackle its own economic reform, carefully listening to and learning from the successes and failures of other countries.

We are now in the midst of accelerating globalisation of the world economy. In order to ensure that further development of each economy is attained and the global economy runs smoothly, it is imperative that each country's economy functions in harmony with the international community. Lack of competition is typically the outcome of regulation. Taxi cabs in European cities are expensive because the number of licences is strictly controlled. As a result of deregulation, taxis in Ireland are cheap. Public notaries in many countries provide virtually useless services for extremely high fees. Fees are high because access to the profession is tightly controlled by the public notaries themselves—this is how regulation protects them. For some time after US airlines had been deregulated, flying from New York to Los Angeles (a 5 hours flight) was much cheaper than flying from Zurich to Frankfurt (a half-hour trip). And so was the cost of a coast-to-coast phone call in the US compared with a domestic long-distance call in France. Regulations create rents; deregulation is about reducing them and redistributing them from overprotected minorities (notaries, taxi drivers, airline pilots and telecom, or electricity workers) to the general public.

One of the benefits of deregulations in Nigeria is the communication sector which got the people out of the stronghold of Nigerian Telecommunications. But at the same time, the deregulation of the oil sector is still a source of concerns to the people as there seem to be no end to fuel prices. Frivolous excuses are given every time to justify the increase and sometimes without any formal announcement again. The pump price of petrol has just been increased arbitrarily from #65 to #80, #90 or even #100 again without any prior notice. The implications of this on the economy are that prices of goods will increase again without any corresponding increase in the income of people, and the poverty continues.

Some commentators, even those who are inclined to agree that in many instances the adverse effects of regulation out-weight its benefits, have suggested that it does not. Deregulation, they say, flies in the face of a long established trend toward increasing government involvement in the detailed workings of the economy. Deregulating product markets has an additional benefit: it makes deregulating the labour market much easier. In the labour market, regulation takes the form of labour protection laws which increase workers’ power when they bargain with firms. Bargaining is mostly about the distribution of excess rents between the firm and its workers. In a competitive industry, where there are no excess rents, there is little to bargain about. Evidence gathered by the OECD shows a strong positive correlation across countries between the degree of competition in the product market and the extent to which labour market regulations protect workers.

In some cases, however, regulation works in the opposite direction: it keeps the price of public services artificially low, rather than too high. This is the case, for instance of railway fares throughout continental Europe, which are subsidized by the government: fares are too low, but taxes too high. Here again, winning the battle for deregulation requires convincing consumers that they stand to benefit: railway fares will be higher, but taxes lower. So only those who actually use trains will pay the costs, rather than the
non-travelling taxpayer. The general believe is that piecemeal deregulation is destined to fail. To gather enough political support, deregulation must hit the entire economy, not selected industries, one by one. And, to the extent that deregulation eliminates subsidies to minorities, it should be accompanied by tax cuts for all. The possibility of this general believe is very doubtful in Nigeria as the nature of the economy is different from that of the developed world.

**Deregulation and Poverty in Nigeria**

The Nigerian economy is not based on the industrial nature of the developed countries and therefore there are no bases for comparison and total adaptability of the deregulation policy. The abject poverty is too high for people to grapple with. And again there are no social welfare packages to cushion the effects of economic rents. The recent increase in the fuel prices has been termed an invitation to chaos by the NLC President. One of the problems of deregulation in Nigeria is that while more profits are made from the different sectors, the gains are not felt by the people. There is more corruption in the corridors of power. The rich continues to enjoy the affluence of life while the poor become poorer. Sometimes ago a Governor was caught with #300million at an airport in London, yet no State in Nigeria could be declared to have satisfied his people with all necessities of life. Every time the government in power would continue to appeal to the people to bear with their stringent policies, promising things would soon be better, but for over 40 years the suffering continues. Promises every time but no end to the suffering of the people.

All the arguments for deregulation and privatization of the economy in Nigeria include better maintenance of the basic infrastructure and the struggle against poverty.

- more confidence in the private sector
- higher efficiency
- better allocation of resources
- more freedom by more individualism and pursuit of profit without state control
- more *equidad* by equal participation of the market
- more jobs opportunities

That corruption would be consistently fought by means of more transparency and predictability of the government’s decisions. The energy sector has defied all solutions as opposition from the workers continues to frustrate government efforts. The question is, is there a way to weaken this opposition? Public utilities offer a good example. Whenever a government attempts to liberalize the electricity industry, unions and firms join forces in opposing deregulation. Workers, as well as management, oppose deregulation because it eliminates their greedy collection of bribes. But what if the government, instead of fighting the electricity industry alone, liberalizes all markets at once with a big bang? Then electricity workers will realize that what they stand to gain, as consumers, from lower prices throughout the economy, more than compensates their anxiety and loss of jobs.

**Implications on Planning**

Poverty and environment are often seen as inextricably linked, with the need to eradicate poverty as an initial step to protecting environment. In all the various definitions of poverty, some of the most notable features are the consequences that it imposes on the environment, which the physical planners have to combat. The condition of life so degrading as to insult human dignity often result to slums and ghettos. When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the part of the city. And when there are inadequate and unfit housing, there will be the disaster of homelessness, unplanned and sprawl nature of city growth.

In physical planning, when we talk of development control, one of the most notable features of many Nigerian cites is the very disorderly nature of the cities. There has been a phenomenal growth of urbanization
resulting in our major cities growing and expanding in an unplanned manner. The central parts or core areas of most cities are decaying while the sections are increasingly becoming slums. Many buildings have been and are being constructed without approved layouts, illegal structures springing up arbitrarily, open spaces are disappearing fast and many parts of Nigerian cities lack access. Some of these acts are the consequences of poverty. For it is a well know idea in planning that the well laid out areas occupied by the high income people are the best maintained and well kept parts of the cities. The high cost of land, rent and property enjoyed by the neighbourhood is due to the nature of the environment. So we can easily discern the relationship between environment and poverty.

Compounding the problems especially in our urban areas is the alarming rate at which urban sprawl has been developing haphazardly. The household's inability to provide sufficient income to satisfy its needs for food, shelter, education, clothing and transportation as poverty is defined often result in cities continued growth at a rate faster than the types of facilities initially installed. In essence some of the problems of the environment is as a result of poverty. The rapid population growth and physical expansion of cities have been accompanied unplanned urban sprawl, environmental pollution, deterioration, deficiencies in modern basic facilities such as water, electricity, hospitals, sewage municipal and community facilities, and general urban decay. As increased poverty and urbanization exert more pressures on urban facilities, most Nigerian cities tend to have lost their original dignity, social cohesion and administrative efficiency.

Conclusion

This paper has tried to review the economic policy of deregulation in Nigeria by examining the issues vis-a-vis the poverty implications. It noted that deregulation as practiced in most of the developed world had the initial inbuilt support of social security system unlike most of the developing World like Nigeria that will only copy policies without adequately taking care of the side effects on the masses. Deregulation which could be seen as a general move toward reducing the degree of direct government intervention in the economy could not totally be achieved without adequate preparation for the people. As the alarming fact revealed that the poverty level in Nigeria has been extremely high, with over two thirds of the population below the poverty line. When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the society accompanied by social vices.

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Analysis of competitive behaviour within Ghana’s mobile telephony industry

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The study seeks to examine the competitive behavior within Ghana’s mobile telephony industry. With survey data collected for the purpose, an analysis was done employing simple cross tabulations using a Spreadsheet software program. Important conclusions reached include: Firstly, Ghana’s mobile telephony industry can be described as an independent oligopolistic industry, with the three larger ones, the MTN, TIGO and VODAFONEs accounting for about 95% Concentration Ratio. Secondly, the providers tend to adopt non-price competitive practices as against straight price competition that could result in market instability and turbulence, and consequently, loss of market share. Thirdly, subscribers are not too pleased, but frustrated with the very low service quality being provided. Call-drops, difficulty in placing calls, and relatively higher tariffs are almost the order of the day. Finally, the NCA is being called upon to properly exercise its mandate to ensure all regulatory roles and functions are effectively implemented. The recommendations made are: that there must be enough and proper policing of the sector, especially because of the 95% Concentration Ratio accounted for by the three large providers so as to forestall the possibility of adopting cartel or collusive practices that could be to the detriment of the helpless subscribers; that the providers must begin to take the subscribers seriously and never to forget the fact that at the end of the day the sustainability of their organizations depends on these seemingly powerless subscribers; and that the NCA must provide answers to the question of expertise which is a critical challenge to effective functioning of the set up. Future research in the area could be directed at looking at the economic impact of the industry, and the social responsibility role of the industry.

Introduction

Ghana’s mobile telephony industry consists of the service providers, the Government represented by its agent, the National Communication Authority (NCA) with responsibility for regulatory functions and powers to ensure that sanity prevails within the industry, and the subscribers who can make or break the service provider. The fact that subscribers who are business executives, public sector workers, students, hawkers, workers in academia, hawkers, farmers, and even the jobless and scavengers are all users of mobile phones provides some indication of the importance of mobile phone technology in the conduct of their daily lives and businesses.

Think Ghana (2010) has indicated that the mobile telephony sector in Ghana is getting interesting and hotter with the growth in number of service providers all eager to increase the subscriber base. The number of mobile phone users has multiplied by the day. A current conservative estimate of 11 million mobile phone users exist in Ghana out of a total estimated population of 22 million people. It has further been reported that the records of Ghana’s National Communication Authority (NCA) show that there has been an exponential growth in the number of mobile subscribers from about 7.6 million in January, 2008 to about 11.3 million by the end of the same year. This has been due to aggressive marketing strategies and the introduction of new and innovative products by the providers, resulting in the apparent 50% tele-density achieved so far. Ghana Business News (2009) has commented on the phenomenal growth within the industry and states that among 40 Ghanaians with mobile phones, only one has a fixed line, putting the ratio at 40:1. The implication is that Ghanaian mobile phone users now regard the mobile phone as a far more important communication tool than fixed line phones.
There are currently six mobile phone providers in Ghana, even though only one existed in 1992. This appears to confirm the Structure-Conduct-Performance (SCP) Paradigm, which states that an industry is never static but always changing in structure (the number of firms in an industry), the way it conducts its business, and the resultant performance in terms of profitability, etc (Moschandreas, 2000; Cook et al, 1998, pp.365; Reekie, 1989).

On average, there has been positive growth in the overall Ghana’s mobile telephony industry. Despite such a phenomenal growth and intense competition among the service providers, the industry is reported to beset with varied and numerous problems. Among these, are poor reception, break in initial calls, unannounced break in transmission (call drops), and the high cost of making calls. These problems are apparently being voiced out by the various groups of mobile phone users; some have even pointed at the National Communications authority (NCA), Government agent, as a weak regulatory institution that has compromised on its mandate, to the disadvantage of subscribers.

The overall aim of the study is to analyse the competitive environment of Ghana’s mobile telephony industry and come out with any related policy recommendations that could positively help to move the industry forward. Specifically, the study objectives are to:

- examine the operations by the service providers in terms of service quality;
- assess the opinions of the subscribers; and
- examine the role of the National Communications Authority (NCA) within the industry.

The study is of significance to a wide range of stakeholders, among whom are the subscribers from all walks of life, with varied issues and concerns of efficiency and costs; the providers who seek after profit but must never be seen to take the subscribers for granted; and the government through the NCA that must be seen by the public not to be compromising on their regulatory role and mandate; and lastly, the entire economy supposed to benefit from the developmental role of the industry through multiplier effects.

The study used data mostly collected from the nation’s capital city of Accra where the interviewing of relevant respondents was conducted. It may therefore be said that the paper has limited scope. But the views expressed by the respondents may be considered to be representative in the sense that the city of Accra which is the nation’s capital has a very high concentration of mobile telephony usage in Ghana and it is the location where all the service providers can be identified.

The remainder of the study is considered under: Review of relevant Literature (section two); Methodology, in connection with data collection and processing (section three); Analysis of processed data and discussions (section four); and lastly Conclusions and Policy recommendations (section five).

**Literature Review/Conceptual Framework**

Ghana’s mobile telephony industry can be analysed within the context of an oligopolistic market model. Here, such a market or industry is characterized by a small number of firms that are reasonably large, and with a great deal of interdependence, actual or perceived, existing among them. Each firm in the industry formulates its policies bearing in mind their effects on its rivals. For example any change in the firm’s price or output has an influence on the sales and profits of competitors. Some of the reasons for oligopoly have been stated as: economies of scale; higher entry barriers due to very large requirements; and defensive and offensive strategies so as to weaken competitive pressures. The theory of oligopoly has been described to be so complex that it is difficult to have a single model to explain it. Mansfield (1982, pp.330-357) has provided a number of models to explain oligopolistic market behavior. One classification could be collusive oligopoly (characterised by collusion/cartel) and independent oligopoly.
Our study falls under the independent oligopoly market structure, with an adaptation of the Kinked Demand Curve Theory. Several varied models exist under independent Oligopoly such as the Cournot model, the Edgeworth model, the Chamberlain model, the Sweeney model popularized by the Kinked Demand Curve, and the Games Theory. The Kinked Demand Curve is regarded as a popular theory designed to explain prices rigidity in oligopolistic markets. The theory asserts that, if an oligopolist cuts price, it can be pretty sure that rivals will act likewise; but if it increases price it is likely to find that rivals will not change their prices. Some examples of this theory can be seen to be in operation within Ghana’s mobile telephony industry.

Several authors like Haucap (2003), Kapur (2004), Salami (2008) and Grzybowski (2008) have made important contributions to existing research in the area. For example, Haucap (2003) has analysed the operations of the market and the justification for regulatory intervention, but has cautioned against sector specific regulation. Kapur (2004) has looked at competition issues such as number portability, pricing and price regulation, but Salami’s study (2007) concerned oligopolistic practices in Ghana’s banking industry in relation to efficiency. Grzybowski’s (2008) assertion is that the liberalization of fixed telephone lines and the introduction of mobile phone number portability tend to increase competition in the mobile phone industry.

It is difficult to estimate the effects of an oligopolistic market structure on price, output, and profits because there is no agreement on any particular model as an adequate general representation of oligopolistic behavior. But some effects on prices, outputs and profits may be considered. Prices tend to be higher and more inflexible than under perfect competition. Output tends to be less because the demand curve is assumed to be steeper than under perfect competition. Besides, oligopolistic industries tend to spend large amounts on advertising and product variation (differentiation). Profits tend to be higher than those earned by perfectly competitive firms, a fact supported by empirical evidence.

Hoff (2006), Abraham (2007), and Kwakye (2006) provide some interesting information on the mobile telephony industry. Hoff (2006) reports a flurry of activities in the mobile telephony operations of several African countries, including Nigeria, characterized by very keen competition and market instability. Anyimadu (2005) and Abraham (2007) comment on the potential benefits of the mobile telephone industry. Abraham cautions that the potential efficiencies are dependent on easy access to capital, especially the production end of the supply chain, without which the market remains less efficient than could be the case. Using a case-study of the fishing community from India, he identifies such potential benefits as:

- The ability of fishermen to respond quickly to demand, thus preventing unnecessary wastage of catch;
- More effective coordination of supply and demand at the marketing end to reinforce merchants and transporters ability to take advantage of the free flow of price information;
- Ensures less wastage of time and resources in all segments of the fishing community, making the market more efficient with the reduction of risk and uncertainty;
- Greater market integration resulting in productivity gains, and sum of consumer and producer surplus (the Marshallian surplus); and
- Reduction in price dispersion and price fluctuations; and
- Improvements in the life of the fishermen.

A case study by Kwakye (2006) on Ghana Telecom, whose new name is VODAFONE (since 2009), in contrast to Abraham (2007), reports that the firm is bedeviled with major corporate and management problems. He adds that, in Ghana, there is a combination of a weak regulator and service providers who are interested in price gauging than the provision of high quality service to subscribers, thus constraining
the development of a robust mobile telephony industry. He further describes the NCA as a moribund government entity, unable to regulate the service providers, leading the providers to operate with impunity. The fact is that, even though most wireless phone users are extremely unhappy with the services of the providers, they appear helpless and at the mercy of inefficient mobile service operators. This situation is compounded by the providers who sell more GSM SIM cards to the subscribers more than their network available capacity, a situation tantamount to highway robbery. Buttressing the findings of Kwakye (2006), Nyarko (2007) also reports numerous complaints in connection with inter-connectivity and poor network services that have made it impossible for subscribers to route their calls through one of the operators to the other.

Hamilton (2003) and Ghana Business News (2009) discuss whether mobile phones and fixed phone lines are substitutes or complementary and tend to suggest that mobile phones act as a competitive force encouraging fixed phone providers to improve access, even though it is sometimes possible the two can act as substitutes in consumption. Public Agenda (2008) looks at options to make the industry a viable, efficient and competitive sector that is able to contribute to the country’s economic development. It comments that the industry must be viable, innovative and sensitive to the needs of subscribers to facilitate socio-economic development, which implies the harnessing of the potential of mobile phones through the building of bridges among all players in the industry.

As a regulator of the industry with responsibility for an efficient and effective promotion of a telecommunications sector that is able to contribute to Ghana’s economic development agenda, the mission of NCA (2008) is to regulate the industry through setting and enforcing high standards of competence and performance to be able to make significant contribution to Ghana’s prosperity by means of promoting and enforcing efficient competitive services.

The implication of the above relatively brief review is that it provides us with the basis on which to move forward in the next stages of the study, data organization, and data analysis and discussions.

**Data Organisation:**

Our study used both primary and secondary data. The internet, books journals provided the sources for secondary information, while face-to-face interviews through the medium of structured questionnaires helped in primary data collection. Data collection was organized at three levels: the mobile phone provider level; the subscriber level; and at the level of the National Communication Authority (NCA). The purpose of this grouping is to enable us properly address the original objectives of the study.

At the level of the provider, questionnaires were used to collect primary information through questionnaire administration. KASAPA and ZAIN managed to cooperate in this task, but the rest (MTN, TIGO and VODAFONE) referred the researcher to their web sites, as well as other relevant publications. The questionnaire was designed with the original objectives in mind. At the level of the subscriber, questionnaires were also used to gather appropriate information through face-to-face interviews. 200 subscribers were interviewed, purposefully selected and from different areas of Accra so as to make the data representative. Other relevant publications were also consulted to enrich the results of our interview administration. Lastly, information on the NCA was obtained though both structured questionnaire administration and other relevant publications. Information collected through questionnaire administration was processed by the help of simple spreadsheet application. The results of the output in the form of charts and figures were used in the analysis and discussions of the study.

**Analysis and Discussions of the processed data:**
Table 1 reveals interesting statistics on the subscriber base of different providers. For example, ZAIN, though a very late comer starting commercial operations in early January, 2008, has managed within a period of twelve months, to register 267,808 clients, constituting a phenomenal 100% growth. Such a success by ZAIN has been reported to be due to their innovative roll-out strategy – the ZAIN Reserve number system, and subscribers’ expectations of higher quality services that might be offered by ZAIN in comparison with the services by the other providers. The other providers are the MTN, TIGO, VODAFONE, KASAPA, ZAIN, and GLOBACOM (GLO). KASAPA started commercial operations in 1995 but has not enjoyed any dramatic growth. This may have been due to the problems of in-fighting among the top leadership, and the analogue technology being operated, as against the GSM technology of the others that are seen to be more modern. The three largest providers, MTN, TIGO and VODAFONE add up to a Concentration Ratio of 95%, an indication that Ghana’s mobile telephone industry is really oligopolistic, implying that the NCA must work hard and wake up to the exercise of its mandate to ensure that these providers do not resort to cartel/collusion practices to the disadvantage of subscribers who are often powerless in the face of monopolistic tendencies. MTN’s share of the total market is 56%, followed by TIGO’s 24%, and VODAFONE’s 14%, using figures provided in Table 1.

Table 1: Growth in subscriber base of service providers in 2008

<table>
<thead>
<tr>
<th>Service provider</th>
<th>Jan 2008</th>
<th>Dec 2008</th>
<th>Growth in number</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTN</td>
<td>4,016,132</td>
<td>6,428,218</td>
<td>2412086</td>
<td>60%</td>
</tr>
<tr>
<td>TIGO</td>
<td>2,023,091</td>
<td>2,741,122</td>
<td>718031</td>
<td>35%</td>
</tr>
<tr>
<td>VODAFONE</td>
<td>1,275,764</td>
<td>1,592,451</td>
<td>316687</td>
<td>25%</td>
</tr>
<tr>
<td>KASAPA</td>
<td>289,066*</td>
<td>394,081*</td>
<td>107985</td>
<td>37%</td>
</tr>
<tr>
<td>ZAIN</td>
<td></td>
<td>267,808*</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GLOBACOM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Total</td>
<td>7,604,053</td>
<td>11,423,680</td>
<td>3819627</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Think Ghana (2009); and researcher’s own calculations
* Figures relate to 2009 Concentration Ratio is 95% (ie the total market power of the three: MTN, TIGO and VODAFONE)

Analysis of the results of the questionnaires at the level of providers indicates that each provider considers the others as keen competitors. For example, KASAPA in its response to a question described the competition among providers as ‘severe and killing’, while ZAIN’s response was that the market was ‘entertaining and challenging’. The rest stated that they considered the market very competitive, but were equipped to the challenge, such as continuous innovation and improved technology and products so as to achieve costs reduction and sustain market shares. For example, TIGO explained their focus to be on product innovation and competitive pricing, as well as heavy investment in marketing and promotion to establish a strong presence in terms of brand awareness. The others provide similar tactics as efforts to sustain their market shares. All the providers agreed that they were not too keen on the use of price competition which could produce market instability. But the weapon often used is non-price competition through special promotions and other new and innovative products. For example, ZAIN launched a special three-month promotion in the early part of 2009 in connection with the chance to visit World Cup Football competition in South Africa; and this was followed by VODAFONE between September and November, 2009, in connection with the opportunity to win a Mitsubishi 4X4 motor vehicles by relevant subscribers. Then TIGO also followed by launching a promotion in connection with the opportunity to win GHc.30,000 by relevant subscribers. These various forms of non-price competitive practices have been reported as very successful. In response to a question about their relationship with the NCA, they all
reported cordial relationship, but expressed that the laws and regulations they have to work with were too many and needed to be streamlined to make them be effective.

Analysis of subscriber data reveals interesting results. Simple Cross Tabulations using Microsoft spreadsheet applications were employed in the analysis. Table 2 provides information on Usage of different networks (providers). About 40% of the interviewees used three providers (MTN, VODAFONE and ZAIN); 20% used two networks, that MTN and either VODAFONE or ZAIN; 40% used MTN alone. These figures seem to indicate the wider usage and coverage of MTN, which does not necessarily translate into higher efficiency and higher quality service as can be verified in Table 4. Table 3 provides information on reasons for choice of provider (network). Service quality appears to be the leading reason for subscribers’ choice of a particular network, accounting for about 80% of total sample of 200 subscribers. This may also account for why some subscribers choose two or three networks, in search of service quality, which is apparently eluding them. Information on efficiency/quality rating of network is provided in Table 4. ZAIN is identified with High quality service by 60% of the sample while MTN’s rating is at the bottom, signifying Very Low service quality in terms of easy and fast initial connection; low call-drops; low tariff; etc. When subscribers were asked why they were still stuck with MTN when they had other options, majority with two or more networks explained that they had been with MTN for very long and most of their contacts were familiar with the MTN number and therefore found it very difficult to completely change from MTN. This thinking leads us to the significance of phone number portability which the NCA is currently exploring. It will obviously be one way of improving the efficiency of providers.

Table 2: Usage of different networks.

<table>
<thead>
<tr>
<th>Usage of network</th>
<th>Number of subscribers</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users of 3 networks (MTN; VODAFONE; ZAIN)</td>
<td>80</td>
<td>40</td>
</tr>
<tr>
<td>Users of 2 networks (MTN; VODAFONE or ZAIN)</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Users of 1 network (MTN)</td>
<td>80</td>
<td>40</td>
</tr>
</tbody>
</table>

Survey data (2009)

Table 3: Reasons for choice of Provider (Subscriber)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Subscribers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy to obtain contract</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Non-price benefits (promotional packages, etc)</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Service quality (low call-drops; easy and fast call connection; low tariff; etc)</td>
<td>160</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Survey data (2009)
Table 4: Rating of Network (Provider) Efficiency in terms of service quality on a scale of: (1=High; 2=Average; 3=Low; 4=Very Low) Sample size: 200

<table>
<thead>
<tr>
<th>Provider (Network)</th>
<th>Rating by Subscribers</th>
<th>Response Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZAIN</td>
<td>1 (High)</td>
<td>55% responded high quality service</td>
</tr>
<tr>
<td>TIGO</td>
<td>2 (Average)</td>
<td>20% responded high quality service</td>
</tr>
<tr>
<td>VODAFONE</td>
<td>3 (Low)</td>
<td>10% responded high quality service</td>
</tr>
<tr>
<td>KASAPA</td>
<td>3 (Low)</td>
<td>10% responded high quality service</td>
</tr>
<tr>
<td>MTN</td>
<td>4 (Very Low)</td>
<td>5% responded high quality service</td>
</tr>
<tr>
<td>GLOW</td>
<td>N.A</td>
<td>N.A</td>
</tr>
</tbody>
</table>

Source: Survey data (2009)

Some specific cases need to be reported so as to place the issue in the right perspective. For example, Harunah (2009), reports of the inefficiencies of mobile communication in Ghana, and writes that “I have not come across mobile network that touts its huge customer base without doing much to keep them. The kind of service MTN is providing its subscribers is poor and mediocre. It should not take its customers for granted that they will continue to purchase MTN minutes although they are experiencing a lot of anger with daily mediocrity”. The fact is that all subscribers interviewed share similar feeling and experience. Many have also identified VODAFONE as another culprit in Ghana’s mobile telephony industry. In a study by NCA (2007), it was revealed that service quality was the main determinant of choice of provider, and that about 68% of subscribers interviewed admitted that they experienced difficulties in their last ten attempts at making calls. What is tantamount to sub-standard service by the providers has also been reported by Kwakye (2006) and Nyarko (2007) in their studies.

The NCA has responsibility for regulating Ghana’s telecommunications sector and implementations of the terms of related Policy. Among the regulatory functions and roles are:
- Issuing of licenses, establishing terms and conditions
- Regulation of competition, including interconnection;
- Allocation of scarce resources, including management of the frequency spectrum
- Implementation of Universal access policy
- Tariff regulation consistent with Ministry policies
- Consumer protection.

Our analysis of the NCA appears to indicate that the organization has a great deal of room for improvement to be able to live up to its mandate. An interview with relevant officials revealed that the organization is lacking in expertise in number and quality. The fact is that there is in existence a large body of documentation such as laws, regulations and procedures, but the implementation by way of oversight responsibilities over the providers is a critical challenge that requires vigorous attack and solution. One study, for example, writes that “the NCA seems to simply give licenses to mobile companies to operate. They even lack the necessary clout to get these companies to meet the requirements for their operations such as providing quality services for their subscribers…It has always been seen as a toothless bulldog….But it is yet to be seen, whether they can really bite, because, there is strong suspicion among Ghanaians that the companies are still increasing their subscriber base” (Dogbevi, 2008). Majority of subscribers talked to in this exercise appear to be of this view.
Conclusions and Policy Recommendations:

The foregoing has resulted in a number of conclusions. Firstly, Ghana’s mobile telephony industry can be described as an independent oligopolistic industry, with the three larger one, the MTN, TIGO and VODAFONEs accounting for about 95% Concentration Ratio. Secondly, the providers tend to adopt non-price competitive practices as against straight price competition that could result in market instability and consequently, loss of market share. Thirdly, subscribers are not too pleased with the activities of the providers. The services being sold to them are considered to be of poor quality. Call-drops, difficulty in placing calls, and relatively higher tariffs are almost the order of the day. Finally, the NCA is being called upon to properly exercise its mandate to ensure all regulatory roles and functions are effectively implemented, because its current activities leave a great deal of room for improvement due to the fact that it lacks the necessary expertise in terms of quality and number.

The following recommendations have flowed from the above. There must be enough and proper policing of the sector, especially because of the 95% Concentration Ratio accounted for by the three large providers so as to forestall the possibility of adopting cartel or collusive practices that could be to the detriment of the helpless subscribers. In this connection, the NCA must surely be seen to have the teeth to bite as and when the need arises. The effort being made recently by the NCA in relation to mobile number portability is surely the right step in the right direction, and must be stepped up. Secondly, the providers must begin to take the subscribers seriously, and never to forget the fact that at the end of the day the sustainability of their organizations depends on these seemingly powerless subscribers. They must therefore note and update the comments, suggestions, grievances, etc through frequent meetings with the subscribers to ensure major differences are ironed out before getting out of hand. Finally, the NCA must provide answers to the question of expertise which is a critical challenge to effective functioning of the set up.

This study has not attempted to exhaust all aspects of Ghana’s mobile telephony industry. In this connection, future research interests could be in the direction of assessing the economic impact of the sector, relationship between the fixed line and the mobile phones, assessment of the social responsibility role of the industry, etc. This direction could help us to fully appreciate the immense roles of the industry.

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The Kin System of the Igbos in Southeastern Nigeria: A vehicle of progress or a poverty trap?

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The extended family system (kin system for short) is a valuable institution that provides critical community goods and insurance services which defy market and public provision especially in a rural economy. However, what happens when the kin system meets the modern economy, when an economy transits from non formal economy to a formal economy? Does it serve as a vehicle of progress or a poverty trap? From the study conducted in the five Igbo states of the southeastern Nigeria, it was discovered that the kin system is a poverty trap to kin groups that are not educated and productive. On the other hand, it is a vehicle of progress to kin groups that are educated and enlightened. The kin system also punishes progressive and productive members but reward unproductive ones. However, the Igbos insisted on holding unto to the kin system arrangement either because it is their culture or because of sanctions that come to those who sever their kin ties. It is therefore pertinent that education and empowerment of kin members should be vigorously pursued if the kin system is to be relevant in a modern economy.

INTRODUCTION

Throughout history, poor rural households facing endemic risks and lacking insurance and credit markets always come together in social, occupational, religious and ethnic groups to provide economic assistance to each other. In many instances, group members are related by birth, marriage, religious belief and or ethnicity- this is the extended family system or as usually called, the kin system. On the other hand, groups of the kin system could be households in similar occupations, living in close proximity. For example, fishermen or farmers could form kin system. According to Udry (1994), membership in this form of kin system is more fluid with lesser kin obligations. The kin system is an institution found in many traditional societies. It is an informal system of shared rights and obligations among extended family members for the purpose of mutual assistance. Wolf (1955) defined the kin system as a system of shared rights and responsibilities encompassing a large number of near and distant relatives. In otherwords, the kin system is a social contract of mutual assistance among members of an extended family. In predominantly non market economies, the kin system is a valuable institution, providing critical community goods and insurance services in the absence of market or public provision.

The Igbos in the southeastern part of Nigeria have a very strong kin system which they have used since the pre history period to provide mutual assistance and insurance services to themselves. It is the general expectation among the Igbos that an Igbo employer should as a matter of important employ his kinsmen and kin members before employing other people. Also, a successful Igbo person is expected to help his kin members first and failure to fulfill such societal expectations attracts direct and indirect sanctions in form of social ostracism, enmity and gossip. The kin system in the eastern Nigeria is not restricted to blood relatives and marriages but in the recent years has grown to include occupational members, religious groups and residential groups. People who live in the same place, work in the same office or attend the same church have become kin members, sharing rights, privileges and responsibilities. Failure to fulfill demands from kin members are not treated lightly, kin members are expected to assist each other financially, morally and in procuring services or goods which the market or government may not provide adequately.
But what happens when the market sector grows in the process of economic development, when the economy transits from predominantly non market economy as seen in the past few decades to a modern economy? How do the members of the kin group respond individually and collectively to such changes? When the kin system meets the modern economy, does it act as a vehicle of progress, helping its members to adapt or does it become a poverty trap, an instrument of stagnation that hold its members back from benefiting from market development?

These questions are important because during the process of economic development, there is a long time interval (typically many decades) during which relations-based institutions like the kin system exist side by side with market institutions, and the coexistence of the two institutions of exchange has complicated consequences for the welfare of poor citizens (Karla and Arijit, 2005). Evidence from Arnot (1991), shows that kinship ties may have adverse impact on the welfare of individuals seeking to enter the modern sector of a developing economy.

OBJECTIVES OF THE STUDY

The major objective of the study is to determine whether the kin system among the Igbos of south eastern Nigeria is a vehicle of progress or a poverty trap in the face of economic development. Specific objectives of the study are

- To determine whether the kin system rewards unproductive people and punish productive ones
- To verify whether the Igbos would prefer to sever the kin ties owing to its burden
- To investigate whether the kin system encourage the Igbos to practice nepotism
- To determine if there are sanctions for those who sever their kin ties.

REVIEW OF RELATED LITERATURES.

The kin system in the face of economic transition

In many pre-modern societies, the kin system had significant power to circumscribe the behaviour of its members. In effect, it placed its members within a culture. It has according to Stack (2001) a set of social sanctions to enforce and sustain a mutual assistance ethics. Plateau (1999) and Scot (1976) asserted that in Africa, where the kin-based insurance arrangements are important, failure to meet kin demands is greeted with direct and indirect sanctions. These sanctions include loss of employment, destruction of property, and denial of privileges, stigma, social and religious ostracism.

When the kin system meets the modern economy, say a kin member achieves economic success; he is invariably besieged with demands by his less successful kin members to help them out. He is expected to help by remitting money, finding job for them letting them live with him in his apartment and so on. The need to meet such demands according to Karla and Arijit (2005) can adversely affect the incentives of kin members in the modern sector. Collier and Garg (1999) in their study in wage distribution noted the reluctance of employers in the modern sector to hire individuals who are viewed as participants in the kin system because they may engage in nepotism to please their kin members or bring them into their apartment. The kin system in this circumstance therefore constitutes a hurdle to the entry and success of individuals in the modern sector. In otherwords, the kin system constitutes an entry barrier into modern economy.

Kin member behaviour in the face of economic opportunities

Decision to migrate from the traditional sector to the modern sector is more complicated for a kin member than for non kin member because a kin member first of all has to consider how migration will alter his cost and benefits of membership. Secondly, his chance of succeeding in the modern sector may be limited by employer’s concern that he may engage in nepotism (Arnot.1991).There are evidences on people who
prefer to stay in the village instead of doing menial jobs in the city because of kin demand once he is viewed as a city person.

In such a scenario, a kin member’s response may be to demonstrably sever his kin ties if he can (although at a substantially psychological cost) in order to improve his modern sector opportunities. Such action can lead the kin group to respond in a perverse way. Foreseeing that it will lose some of its productive and adventurous members as the economy opens up, it may take collective actions to erect exit barrier. It this occurs, then the kin system that was once a beneficial arrangement will become a poverty trap, at least for most productive members.

However, it is not been contended that the kin system must necessarily lead to a dismal outcome. Some Early migrants to the modern sector do not renege on their kin obligation (even though they face hurdles to enter the market economy) but indeed facilitate the migration of other members. In doing so, the goal of having many successful and productive members in the modern sector is achieved and this facilitates the process of integration. When this happens, the kin system will turn out to be a beneficial institution not only in the pre-modern economy but also during the process of transition to a modern economy (Karla and Arijit, 2005). In other words, it will be a case where the kin system adapts in response to structural changes in the economy in a way that benefits all its members, a case where social customs follow the money, as sociologists would say.

Plateu (2000) however argued that although such situation is beneficial, it could lead to network effect. In studying the behaviour of kin group members facing modern economy, he identified the nature of network effect that may cause them to take collective decisions that are inefficient. This is the major reason why certain countries or social groups remain poor even in modern economy.

**Kin member migration in the face of entry and exit barrier**

A model is built to illustrate the consequences of kin member migration. Let G agents be kin members who are predominantly in rural areas and let H be non kin members who live in cities. When G receives an urban job offer, he is faced with three options

- To reject the offer and stay in the rural sector due to kin demands
- To migrate to the urban sector, maintaining his kin ties
- To migrate to the urban sector breaking his kin ties.

If G agents take option 2, they have to meet their kin obligation and may engage in nepotism which presents moral hazard to modern sector since they have the tendencies to hire their kin members even when they are not competent thereby reducing organization’s profit. Recognizing this, employers will be reluctant to hire G agents in position of authority. Also since G agents tend to share their homes with relatives, lowering the long term value of apartments, landlords may be reluctant to rent his house to G agents or force them to pay higher charges compared to H agents. In both cases, the G agents face entry barrier. It can take the form of outright denial of modern sector opportunities of giving of offers at substantially inferior terms.

If the kin group foresees that post-migration equilibrium will be one in which migrants retain kinship ties (That will increase remittance and welfare of the group) they will encourage such migration as it will be Parato-improving. But if expanding market opportunities lead to an outcome where migrants severe kin bonds, members left behind will be worst off compared to the status quo. In that case, they will raise exit barrier, taking perverse action to forestall the exit of productive members thus making the kin system a dysfunctional institution in the presence of expanding modern economy.
RESEARCH METHOD

Area of study: The south eastern part of Nigeria which comprise of five states is the location of the study. These states are Anambra, Enugu, Ebonyi, Imo and Abia. They are predominantly Igbos and share common belief, culture, language and ideology. The Igbos are predominantly Christians and are at home with western culture. The Igbos are known for industry and adventure. The main occupation is commerce and agriculture. However, more than 20% especially the educated ones are into white collar jobs and other modern profession. The area has more than 100 local governments with a population of more than 15 million people.

Sampling method and data collection: A combination of structured and non-structured questionnaire was administered randomly to 250 people in 8 major towns in the southeast of Nigeria in order to obtain data for the study. The towns included Onitsha, Enugu, Aba, Umuahia, Abakiliki, Awka, Orlu, Owerri. The respondent were people who are working in the modern sector, civil service, private sector, and business establishments, who were above thirty-five years and who have experienced kin group rights and responsibilities. The decision to select respondents with such socio-economic characteristics was informed by the fact that they are people who are members of kin group and at the same time participants in the modern economy. People in rural areas and those fewer than thirty five years may not have been in the modern economy and kin groups.

Data for the study were collected as primary data from respondents and they include information on their socio-economic characteristics, their perception and attitude towards the kin system. Apart from the questionnaires, the respondents were also interviewed in some cases. However, due to non response and inadequate information, 10 copies of the questionnaires were discarded and data from only 240 respondents were used for analysis.

Data analysis: information got from the field survey was analyzed using percentages and frequency distribution and chi-square was used to test the hypotheses.

RESULTS AND DISCUSSIONS

The information obtained from the field survey is presented, analyzed and their implications discussed.

Sex and age distribution of respondents: Table 1 shows the sex distribution of respondents according to their ages. 148 respondents representing 61% of the total respondents were men while 92 of them representing 39% were women. On the other hand, 127 respondents, representing 53% of the total respondents were below 40 years while 113 representing 47% of the total respondents were above 40 years of age. It should be noted, however that there were more married people among the respondents. In fact, married people constitute more than 85% of the sample. The result of the survey was quite understandable. The Igbo society feels that one should be married in order to be full fledged member of a society. No matter the age attained, the Igbos feel that one has not reached the age of assuming rights and responsibility until one is married.

Educational background of respondents: The result of the survey shows that all the respondents had acquired some level of formal education especially those below 40 years. More than 95% had secondary and tertiary education as shown in Table 2. The result was not far from what was expected since all the respondents live in urban areas and employed in the modern sector. Moreover, education is a prerequisite for being employed in the modern sector.
Table 1: Sex distribution of respondents according to age

<table>
<thead>
<tr>
<th>Sex</th>
<th>Below 40 years</th>
<th>Above 40 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>70</td>
<td>78</td>
<td>148</td>
</tr>
<tr>
<td>Female</td>
<td>57</td>
<td>35</td>
<td>92</td>
</tr>
<tr>
<td>Total</td>
<td>127</td>
<td>113</td>
<td>240</td>
</tr>
</tbody>
</table>

Table 2: Educational qualification of respondents

<table>
<thead>
<tr>
<th>Level</th>
<th>Below 40yrs</th>
<th>Above 40yrs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No education</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Primary</td>
<td>-</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Secondary</td>
<td>36</td>
<td>74</td>
<td>110</td>
</tr>
<tr>
<td>Tertiary</td>
<td>91</td>
<td>33</td>
<td>124</td>
</tr>
</tbody>
</table>

Attitude and perception of respondents towards the kin system.

As shown in Table 3, the kin system in Igbo land rewards unproductive people but punish productive ones. More than 87% of the respondents were of the opinion that it does. Reasons being that progressive and productive kin members have lots of kin demands and expectations of which not undertaken attract sanctions (directly or indirectly). However, less productive kin members normally live in rural areas and were not burdened with kin demands and nobody sanctions them.

Furthermore, according to Table 5, the Igbo do practice nepotism in order to help their kin. 128 out of 240 respondents affirmed it. 107 respondents affirmed it but added that it was not always. This result implies that the kin system among the Igbos encourage nepotism, which affects profitability and efficiency of their work place. It confirmed the evidence in Arnot (1991) that employers are reluctant to hire people who are participants in the kin system because of the tendency to practice nepotism. It also confirmed the study of Karla (2005) that landlords are reluctant to rent their apartments to participants in the kin system because of their tendency to share their apartment with many of their kin members.

Table 3: The kin system reward unproductive people but punish productive ones

<table>
<thead>
<tr>
<th>Responses</th>
<th>Below 40</th>
<th>Above 40</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>86</td>
<td>24</td>
<td>110</td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>69</td>
<td>99</td>
</tr>
<tr>
<td>Disagree</td>
<td>11</td>
<td>20</td>
<td>31</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 4: Response on whether to do away with the kin system

<table>
<thead>
<tr>
<th>Response</th>
<th>Below 40 years</th>
<th>Above 40 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>No</td>
<td>76</td>
<td>98</td>
<td>174</td>
</tr>
<tr>
<td>Not now</td>
<td>41</td>
<td>15</td>
<td>56</td>
</tr>
</tbody>
</table>
Table 5: Igbo do practice nepotism in order to help their kin members

<table>
<thead>
<tr>
<th>Response</th>
<th>Below 40 years</th>
<th>Above 40 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>52</td>
<td>76</td>
<td>128</td>
</tr>
<tr>
<td>Not always</td>
<td>70</td>
<td>37</td>
<td>107</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 6: There are sanctions on those who do not help their kin members

<table>
<thead>
<tr>
<th>Response</th>
<th>Below 40 years</th>
<th>Above 40 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agreed</td>
<td>31</td>
<td>7</td>
<td>38</td>
</tr>
<tr>
<td>Agreed</td>
<td>87</td>
<td>104</td>
<td>191</td>
</tr>
<tr>
<td>Disagreed</td>
<td>9</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Strongly disagreed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

In Table 6 also, the result shows that people who do not fulfill their kin obligations and demands were sanctioned. More than 92% of the respondents agreed that there were direct and indirect sanctions. Sanctions here range from social ostracism, destruction of property, denial of social opportunities and privileges to gossips and bad name calling.

However, the result obtained in Table 4 was surprising. Respondents were asked whether they would prefer to sever their kin ties and all of them declined. 176 respondents said they would never sever their kin ties while 56 respondents said it should not be now. Only 10 respondents from those below 40 preferred to sever their kin ties. Reasons for such result were that the kin system arrangement is the core of Igbo culture, whereby people help themselves and should be preserved. Some respondents opined that it was because of societal sanctions that come directly and indirectly to those who sever their kin ties.

Test of hypotheses

Hypothesis 1: For educated and productive kin group, the kin system is not a vehicle of progress.
The data collected from respondents were used to test the hypothesis.
Degree of freedom (DF) = K-1 = 4-1 =3
The critical value of 3 degrees of freedom and the 0.05 level of significance is 7.815 while the tabulated chi-square is 334.2.
Since 334.4>7.815, the null hypothesis is rejected. It is therefore concluded that for educated and productive kin group, the kin system is a vehicle of progress.
Hypothesis 2: For uneducated and unproductive kin group, the kin system is not a poverty trap.
The data collected was used to test hypothesis 2.
Degree of freedom (DF) = K-1 = 4-1 =3
The critical value at 3 degrees of freedom and the 0.05 level of significance is 7.815 but the tabulated chi-square is 265.18. Since 265.18> 7.815, the null hypothesis is rejected. It is therefore concluded that for uneducated and unproductive people, the kin system is poverty trap.
CONCLUSION AND IMPLICATIONS OF THE STUDY

The role of the kin system in rural economy cannot be overemphasized. It provides members with mutual assistance, access to credit and a host of socio-economic aids. It is a valuable institution providing critical community goods and insurance services which the government and the market cannot provide adequately. But in the presence of economic transition (economic development) from rural and non-market economy into modern and formal economy, the kin system becomes a harmful arrangement for productive kin members and in some cases discourage adventure and productivity. The kin system arrangement rewards less productive members of the kin group but put heavy burden of obligations on productive ones.

Since the kin system is embedded in Igbo culture and the Igbos are not ready to sever their kin ties, the following recommendations when implemented would reposition the kin system to serve as a vehicle of progress:

- Kin members should ensure that the kin group they belong is educated and productive. Education and enlightenment of kin members should be vigorously pursued since it has been observed that educated and enlightened kin group is a vehicle of progress.
- Kin obligations and demands should not be made compulsory, people should be encouraged to perform them willingly and not out of compulsion. If that happens, people will no longer sever their kin ties and their will be no exit and entrance barrier.
- Kin system should be seen and used as a means of mutual assistance which was its original purpose and not a mechanism for punishment and rewards. It should be noted that kin members who are not economically successful have other talents and resources that can benefit other kin members.

REFERENCES

Analysis of the growth and structure of public educational expenditure in Nigeria: implications for policy

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rissydauda@yahoo.com; rdauda@unilag.edu.ng

This paper has the objective of analyzing the growth, structure and factors influencing public educational expenditure in Nigeria since 1986 relying on descriptive analysis and econometric modeling. The paper observes that despite the crucial role of education in economic development, Nigeria spends an insignificant proportion of her total expenditure on education. Problems facing the sector include brain drain, exodus of students abroad, inadequate funding, dilapidating infrastructure, examination malpractices, gross indiscipline on the part of academic staff and students etc. The econometric analysis shows that federally collected revenue has a significant positive impact on education expenditure while the effect of GDP per capita is negative. Education expenditure also depends on previous spending on education. Findings suggest the need for the government to effectively fund the education sector. In addition, conscientious efforts must be made to create a conducive environment for private sector participation in education financing. This is necessary in the light of the quest for Nigeria to become one of 20 largest economies in the world by year 2020.

INTRODUCTION

In many developing countries, including Nigeria, public expenditures play an important role in development process and publicly provided social services, especially primary and secondary education. Government plays an active role in education and human capital accumulation by providing funds for formal schooling and research. The existence of social benefits of education that are not captured by private agents underscores the need for public financing of education. In addition, the empirical evidences such as Rosenzweig (1995), supporting the motion that educational investments in children have high private and social returns provide the rationale for increased public educational expenditures. The private returns are associated with increased productivity and earnings in adulthood, and with further non-pecuniary gains arising from the greater efficiency with which educated individuals are able to acquire and process information.

Furthermore, the social premium to education over and above the private value includes productivity increases arising from knowledge spillovers, gains in health from one generation that flow from gain in education from the previous, and the improved functioning of civil society and democracy ((Rosenzweig, 1995). The Lucas (1988) model can also be used to justify educational subsidy because of the implicit positive externality emerging from education. Within the context of the endogenous growth model, Lucas opined that the productivity of any worker is higher when working in an environment peopled by other high productivity workers through a kind of learning by watching mechanism.

Since independence in 1960, educational investment has been and remains a priority of successive Nigerian governments. Education is considered to be an instrument for national development and is given prominence in the developmental efforts. However, despite the huge financial allocation to education, the sector’s performance does not justify the massive investment on it. Education sector has been experiencing crisis by way of dilapidating infrastructure, brain drain, exodus of students abroad etc. This phenomenon leaves much to be desired. The pertinent questions are; why is the country’s education sector performance so dismal compared to other regions like Europe, East Asian, the Caribbean and Latin
America? What has been the trend and structure of education expenditure over the years? What are the factors influencing public educational expenditure in Nigeria? In the light of the quest for Nigeria to become one of 20 largest economies in the world by year 2020, these issues are of utmost concern to all stakeholders in the country’s economy.

Against the above background, this paper has the objective of analyzing the growth, structure and factors influencing public educational expenditure in Nigeria since 1986 relying on descriptive analysis and econometric modeling. The rest of the paper is structured as follows: Section two focuses on a brief review of relevant literature while section three describes Nigerian education system and gives the methodology of the study. Section four presents the data and discusses the empirical findings. The last section concludes the paper with policy recommendations.

LITERATURE REVIEW

Several studies have emerged in an attempt to analyze the role of public sector spending on education in many countries since the emergence of endogenous growth model. It could be inferred from these studies that there seems to be a general consensus that public expenditure (at least in the developing countries) on social services such as education is crucial for promoting output growth and improving the standard of living of the people. For instance, in Nigeria, education has increasingly being recognized as a major contributor to economic growth. Babatunde and Adefabi (2005) opined that education at all levels contributes to economic growth through imparting general attitudes, disciplines and specific skills necessary for a variety of workplaces. Their paper investigates the long-run relationship between education and economic growth in Nigeria between 1970 and 2003 through the application of Johansen cointegration techniques and Vector error correction methodology. The results establish a long-run relationship between education and economic growth and that a well educated labour force appears to significantly influence growth both as a factor in the production function and through total factor productivity. Garba (2002) supports this claim.

An attempt has been made in these studies to explore the link between public educational spending and economic growth or other outcomes such as education attainment. For instance, Stevens and Weale (2003) identifies two basic reasons for expecting to find some link between education and economic growth. One is the basic assumption that living standards has increased so much over the years because of education. This is factual as evidences over the last millennium since 1800 as well as the success stories of economies such as the East African Tiger economies have shown an increase in the living standards of its people since the evolution of education into the system. The other is that empirical evidences from econometric studies show that incomes which individuals get depend on their level of education.

Several analysts have also shown concern regarding the effectiveness of monetary educational inputs for students’ outcomes or productivity in educational institutions (Harbison and Hanushek 1992; Afonso and Santos, 2004; Anyanwu and Erhijakpor, 2007). There have also been numerous attempts to investigate the determinants of public or private educational spending (Omotor, 2004; Verbina and Chowhury, 2004).

Harbison and Hanushek (1992) examined twelve studies on developing countries that investigated the linkages between public education spending and educational outcomes. Six of these studies establish a statistically significant positive relationship between the two; others found no evidence of any measurable impact on outcomes. Anyanwu and Erhijakpor (2007) employed panel data of African countries from 1990 to 2002 to investigate the nexus between educational expenditures and school enrolment in SANE (South Africa, Algeria, Nigeria and Egypt) countries. They observed that government expenditure on education has a positive impact on primary and secondary education enrolment rates. They observed that other policy interventions, such as consolidating and sustaining democracy, accelerating national income
and international community fulfilling its promises to Africa can also help in moving African countries toward the Millennium Development Goals.

Afonso and Santos (2004) employed a non-parametric efficiency analysis to examine public tertiary education expenditure in Portugal. By using frontier analysis, the authors were able to separate educational institutions that might qualify as “performing well” from those where some improvement might increase its efficiency.

On the determinants of public educational expenditure, Verbina and Chowhury (2004) provide insight into how fiscal institutions and the structure of the political process in Russia affect the degree of resources allocation in educational sector during the transition process. Their results from panel data analysis show that revenue and the student-population ratio have a positive impact on education expenditures while the effect of population density is negative. Omotor (2004) also found that government revenue is a singular determinant of public educational expenditure in Nigeria between 1977 and 1998. Thus, this study shall borrow substantially from the methodologies adopted by the various studies reviewed.

NIGERIA’S EDUCATION SYSTEM

Education is considered to be an instrument for national development in Nigeria. The first education policy was launched in 1977 and has since undergone modifications to keep up with the pace of dynamics of social change and the demands on education. The philosophy of the policy is geared towards self-realization, better human relationship, individual and national efficiency and cultural, economic, political, scientific and technological progress.

The educational system in Nigeria is divided into three: primary education, secondary education and higher education. Primary education is the first stage of human development in all manners of speech, skills and writing exercise. It builds up a child and enhances his/her communication ability. Primary and secondary educations are necessary builders and shapers of human existence. The aim of the secondary component is to build on the foundations of the Basic Education (Primary and junior levels) and orientate students towards further education and work. It also seeks to prepare citizens to be able to participate in the future development of the country. The higher education on the other hand refers to all forms of post-secondary education such as the University, Polytechnics, Colleges of Education, Monotechnics and Professional Schools.

In recognition of the importance of education in the Nigerian economy, government has continually committed itself, through policy statements and programmes to invest in the educational sector. This has given rise to the number of people enrolled in the three main levels of education. The national summary of primary school statistics show that 12,206,291 children were enrolled in 1980. Secondary school intakes numbered 1,877,057 students while tertiary had 57,742 students in tertiary institutions in the same year. These figures have grown considerably reaching 26,160,000 pupils in primary schools, 6,534,000 students in secondary schools and 930,000 in higher institutions in 2005. There are numerous problems facing the sector. These include brain drain, exodus of students abroad, inadequate funding, dilapidating infrastructure, examination malpractices, gross indiscipline on the part of academic staff and students etc.

METHODOLOGY

The study employed secondary data. These data were obtained from the publications of the Central Bank of Nigeria, namely the Annual Report and Statement of Account, and the Statistical Bulletin, the International Monetary Fund and Nigeria’s National Bureau of Statistics. The study uses descriptive analysis to examine the trend, structure of public educational expenditure between 1986 and 2007. For
comparative analysis, an attempt is made to divide this period into three; namely 1986-1992, the Structural Adjustment Period (SAP); 1993 – 1998, the period of military rule and 1999-2007, the civilian rule. On intuitive ground, econometric modeling is employed to examine the relationship between federally collected government revenue, GDP per capita, the lagged value of educational spending and public educational expenditure. For this purpose, ordinary least square (OLS) estimation technique is employed. The model for this analysis is given as:

\[ \ln \text{EDUT}_t = \alpha_0 + \alpha_1 \ln \text{EDUT}_t(-1) + \alpha_2 \ln \text{FCR}_t + \alpha_3 \ln \text{PCI}_t + U_t \]  

\( \alpha_1, \alpha_2, \alpha_3 > 0 \)

where

EDUT = public educational expenditure  
EDUT (-1) = lag value of public educational expenditure  
FCR = federally collected government revenue  
PCI = per capita income

\( \ln \) stands for logarithmic transformation.

It is expected that all the three variables have positive impact on public educational expenditure.

RESULTS AND DISCUSSIONS

Some basic facts have emerged on the trend, structure and growth patterns of public educational expenditure in Nigeria during the study period. Total capital expenditure and recurrent expenditure on education in nominal terms rose from ₦442 million and ₦652.8 million in 1986 to ₦68300 million and ₦136900 million in 2007 respectively. This represents an annual average increase of 60.6% and 39.8% respectively: Table 1 presents summary statistics of selected educational variables for the period 1986 to 2007. The nominal capital education expenditure averages ₦11218.02 million and varies from ₦139.1 million to ₦68300 million. The nominal recurrent education expenditure averages ₦34451.15. It varies from ₦514.4 million to ₦136900.0 million. The nominal total education expenditure ranges from ₦653.5 million to ₦205200 million. When expressed in real terms, the total education expenditure ranges from ₦19.35 million to ₦38141.26 million with a mean of ₦4873.63 million

In order to assess the relative importance of education spending in the economy, the ratio of total educational expenditure as a percentage of gross domestic products is calculated. The ratio shows government’s commitment to the educational sector and indicates the relative importance of the sector in the domestic economy. The ratio averaged 1.51 percent during the study period and remains highly volatile as shown by the coefficient of variation which stands at 190.73 percent. It is evident in Table 1 that all the education indicators, namely, total educational expenditure as a percentage of government total expenditure, nominal capital and recurrent educational expenditure as well as real total educational expenditure tended to experience high variability during the study period. This situation does not augur well for the education sector. Given the importance of education in an economy, it can be inferred that successive Nigerian governments pay less attention and ‘lip-service’ to the education sector. The inconsistent financing of education during the study period partly culminated in frequent crisis in the sector often resulting in strike action by both the academic and non-academic staff, dearth of instructional materials and laboratories equipments among others.
TABLE 1: SUMMARY STATISTICS OF EDUCATIONAL INDICATORS (1986-2007)

<table>
<thead>
<tr>
<th>NO</th>
<th>VARIABLES</th>
<th>MEAN</th>
<th>STD. DEVIATION</th>
<th>MINIMUM</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total Educational Expenditure as a Percentage of GDP (%)</td>
<td>1.51</td>
<td>2.88 (190.73)</td>
<td>0.37</td>
<td>14.29</td>
</tr>
<tr>
<td>2.</td>
<td>Nominal Capital Education Expenditure (₦ Million)</td>
<td>11218.02</td>
<td>16313.5 (145.42)</td>
<td>139.1</td>
<td>68300.00</td>
</tr>
<tr>
<td>3.</td>
<td>Nominal Recurrent education Expenditure (₦ Million)</td>
<td>34451.15</td>
<td>42828.55 (124.32)</td>
<td>514.4</td>
<td>136900.0</td>
</tr>
<tr>
<td>4.</td>
<td>Nominal Total Educational Expenditure (₦ Million)</td>
<td>45669.17</td>
<td>57199.30 (125.25)</td>
<td>653.5</td>
<td>205200.0</td>
</tr>
<tr>
<td>5.</td>
<td>Total Educational Expenditure as a percentage (%) of Government total expenditure</td>
<td>5.49</td>
<td>2.25 (40.98)</td>
<td>2.22</td>
<td>10.75</td>
</tr>
<tr>
<td>6.</td>
<td>Real Total Educational Expenditure (₦ Million)</td>
<td>4873.63</td>
<td>8704.38 (178.6)</td>
<td>19.35</td>
<td>38141.26</td>
</tr>
</tbody>
</table>

Source: Computed by the author based on data from:


Note: Coefficient of variation values are in parentheses.

From the data in Table 2, on a comparative basis, one can infer that the selected education development indicators experienced slight improvement the 1999-2007 period. This period coincides with the period of civilian rule. This, by implication, suggests the need to consolidate the gains of democracy in the country. Broadly, Nigeria spends an insignificant proportion of her income on education far below the recommendation of UNESCO. This phenomenon portrays danger considering the need for the country to create human capital necessary for sustainable development and become one of 20 largest economies in the world by year 2020.

The estimated results from equation (1) are reported in Table 3. The results obtained show that the model is well-behaved and the explanatory variables explain about 96 percent of the variations in the dependent variable. This is evident in the value of the coefficient of determination ($R^2$). The results also show the absence of auto-correlation problems. This is judged by the value of Durbin-Watson statistics which is 2.148. In the model, it is apparent that the federally collected government revenue and the lag form of education expenditure conform to a priori expectations and exert positive statistically significant impact on public educational expenditure. Their coefficients are statistically different from zero at 5 percent significant level. This, by implication means public educational expenditure significant depends on government revenue and previous public spending on education.
TABLE 2: GROWTH AND STRUCTURAL PATTERNS OF EDUCATIONAL INDICATORS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nominal Total Educational Expenditure (₦ million)</td>
<td>1526.16</td>
<td>14838.12</td>
<td>100556.75</td>
</tr>
<tr>
<td></td>
<td>- Mean</td>
<td>604.43</td>
<td>6552.26</td>
<td>52479.52</td>
</tr>
<tr>
<td></td>
<td>- Standard Deviation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Coefficient of Variation</td>
<td>39.6</td>
<td>44.16</td>
<td>191.61</td>
</tr>
<tr>
<td>2.</td>
<td>Real Total Educational Expenditure (₦ million)</td>
<td>114.2</td>
<td>985.52</td>
<td>11167.47</td>
</tr>
<tr>
<td></td>
<td>- Mean</td>
<td>105.37</td>
<td>1289.99</td>
<td>11050.57</td>
</tr>
<tr>
<td></td>
<td>- Standard Deviation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Coefficient of Variation</td>
<td>92.27</td>
<td>130.89</td>
<td>98.95</td>
</tr>
<tr>
<td>3.</td>
<td>Total Educational Expenditure as a Percentage of GDP (%)</td>
<td>0.78</td>
<td>0.82</td>
<td>2.53</td>
</tr>
<tr>
<td></td>
<td>- Mean</td>
<td>0.37</td>
<td>0.28</td>
<td>4.42</td>
</tr>
<tr>
<td></td>
<td>- Standard Deviation</td>
<td>47.44</td>
<td>34.15</td>
<td>174.7</td>
</tr>
<tr>
<td>4.</td>
<td>Total Educational Expenditure as a Percentage of Government total expenditure (%)</td>
<td>3.82</td>
<td>4.91</td>
<td>7.17</td>
</tr>
<tr>
<td></td>
<td>- Mean</td>
<td>1.58</td>
<td>0.96</td>
<td>2.23</td>
</tr>
<tr>
<td></td>
<td>- Standard Deviation</td>
<td>41.36</td>
<td>19.55</td>
<td>31.10</td>
</tr>
</tbody>
</table>

Source: Computed by the author based on data from:


TABLE 3: ESTIMATED RESULTS OF THE IMPACT OF SELECTED VARIABLES ON PUBLIC EDUCATIONAL EXPENDITURE

<table>
<thead>
<tr>
<th>Dependent Variable – lnEDUT</th>
<th>Coefficients</th>
<th>Std.Error</th>
<th>t-Statistics</th>
<th>Probability</th>
<th>Other Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.092224</td>
<td>3.892701</td>
<td>0.023692</td>
<td>0.9814</td>
<td>R-Squared = 0.96</td>
</tr>
<tr>
<td>LnEDUT(-1)</td>
<td>0.494798</td>
<td>0.202647</td>
<td>2.441679</td>
<td>0.0258</td>
<td>Adjusted R² = 0.95</td>
</tr>
<tr>
<td>LnFCR</td>
<td>0.564803</td>
<td>0.239529</td>
<td>2.357972</td>
<td>0.0306</td>
<td>D-Watson stat. = 2.148</td>
</tr>
<tr>
<td>LnPCGDP</td>
<td>-0.357577</td>
<td>0.741027</td>
<td>-0.482543</td>
<td>0.6356</td>
<td>F-statistics = 2.697</td>
</tr>
</tbody>
</table>

Source: Computed by the author.

A 100% increase in government revenue is accompanied by 56.5% increase in total public spending on education. In the same vein, a 100% increase in previous educational expenditure will in turn be accompanied by 49.5% increase in current expenditure on education. However, it is disturbing to note that the per capita income variable does not conform to a priori expectation because it is negatively signed and also not statistically significant. This indicates that per capita income is not an important factor
influencing total educational expenditure in Nigeria. This is worrisome since per capita income as a measure of national economic progress is expected to have positive impact on education. What the result posits is that Nigeria is not doing enough to enhance educational development. It is no longer a secret that in most cases, the meager amount budgeted for education ends up in private pockets through kickbacks and highly inflated projects. Also, huge amount of money is being squandered on payment of salaries of ghost workers (non-existing workers) in the educational system. This situation has the tendency to slow down the growth process. The country will find it difficult to promote technological advancement and maximize economic potential.

SUMMARY, CONCLUSIONS AND POLICY RECOMMENDATIONS

The paper has attempted to analyze the trend, growth, structure and factors influencing public educational expenditure in Nigeria since 1986 relying on descriptive analysis and econometric modeling. The paper observes that despite the crucial role of education in economic development, Nigeria spends an insignificant proportion of her total expenditure on education. The econometric analysis shows that federally collected revenue has a significant positive impact on education expenditure while the effect of GDP per capita is negative. Education expenditure also depends on previous spending on education. The policy implications are far reaching. Findings suggest the need for the government to effectively fund the education sector. In addition, conscientious efforts must be made to create a conducive environment for private sector participation in education financing. This is necessary in the light of the quest for Nigeria to become one of 20 largest economies in the world by year 2020.

REFERENCES


An exploratory study of SMEs’ working capital management practices in Dar es Salaam Tanzania

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The objective of the research was to explore the effect of working capital management on profit and the trend of Small and Medium Enterprises working capital management practices. The results show that there is a positive linear relationship between operational margin and profitability and also a significant negative linear relationship between the measures of working capital management and profitability. Descriptive findings of working capital management indicate that there is poor working capital management as required by conventional practices. Due to small sample size the research provides exploratory insights and calls for further qualitative and quantitative research concerning working capital management in SMEs.

Introduction

Previous researches have indicated that “poor” or “careless” financial management is a major cause of small business failures (Matoha, 2007). Some of the most important internal problems small businesses need to identify are inadequate capital, cash flows management and inventory control. A survey conducted in the UK indicated that above 20% of firm failures was due to irrecoverable debts or poor receivable management (Padachi, 2006). In other developed countries such as US, Canada, England, Australia and others, it has long been recognized that efficient management of working capital is crucial for prosperity and survival of small businesses (Deloof, 2003). Nevertheless in the developing countries such as Tanzania very little has been done concerning working capital management practices in SMEs.

Keeping this in view and wider recognition of the potential contribution of SME sector to the economy of Tanzania where SME sector generates employment to more than 2.4 million and also provides more than 22% of total labour force (Nchimbi, 2003). The International Finance Company (IFC, 2005) of the World Bank estimated that by 2005, there were approximately 2.7 million SMEs enterprises in Tanzania. About a third of the GDP in Tanzania originates from the SMEs sector (IFC, 2009). The SME sector constitutes the vast majority of business establishments and is usually responsible for the majority of jobs created and is one of the leading employers, next only to agriculture.

SMEs are defined as those employing 5 up to 99 employees and have capital investment from TZS 5 million to 800 million (URT, 2003). As this study deals with SMEs which are important in the Tanzanian economy. This study is therefore a modest attempt to explore the trend and impact of working capital management on profitability and working capital management practices of a sample of SMEs in Dar es Salaam city which is the major commercial city in Tanzania, and its results are expected to contribute to the existing literature on working capital of SMEs.
Problem Statement

Working capital management is of a particular importance to the profitability growth. SMEs with Limited access to the long-term capital markets tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance their operations (Olomi, 2008). Few researches have being done in this area. As Matoha (2007) explained in his study of working capital management in the SMEs publishing companies in Dar es Salaam, there are problems in working capital management such as low level of education and low level of experience. Jarvis and Kitching (1996) noted that small business literatures often stress that small businesses operate differently than large ones. In addition, small business finance literatures frequently suggested the problem of scarcity of funds (Kargar and Blumentha, 1994).

The study Conducted by De Chazal Du Mee (1998) revealed that 60% enterprises suffer from cash flow problems. Anand (2001) discovered, the longer a debt remain outstanding the greater the risk of it becoming uncollectible. This leads to a domino effect as small businesses not being paid cannot in turn run their accounts payable. Teruel and Solan (2005) suggested that managers can create value by reducing their firm’s number of days of accounts receivables and inventories. Similarly reducing the cash conversion cycle also enhances the firm’s profitability.

It can be observed from the literature that there is a lack of empirical research concerning working capital management in the context of Tanzania. This research therefore endeavours to explore the effect of working capital management on profit and the practises of working capital management in some SMEs that are in Dar es Salaam, Tanzania.

Methods

The research used the survey method as it concerned with addressing the particular characteristics of a population at a particular fixed point of time (Gill and Johnson, 1997). Twenty SMEs engaging between 5-49 employees or with capital investment from TZS 5 million to TZS 200 million were selected from different industries basing on their readiness to provide the required information. Sixteen businesses returned the filled questionnaires and the researcher managed to get financial statements of seven among them.

Table 1 presents the characteristics of the firms studied which to a large extent fits the definition of SMEs used in this study.

<table>
<thead>
<tr>
<th>Legal Form</th>
<th>Type of Business</th>
<th>Capital Investment TZS</th>
<th>Number of Employees of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>4</td>
<td>5-50 Mill</td>
<td>6</td>
</tr>
<tr>
<td>Partnership</td>
<td>5</td>
<td>51-100 mill</td>
<td>5</td>
</tr>
<tr>
<td>Limited Company</td>
<td>7</td>
<td>101-150 Mill</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>151-200 Mill</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

Most (43.8%) of the selected firms were established as limited companies, while the remaining were registered as sole proprietorship (25%) and partnership (31.3%). 75% are trading concern and 25% are manufacturing concern. Approximately 69% of the firms have only 2-5 employees and 25% have more
than 10 employees. Thus, it is likely that many sampled businesses do not have complete management teams. In addition, firms with few employees may not have adequate personnel resources to fully analyze working capital budgeting alternatives. 37.5% invested not more than TZS 50 mill and the remaining invested more than TZS 50 mill but less than TZS 200 mill. The data also revealed that most of the firms (about 62.6%) of the sample have less than 6 years of survival, the remaining have more than 6 years. The data were collected in July 2009.

Parts of data were collected by using a questionnaire where the owners/managers filled the questionnaire. Questions were asked to inquire issues concerning working capital management. Financial data covering the accounting period of 2007/2008 were collected from the financial statements of the sampled firms having legal entity, the limited liability companies and having filed their annual returns to the Business Registration and Licensing Authority (BRELA). For the purpose of this study profitability is measured by Return on Total Assets (ROTA) which is defined as profit before interest and tax divided by total assets. This is because SMEs are characterized by low Non Current Assets base and relied to a large extent on accounts payable to fund its gross working capital (Padachi, 2006). Thus a comprehensive measure of profitability is best captured by computing the Return on total assets, which is equal to the total liabilities of the firm made up mainly of equity capital and current liabilities (Padachi, 2006).

Pearson correlation coefficients for variables were used to analyze the impact of working capital management on profitability growth. Pearson measures the linear relationship from 0 to 1 and also carries a positive sign for a positive relationship or negative for an inverse relationship (Schindler and Cooper, 2003). The information which could not be obtained from financial statements was obtained from the questionnaires. A descriptive analysis based on the percentage is used to analyse the results obtained from the questionnaires.

**Results and Discussion**

**Correlation analysis**

There is a strong relationship between working capital management and profitability. Return on total assets (ROTA) is positively correlated with Operational margin and negatively correlated with the measures of working capital management (See Table 2). The coefficient of accounts payable days is positive and confirms the positive correlation between profitability and the number of accounts payable days, meaning that increasing accounts payable days will cause the increase in profitability. When prospects of profitability are poor, the small businesses may not be able to seek an extension on the credit period from their suppliers.

There is a negative correlation between Profitability and cash conversion circle which means that profitability decreases with the cash conversion cycle increase, which would imply that owner managers can increase profits by shortening their working capital cycle. These results are consistent with those found by Teruel and Solan (2005).

<table>
<thead>
<tr>
<th>Table 2: Correlation Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Measures</strong></td>
</tr>
<tr>
<td>Operation Margin = Profit before Interest and Taxes/Total Assets</td>
</tr>
<tr>
<td>Asset turnover=Sales/ Total assets</td>
</tr>
<tr>
<td>Gearing ratio= Total debt/Total assets</td>
</tr>
<tr>
<td>Current Assets to Total assets</td>
</tr>
<tr>
<td>Stocks/Current assets</td>
</tr>
<tr>
<td>Trade debtors/Current assets</td>
</tr>
</tbody>
</table>
Current liabilities/ Total assets 0.573  
Number of inventory days = stockx365/cost of sales -0.736  
Account receivables days = account receivablesx365/Credit sales -0.524  
Account payable days = account payablex365/cost of sales 0.245  
Cash conversion cycle = Inventory days + Accounts Receivable days – Accounts Payable days -0.824

**Descriptive analysis of the results Obtained from the Questionnaires**

**General Perceptions**

Turnover growth is the meaning of success for 43.8% small business and only 25% aimed at maximizing profit. 50% of companies claimed the financial health of their businesses is average, and 62.5% predicted their turnover will increase in 2010. 56.3% of the sampled businesses do not have growth strategy, but 43.8% prefer new market as a growth strategy, so they have to be trained on how to form market niche for their businesses.

Interestingly, private capital is the most popular way to fund the growth. The results show that small businesses studied perceive private capital as being more flexible than any other form of finance, whilst this type of funding is usually limited and is rarely adequate to support rapid growth. The results justifies the findings of Shayo, Temu (2002, 2005) when she found that growth of small firms to a large scale in Tanzania is a rarity as most start up firms end up with only capacity to employ half a dozen people after a decade of operation.

**Cash management practices**

For cash budget preparation, 68.8% of respondents indicated that they never had cash budgets prepared, whereas only 31.3% always prepare cash budgets. In addition the results reveal that all those who prepare cash budgets; the monthly period is frequently used as the preparation basis. The results indicate that most of small businesses have the decision on target cash balance based on the owners’ experience. Percentage of small businesses which apply theories of cash management in determining the target cash balance is small. Only 6.3% use Boumal model to determine the target cash balance. This suggests that theories of cash management have not been popularly implemented in practices, and owner manager’s experience remains more important than theoretical implication on cash management.

In terms of cash shortage experience, 50% of small businesses had never or rarely been short of cash and 50% of responding small businesses often or always had insufficient cash for expenditure. Regarding cash surplus investment, the results reveal that up to 56.2% of the sample of Dar es Salaam SMEs businesses did not invest cash surpluses for profitable purposes. About 31.3% deposit cash surpluses in bank accounts for interest, and almost no firms used cash surpluses to buy money market instruments. This is explained as a result of the underdeveloped money market in Tanzania, therefore firms cannot use cash surplus to purchase short-term investment instruments for profitable objectives. The other reason could be lack of knowledge of the available money market instruments and their usefulness among the SMEs owners.

**Receivable management practices**

The results indicate that 56.3% of respondents always or often sell on credit, and only 43.8% never sell on credit. However, only 37.5% of the small businesses answered that they always or often set up a credit policy for the customers. The firm size and trade references are the major measures taken to assess debtor capability. The credit agency checks score the least (6.3%). This means credit agency checks service is
not popular or not well established. 37.5% of small businesses studied use achievement of cash collection targets as a measure of credit performance and 2.5% have nothing to do with debtors.

In reviewing receivable levels and irrecoverable debts, a relatively high percentage of small businesses about 56.3% in the sample review their receivable levels and irrecoverable debts based on monthly period. As such like cash management practices, monthly periods are still popularly used by small businesses in reviewing receivable levels and irrecoverable debts.

**Inventory Management Practices**

A low percentage (31.3%) of the sample of Dar es Salaam SMEs businesses always or often prepare and review inventory levels, about 68.8% never prepare inventory budgets. When asked how do they determine the level of inventory in preparing inventory budget? 87.5% answered that they determine inventory levels based on owner managers’ experience, only 12.5 based on theories of inventory management. On the other hand, Small businesses very rarely use the Economic Order Quantity (EOQ) model in inventory management. Up to 75% of small businesses revealed that they have never known this model, 25% know the model but never use it.

Practices on inventory management as mentioned above show that SMEs studied have very low knowledge of financial management theories. Although some review inventory levels and prepare inventory budgets, ability of applying theories of inventory management is very limited.

**Conclusions and Implications**

**To the owner managers of small businesses**

As we have seen, the good working capital management practices can boost the profitability of small businesses, so owner managers must ensure that they utilise adequate working capital management tools. Too little of working capital will result in cash flows problems, failing to pay suppliers on time and being unable to claim discounts for prompt payment. On the other hand too much resources tied up in working capital will earn a lower than expected rate of return on capital employed.

The manager of a small business has to carry out the following fundamental functions. In inventory management, the benefit of holding stocks must be weighed against any costs incurred in order to determine the optimal stock levels. In cash management, he/she should forecast cash inflows and cash outflows. Maximize the benefits earned by spare funds not required immediately and reduce any losses caused by delays in the transmission of funds.

**To the Government:**

The limited knowledge of financial management is the chronic problem facing owner managers of small businesses so the government can reduce this by promoting education to the owners. The government should enhance the capacity of institutions providing business training to small businesses.

The government has come up with the SME Development Policy (2003-2013) that outlines priorities and strategies for improving the performance and competitiveness of existing SMEs and for creating new ones. The aspects addressed in the SME policy include: (i) providing an enabling legal and regulatory framework (ii) improving access to physical infrastructure and workplaces (iii) strengthening entrepreneurial culture, business development services and access to markets (iv) improving SME access to finance (v) building the capacity of stakeholders for effective implementation of SME programmes. (vi) Promoting rural industrialization and (vii) attending crosscutting issues such as environment, gender, HIV/AIDS etc. Emphasis on working capital management needs to be clearly stipulated. The results of this study show that working capital management impact on the performance of SMEs and it is not well practiced. Emphasis on working capital management is necessary in order to enhance the performance of SMEs.
To the Academic Community

The growth situation of small firms is not promising as stipulated by Bwisa (1998 cf Olomi, 2009) in Kenya where the transition is just from 1-3 employees to 10 and there are no current data in Tanzania. In Tanzania the situation may be worse due to historical reasons that have made the private sector at a much lower level of development compared to Kenya (Masoud, 2007). The growth of small firms to a large scale in Tanzania is a rarity as most start up firms end up with only capacity to employ half a dozen people after a decade of operation (Shayo, Temu 2002, 2005). One of the reasons could be lack of adequate knowledge to manage the working capital of these firms.

The results of this study have shown that there is little applicability of the conventional concepts of working capital management by the Tanzanian SMEs and they normally depend on the experience of the owner managers. Some of these firms do well what is their secret? In-depth qualitative inquiries are necessary to discover the secrets of those firms that do better and then to replicate the practices to others. There is much need not to concentrate on the teaching of the western developed countries models of working capital management, or the models that are adequate for big firms to the SMEs existing in the African developing countries context. It is high time now local knowledge is developed which is relevant to the context (Masoud, 2005).

The analysis has been constrained by the sample size which could have well affected the results. Further studies aiming at increasing the sample size may provide better results.

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Report submitted to Nuffic in relation to design of NICHE programme.


Gender and job attribute preferences as predictors of attractiveness to small and medium enterprises and multinational companies: The case of Ugandan undergraduates.

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To establish which job attributes predict overall attraction to SMEs and MNCs by gender, a systematic sample of 235 undergraduates from Uganda Christian University is used to rate 17 job attributes. Principal axis factoring by promax rotation revealed five oblique factors, followed by multiple regression to identify which factors predict attractiveness to SMEs and MNCs. The study establishes that SMEs are rated poorly on all attributes compared to MNCs and that significant gender difference exists in job attribute preferences. Practitioners should become familiar with the job attributes desired by graduates, while government considers lessening the tax burden on SMEs.

Introduction

Many graduates do not want to work with SMEs because they are suspicious of the benefits of doing so (Holmes et al. 1998). They view SMEs as poor payers, short on fringe benefits yet demanding long working hours, and less likely to offer induction and training that would improve their career prospects. This is aggravated by the fact that a sizeable number of SMEs do not last beyond 5 years of their start up and are thus not viewed as secure sources of employment (Westhead and Matlay 2005). Parents may also be dismayed when their children are employed by SMEs (Hanage et al., 1994). In effect how to encourage graduates to work for SMEs is one issue that has bothered employers in SMEs for some time (Moy and Lee 2002), yet there is no single answer to this problem (Hanage et al. 1994). This paper contributes to the literature by examining this issue from the Ugandan context. Specifically, this study analyzes career prospects of undergraduates by establishing which job attributes predict overall attraction to SMEs and MNCs by gender, given the marked variability in the importance attached to various job attributes by graduates in various contexts. For example Powell (1991) identified the job itself, compensation or security and the work environment as the most important job attributes to graduates, while Lee and Ho 1989 in Moy and Lee (2002) identified participation in decision making. Further, studies on job attribute preferences by gender show mixed results (Chew and Teo 1993). Most research on graduate employment has been done in the west, hence there is a paucity of literature on this subject in developing economies. It is hoped that the study will provide policy makers and practitioners with a clear understanding of work values and job attribute preferences in SMEs and MNCs and thus provide a platform from which mitigation measures can be formulated. In the next section of the paper, we highlight the theoretical back ground and literature on graduate career prospects, while the subsequent section outlines the methodology and findings of the study. A concluding discussion wraps up the paper.

Literature review

The Government of Uganda classifies small business as those that have between 5 – 50 employees and medium as those with 51 – 500 employees (Kasekende and Opondo 2003). Ball et al. (2006) define MNCs as businesses whose activities are carried out across national borders, including international trade, foreign manufacturing and trade in services.

Models of career development: Career is defined differently by various researchers. To some it is a job, yet to others it is the evolving sequence of a person’s work experience over a period of time (Arthur et al.
Careers reflect relationships between people and institutions and how these relationships fluctuate with time. Career development is a series of social adjustments that culture imposes on the worker (Miller and Form 1951). These adjustments fall into a life work pattern of five phases i.e. preparatory, initial, trial, stable and retirement phases. Super (1957) also identifies 5 career development stages namely growth, exploratory, establishment, maintenance and decline. These two models focus on the interaction between the individual and the environment i.e. either society forcing an individual to adapt to its needs or forming an identity based on the choices and response received from the environment. The models also show that individuals are faced with choices, which ushers in the element of decision making in the context of careers. Schein (1978) introduced the concept of career anchors, defined as a guiding force that influences peoples’ career choices, based on self perception of their own skills, motivation and values. He identifies 5 career anchors i.e. managerial, technical security / stability autonomy/ independent and creativity/entrepreneurial.

Job attributes in SMEs and MNCs: Job attributes are the most important criteria on which job seekers base their job choice decisions (Moy and Lee 2002). Job attribute preference refers to the values that individuals attach to various intrinsic and extrinsic job characteristics and rewards (Chew and Teo 1993). Behling et al. (1968) propose a job choice model, in which job choice is premised on weighing the advantages and disadvantages of job attributes associated with a given job. This evaluation process is partly dependent on the perceived importance and attractiveness of the attributes (Moy Lee 2002). Many graduates believe that SMEs face financial constraints, thus they do not consider them to be desirable employers. Teo and Poon (1994) established that MNCs were rated as more attractive than SMEs along pay, fringe benefits, career prospects and marketability. It is possible that MNCs in Uganda are rated the same way, hence:

H1: MNCs will be rated highly on job attributes such as pay, fringe benefits, job security, than SMEs.

Ahmadi and Helms (1997) show that small firms were the most receptive and largest business segment for employment in the US. SMEs that show growth signs generate the best careers because they adapt well to the domestic and international competitive environment, respond better to shifting demands since there are fewer parties involved in decision making, specialize in niche markets, keep open minds and respond quickly to change, keep low overheads and maintain high productivity. Further, SMEs maintain close personal relationships with their customers, suppliers and workers (Bygrave 1994). It is possible that these findings are applicable to an emerging market context, thus:

H2: SMEs should be rated highly on fostering relationships than MNCs.

Gender and job attributes: Gender and job choice can be approached from a number of different yet interlinked perspectives. For example, sex role socialization theory outlines the process by which individuals learn the behavior that a culture defines as appropriate for their sex, and provides an explanation about sex differences in occupational orientation, job related skills and career choice, hence men and women are likely to have different evaluations of job choice factors (Chow and Ngo 2002). Gender self schema also explains job choice orientations. Gender self schema is a person’s psychological construction of self, anchored on a number of aspects, most usually gender (Terjesen et al. 2007). Thus male gender self-schema is associated with masculinity, career roles, values and beliefs which are considered appropriate to men and female gender self schema, is associated with femininity and family roles, norms beliefs and values held about women. Individuals seek a gender self-schema which is in line with their sex. Relational theory (Miller 1976 in Terjesen et al. 2007) posits that women have a sense of self and personal worth, which is shaped by a sense of connection to others. This view is confirmed by Konrad et al. (2000) who find effect sizes to support significant sex differences consistent with gender roles and stereotypes, especially the gender stereotype that interpersonal relationships are more important to women. Lacey et al. (1980) demonstrate that the traditional role for men is income provision, thus they are more likely to put emphasis on pay. Based on these arguments, we advance the following hypotheses:

H3: Men students will rate pay and fringe benefits higher than female students in both SMEs and MNCs.
**H4**: Men students will rate prestige higher than female students in both SMEs and MNCs  
**H5**: Female students will rate relationships higher than men students in both MNCs and SMEs

**Method**

A 4 phase rigorous procedure was used to identify the predictors of attractiveness to SMEs and MNCs. In phase 1, a review of literature on job attributes and gender was carried out, combined with random conversations with students about the type of attributes they would like to see in a job in SMEs and MNCs. Managers in both SMEs and MNCs were also consulted for their opinions about graduate job attribute preferences. Following this qualitative study, data was collected from a systematic sample of final year Bachelor of Business Administration (BBA) and Bachelor of Procurement and Logistics Management (BPLM) using their class lists as a sampling frame.

**Measures:** Attractiveness to MNCs was measured with three items (alpha 0.86) from Chow and Ngo (2002). Similarly attractiveness to SMEs was measured with these same items by substituting “MNCs” for “SMEs”. Respondents were requested to indicate the extent to which they agreed with the perceived attractiveness statements to these firms on a 5 point likert scale, ranging from “1” strongly disagree to “5” strongly agree. For example “I am willing to work with a SME”. The 17 job attributes measured in this study were obtained from Chew and Teo (1993). Respondents were requested to rate each attribute on a 5 point likert scale in terms of how important each item was when choosing a job, “1” not important at all to “5” Most important. Students were requested to indicate their age and gender. A total of 235 usable questionnaires were collected back. Men students made up 46% of the sample while 53% were female. 21 students did not indicate their gender. Their ages ranged from 19-48, with a mean of 24 years (SD 3.90) and a mode of 23 years. 55% were BBA while 45% were BPLM students. In phase 2, each variable was checked for normality. Since Kurtosis was not within the +1 to -1 range for all the variables, the data was not normal and it was log transformed. No outliers were detected. In order to reduce the large number of attributes (23) to a manageable size, factor analysis was employed and regression factor scores were saved for each respondent for further analysis. Bartlett’s test of sphericity tested the null hypothesis that the resultant 23x23 correlation matrix was an identity matrix, all diagonal coefficients are equal to one, and off diagonal items are zero (those that are not zero it is due to chance). The null hypothesis was rejected ($\chi^2 = 1414.905, df=235, p=0.000$), meaning that factor analysis was appropriate. The Kaiser Meyer-Olkin (KMO) coefficient of sampling adequacy (0.78), confirmed this fact. Principal axis factoring by promax rotation with Kaiser Normalization yielded 8 oblique factors each with Eigen value > 1 and accounting for 65.79% of the variance. Oblique factors were preferred because they rotate to simple structure and also agree more with psychological theory than do orthogonal factors. Most of the items loaded as expected. Loewenthal (2001) posits that if a scale has a small number of items, it may not be possible to get a high reliability value and thus a coefficient of 0.6 may be sufficient. Based on these arguments all factors with alpha >0.6 were retained, while one factor with alpha<0.6 was excluded from subsequent analysis. A correlation matrix of the retained factors is shown below (table 1).

Table 1: Correlation matrix of constructs

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>REL</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.73</td>
</tr>
<tr>
<td>Travel</td>
<td>.178*</td>
<td>.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.62</td>
</tr>
<tr>
<td>Benefits</td>
<td>.403*</td>
<td>.569*</td>
<td>.67</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.70</td>
</tr>
<tr>
<td>Prestige</td>
<td>.375*</td>
<td>.328*</td>
<td>.574*</td>
<td>.57</td>
<td></td>
<td></td>
<td></td>
<td>.60</td>
</tr>
<tr>
<td>C/Work</td>
<td>.119</td>
<td>.329*</td>
<td>.455*</td>
<td>.476*</td>
<td>.54</td>
<td></td>
<td></td>
<td>.60</td>
</tr>
<tr>
<td>MNC</td>
<td>.325*</td>
<td>.199*</td>
<td>.469*</td>
<td>.463*</td>
<td>.277*</td>
<td>.69</td>
<td></td>
<td>.75</td>
</tr>
<tr>
<td>SME</td>
<td>-.076</td>
<td>.176*</td>
<td>.060</td>
<td>.110</td>
<td>.007</td>
<td>.057</td>
<td>.69</td>
<td>.73</td>
</tr>
</tbody>
</table>

N= 211, Listwise; p<0.05* 2 tailed p<0.01 ** 2 tailed; AVE in bold on diagonal. C/work= challenging work
The correlation matrix shows that only benefits had a significant and positive correlation with attraction to SMEs. However, all the factors had significant and positive correlations with attraction to MNCs, with the factor benefits having the highest correlation. All correlations with MNCs are higher than those in SMEs. Also benefits and travel have the highest inter factor correlation, meaning that they are closely related. However, factors should not correlate so highly as if they are measuring the same underlying construct. This is the concept of discriminant validity (Siekpe 2005). Discriminant validity was assessed by examining the factor correlation matrix and average variance extracted (AVE), given by the formula:

\[ AVE = \frac{\sum \lambda_i^2}{\sum \lambda_i^2 + \sum (1 - \lambda_i^2)} \]

where \( \sum \lambda_i^2 \) is the sum of the squared loading, while \( \sum (1 - \lambda_i^2) \) is the sum of the residual variances (Reinartz et al., 2003).

The square root of AVE should exceed the correlations in the rows and columns for adequate discriminant validity (table 2 above), which indicates that more variance is shared between the construct and its indicators than with other constructs (Fornell and Lacker 1981 in Siekpe 2005). Hence discriminant validity was achieved. Since only one variable (benefits) was significantly correlated to attraction to SMEs, no further analysis was done for this sector. In phase 3 we identify the attributes that predict attractiveness to MNCs, by use of multiple regression (stepwise) based on Hair et al. (1992), who recommend that the factor that correlates highest with the dependent variable be entered first, followed by factors with the highest significant partial correlation with the dependent variable while controlling for the factor that was entered first. Hence (benefits) the factor with the highest correlation with the dependent variable (Attractiveness to MNCs) was entered first. Partial correlations between the dependent variable and the other independent variables were calculated while controlling for benefits as presented in table 2.

Table 2: Partial correlations with MNC controlling for benefits

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>-.936</td>
<td>.176</td>
</tr>
<tr>
<td>Prestige</td>
<td>.268</td>
<td>.000</td>
</tr>
<tr>
<td>Relationships</td>
<td>.167</td>
<td>.015</td>
</tr>
<tr>
<td>Challenging work</td>
<td>.081</td>
<td>.242</td>
</tr>
</tbody>
</table>

Table 2 shows that only prestige and relationships had significant partial correlations, and thus were the only variables to enter the model in that order. Table 3 presents the findings of the regression analysis.

Table 3: Multiple regression analyses predicting willingness to work with a MNC

<table>
<thead>
<tr>
<th>Standardized regression coefficients</th>
<th>Step1</th>
<th>Step2</th>
<th>Step3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>.469**</td>
<td>.303**</td>
<td>.271**</td>
</tr>
<tr>
<td>Prestige</td>
<td>.289**</td>
<td>.264**</td>
<td></td>
</tr>
<tr>
<td>Relationships</td>
<td>.</td>
<td>.116</td>
<td></td>
</tr>
<tr>
<td>Adjusted ( R^2 )</td>
<td>.217**</td>
<td>.269**</td>
<td>.277**</td>
</tr>
<tr>
<td>Adjusted ( R^2 ) change</td>
<td>.</td>
<td>.056**</td>
<td>.011</td>
</tr>
</tbody>
</table>

N=211, Listwise p<0.001***
The table shows that the two most important variables that predict attractiveness to work with MNCs are benefits ($B=.469$) and prestige, ($B=.289$) thus supporting H1. However since correlation in SMEs is only with benefits, H2 is not supported. Next multiple regression analysis was done to identify the most important predictors of attractiveness to MNCs by gender. Table 4 presents the results of this analysis.

Table 4: Multiple regression analyses predicting willingness to work with MNC by Gender

<table>
<thead>
<tr>
<th></th>
<th>Standardized Regression Coefficients</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MEN</td>
<td>WOMEN</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Step1</td>
<td>Step2</td>
<td>Step1</td>
</tr>
<tr>
<td>Benefits</td>
<td>.482**</td>
<td>.305**</td>
<td>.415**</td>
</tr>
<tr>
<td>Prestige</td>
<td>.248**</td>
<td>.354**</td>
<td>.264**</td>
</tr>
<tr>
<td>Relationships</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjusted $R^2$  
MEN: .224**  
WOMEN: .246**

Adjusted $R^2$ change  
MEN: .030**  
WOMEN: .099**

$p<0.001$  
N=91 (Men), N=103 (Women) Both cases Listwise.

The table shows that benefits is a better predictor for working with MNCs for men ($B=.482$) than it is for women ($B=.415$), hence supporting H3. However the reverse is true when we consider prestige i.e. women ($B=.354$) compared to men ($B=.248$). Hence H4 is not supported. When a third variable relationships was added to the model for men, it was not significant, while for women it was significant ($B=.234$), which means that this variable is a good predictor for attracting women into MNCs, thus supporting H5. The tolerance values of the independent variables in this study were closer to 1 meaning that there were no collinearity problems. In phase 4, we use a 75-25% validation strategy to support the generalizability of our findings. The data was divided into two, using the split command in SPSS. The validation requires that the regression model for the 75% job attribute sample, replicate the pattern of statistical significance found in the full data set. First, in the analysis of the 75% job attribute sample, the relation ship between the independent variables and the dependent variable was statistically significant $F$ (2, 162) = 30.820 $p<0.001$, as was the overall relationship in the analysis of the full data set $F$ (2, 208) = 39.719 $p<0.001$. Second, the change in $R^2$ should demonstrate statistical significance in the analysis of the 75% sample. The $R^2$ change of .062 was statistically significant F change (1, 160) = 13.76 $p<.001$. Third the pattern of relationships for the individual variables and the predictor variable was the same for the analysis using the full data set and the 75% sample. The relationship between benefits and the dependent variable in the full data set was $t = 4.212$ $p<.001$ and the same analysis using the 75% sample was $t = 3.501$ $p <.01$. On the other hand prestige for the full data set was $t=3.66$ $p<.001$, compared to $t = 3.711$ $p<.001$ for the 75% sample. Fourth, the total proportion of variance explained in the full sample model was .276 compared to .284 for the validation sample. The value of $R^2$ for the validation sample was larger than the value for the full sample model, implying a better fit than one obtained in the full sample. This validation supports the generalizability of the findings of the analysis to the population represented in the data set.

Discussion: The study finds no correlation between attraction to SMEs and all job attributes except benefits. Thus these respondents would not consider working for SMEs based on these attributes. However, all the attributes are strongly correlated with attraction to MNCs. This is consistent with Teo and Poon (1994) and Lee and Moy (2002) where SMEs were rated poorly by undergraduates on attributes
such as pay, fringe benefits, job security, while MNCs were rated highly on these attributes. Unlike Chew and Teo (1993) who find challenging work as the most important job attribute (intrinsic factor), but consistent with Lange (2009), this study has established that benefits (extrinsic factor) are the main job attributes that undergraduates consider in their quest for jobs in MNCs and SMEs. This explains why many graduates do not prefer to work with SMEs. Graduates would like to satisfy their extrinsic needs especially with their first job (Lau and Pang 1993), and this is particularly true in cultures that emphasize embeddedness, where a major purpose of work is to serve the perceived needs of dependants including friends (Munene et al. 2000). A graduate is expected to support his/her extended family; hence a highly paying organization would be a major consideration in the quest for a job. The findings of this study say something about the work values of this sample: They are more interested in benefits and prestige than challenging work. Many people have questioned the work ethic of Ugandan graduates. Ntayi (2005) argues that work as an indicator of good character and good morals is phasing out in Uganda. While Chow and Ngo (2002) find no major gender differences in job attribute preferences, this study finds differences in job attribute preferences for masculine type items like salary in line with gender stereotypes. Women also consider prestige to be more important than men. Consistent with Konrad et al. (2000), the study shows that women more than men, consider relationships as an important job attribute.

Conclusion and implications

Study findings indicate in summary that a lot still needs to be done in order to attract graduates into SME ranks. Since we encourage students to start up in light of the job scarcity worsened by the credit crunch, it is ironical that many graduates do not want to work with SMEs. It means that they themselves will face skill shortages when they start their own businesses since other graduates won’t want to work with them. To mitigate this problem, a multi pronged approach is recommended by this paper. First SME have to improve their image in order to attract graduates. They can link up with university career masters, participate in exhibitions and improve communication with the outside world. SMEs could also offer students’ placements for internship, as a way to open up to graduates to enable them change the negative attitude towards their organisations. Further, this paper concurs with Moy and Lee (2002) who argue that SMEs should design recruitment packages that can at least match up to recent graduates extrinsic rewards. Government can help in this respect by ensuring for example that public policy favors SMEs (Westhead and Matlay 2005) e.g. reduce the tax burden of SMEs so that they pass on the savings in terms of higher salaries and allowances. Lastly research on the work ethic of Ugandan graduates is called for, since the study utilized a small sample of students from one university and a limited scope of job attributes.

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Traditionally, Igbo women of Nigeria just like other women in African and other cultures are characterised by male chauvinism. However, abundant evidence exists supporting the thinking that Igbo women are as entrepreneurial as the men and in some instances more than the men. This is evidenced by the number of women that contribute to the growth of family businesses and even expand the businesses more than ever after the demise, incapacitation, and retirement of their husbands. Ironically, these evidences are rarely reported in the literature. Accordingly, this paper documents historical evidence on the role of women entrepreneurs in growing family businesses and making them to survive over time. The evidence from these cases provides new an insight for reconstructing women entrepreneurship and copreneurship in Nigeria.

Introduction

Since late 1980s, research interest has been increasing on the role of couples in conceiving and fostering business ventures and family businesses. Such interests have been directed at illuminating how couples contribute in sustaining their businesses amidst the conflicts arising from the interface of family and business life. They always have to deal with family problems of raising kids, dealing with family relations, taking care of each other, solving their personal lives’ problems as well as managing their businesses wisely to make profit for business success and growth. The term copreneurs was first coined by Barnett and Barnett (1988) who conceptualizes it as entrepreneurial venture formed by couples with mutual ownership and commitment. Nelton (1986) and Jaffe (1990) also contributed in popularizing copreneurial ventures and in describing the unique characteristics and potential hazards of the couples’ dual relationship at combining personal, romantic and business relationships.

Till date, most of the studies on copreneurship were largely done in the developed country context, which limits the generalization of conclusions from such studies to other contexts especially to developing country contexts. Nigeria is one such context with differing settings where the application of such conclusion would be difficult. This calls for context specific studies that would report on the dynamics of copreneurship. Accordingly, the present paper examines aspects of the relatively unexamined area of copreneurship from a Nigerian perspective. Specifically, family dynamics in copreneurship, the role of wives in copreneurships, business survival after the death of the husband and benefits and problems of copreneurship from the Nigerian perspectives are covered in this study.

Nigeria in Context

Nigeria is populated by nearly 150 million people, and remains the largest black population in Africa. Nigeria accounts for half of West Africa’s population, and about 25 percent of Sub-Sahara Africa (SSA), making it the largest market in the region. It occupies a land area of 923,768 sq kilometres with diverse climate, culture, and natural resources and 250 ethnic groups making it a highly diversified culture. The informal sector is well developed, far ahead of the formal sector of the economy. For instance, about 65 percent of active population, most of them women have been excluded from the formal financial
institutions (Bamisile, 2006). Obtaining the actual size and employment structure in the Nigeria’s informal sector is difficult, but estimates suggest that the sector accounts for between 45 – 60 percent of the urban labour force; up from about 25 percent in the mid 1960s, life expectancy at birth is put at 52 years.

Traditionally, the Nigerian society is chauvinistic, making it difficult for women to develop their own business alone even when they so wish. This situation is accentuated by the ascribed and acquired roles by the women, which mostly confine them to informal businesses. Copreneurship provides them natural escape route to leapfrog into the formal sector by forming and owning their businesses with their spouses. In most cases, the business technically belongs to the husband and the wife comes into it as a natural extension of family chores or in the event of terminal sickness or death of the husband. The wife’s role increases and gains prominence if she is not encumbered by any social factor.

**Family dynamics in copreneurship**

The family systems theory which derives from general systems theory (Bateson, 1972) fits very appropriately in describing the interdependency which epitomizes copreneurship and even family business as a whole. The theory postulates that families are open systems that depend on their environment for their survival, regulating their interaction both internally and externally to achieve a state of bounded equilibrium. In a family system, every action and reaction triggers a change in the system as a whole (Bjornberg) and this type of interdependence describes and affects its various subsystems or parts.

In the African setting, where the extended family system still thrives very much, including Nigeria, the interdependency described in the family systems theory is even more prevalent. This arises from the fact that copreneurs do not solely operate their businesses alone but reach out to the extended family members from both the husband and the wife’s sides to employ the needed staff. This practice, sometimes, tends to increase the chances of conflict between copreneurs especially when some women who have been given away into marriage are usually expected to continue to identify with their maiden families by helping out in various ways. This becomes even more imperative when the training of women in institutions of higher learning is considered an investment (Nwachukwu, 2000) which return would continue to flow into the maiden family. In addition to the bases for this expectation, some copreneurs are started by women who drew their husbands into the business and in some cases, the seed capital must have been provided by the maiden family. Brown (1989) actually shows in his study that the growth in copreneurship is attributed to more women starting businesses and forming partnership with their husbands. The dynamics of family business can therefore, result to copreneurs serving three purposes of which Bjornberg (-) used as themes needed to be capture in his study. These are the family as a problem solving unit, interpersonal interaction and social climate in the family and authority and child-rearing/parenting style in the family. The first two themes are discussed under this section while the last is taken later.

Copreneurs can serve as a problem solving unit not only for the family but for the business as well, since overlapping boundaries exist between the family and business systems. Though the extended family system may not play so many roles in such exercise, but the couple can sit back in the privacy of their homes to subtly and carefully discuss business issues still maintaining the calm disposition that is needed to maintain peace in the homes. Such adaptability is also needed for integrating and regulating changes in the family system in relation to its outer and inner environments, and for solving its other problems. Such problem solving effort using the family can also lead to cohesions which is required for both the family and the business to remain as a unit, since such unit shapes the boundary that defines it. Adaptability to
problem solving using the family also leads to a healthier family system which also flows out to the family business.

There is also a duality in the relationship existing between copreneurs which is defined in the interpersonal interaction and social climate in the family. According to Bjorn berg (-), the interactionist perspective on family functioning addresses the interpersonal atmosphere of the family, highlighting the importance of psychological regulation inside the system. Lowman (1981) also pointed out that the pattern or climate existing among family members is of crucial importance in influencing phenomena in the family system. It is an acceptable fact as well that a house divided against itself cannot stand and since family business cannot easily be detached from the family units, quarrels or misunderstandings in the families may tend to tear the family business apart if not well tended to timely.

According to Marshack (1998), both the family and the business relationships are strengthened by a shared vision and true team effort. Couples in business should therefore, have stronger marriage and business because of the intertwining of work and family and since copreneurs can blend the two dimensions, all the elements involved are expected to enhance the profitability and success of the business (Marshack, 1998).

There is also another type of duality in the relationship existing between family businesses especially in copreneurships, which can make possible the interchangeable use of some resources. As a matter of fact, a variety of resources may be exchanged between the family and the business including time use (Fitzgerald et al., 2001; Miller et al. 2000 winter et al. 1993) and finances (Haynes et al. (1999). Haynes et al. (1999) write that the finances of the business and the family are inextricably intertwined and “up to two-thirds of households of household finances intermingle with business financial resources”. Despite the revealed interdependency and intermingling between family and business, the sustainable family business model, put forth by Stafford et al. (1999), shows that the extent of overlap will vary from business to business. There is, therefore, no form of uniformity since each family and/or business exist(s) with its own peculiarities.

**The Role of Wives in Copreneurships**

Women are known to assume the majority of the responsibilities associated with raising children and performing household chores than men. Therefore, where copreneurs are still within child-bearing age, the wives would be heavily weighed down with such responsibility. However, a study completed by Muske and Fitzgerald (2006) in USA reveal that copreneurs were more likely to have children of age 18 or younger. In the African setting where there are so many copreneurial ventures, there is no age limit of children and women still heavily shoulder such responsibilities. In successful copreneurs (in Nigeria), women are seen to be playing dominant role in administrative duties- allocating duties, fixing schedules of the different duties and closely monitoring and supervising employees as they work.

Wives are also known to act as the coordinating force of the peace maintained between the two families of the copreneurs in the first place and, the family and business in the second place. Any wife who is not supportive of acts that promote peace in the two families of the husband and wife in business will tend to act in the opposite direction and this may result to conflict.

**Post-divorce, Separation and Husband Demise Business Survival**

The demise of a husband copreneur may not actually have much negative implications unless there is a Will excluding the wife from inheriting the business. This is usually indicative of two things –either the children are grown and separated from the business, possibly operating their own businesses or there was a problem which warranted division of the business before the demise of husband or still, the business
was shared with a level of understanding when the husband copreneur was still alive. In the last case, the husband, when still alive would have had the prerogative of willing his own part of the business to anybody including his children.

Copreneurs can divorce and still continue their business. The impact of divorce is however said to be complicated, difficult and painful especially when the business may be divided or sold (Doody, 2005). Gilbert (1989) saw divorce as a significant problem in family business as he compared the intensity of its problems with that of business succession. Gilbraith (2003) found divorce to be a unique business crisis that both had a short-term, negative impact on the copreneurs personal finances as well as potentials to impact the economic structure of the family business.

On the strategies that may be applied to deal with the complication of post-divorce business operation, Cole and Johnson (2007) suggested legal contracts such as prenuptial agreement while Doody (2005) observed that planning for divorce was occurring in more family-owned business. Nelton (1986), in providing examples of entrepreneurial couples who maintained a business after a divorce/separation, insisted that those who could not sustain a business post-divorce would be better off in preparing dissolution agreements which idea he observed both couples and their advisers resisted. In suggesting ways consults could deal with divorce in family business, Brown (1990) maintained that while divorce may end up marriage, there is not need for it to end a business or lead to dissolution of the family. However, Cole and Johnson (2007) provided some answers from their study to the specific questions about the guidelines or models divorcing couples need should they decide to continue the business from their study.

From the study by Cole and Johnson (2007), six major themes emerged: trust, compartmentalization, emotional connection, synergy, commitment to business and positive gender issues. Trust was seen as an absolute antidote in the survival of the post-divorce wounds in the divorced persons. Ponthiur and Candill (1993) had mentioned trust as a necessary ingredient for successful copreneurial relationship. Therefore, trust still remains a very important factor both in the pre-and post-divorce stages.

Compartmentalization as used here by Cole and Johnson in their study, means the separation of the romantic trust from the business trust of their personal and business lives respectively. The above helped them to keep personal issues out of the work environment so as to preserve the business.

Emotional connection as a post-divorce theme was necessary for continued commitment, keeping the divorced close, for helping to heal the wound and for emotional stability (Cole and Johnson, 2007). Friendship, shared history and similar values were other emotional connection which the couples shared together after divorce. Kadis and McClendon (1991) had earlier mentioned the significance of emotional connection for spouses when working together.

Synergy, as one of the factors that helped in sustaining the businesses of divorced couples, arose from the fact that they discovered what respecting each other and working together as a team resulted to. In preserving the synergistic relationship, clear role definition (Larson, 2006) and job description are, however, required.

With commitment to the business, it became necessary that couples forgot their intimate relationship and rather maintained business relationship in parental ways (Cole & Johnson 2004) to ensure success. The difficulty in balancing marriage and business commitment had been maintained by Jaffe (1990).

“Positive gender issues” which means satisfaction with power and role definitions by the couples was found to contribute to business success (Cole and Johnson, 2007). By the implication of the study, women functioned as peacekeepers which were carried over from their married life. This became
possible because they adopted strategies like patience, choosing battles and timing their activities. They also felt more empowered for the fact that they were able to go through divorce and still carried on (Cole and Johnson, 2007).

As shown in Fig. 1, trust is seen to be the central and binding factor among all the other issues presented by the authors.

![Diagram showing trust as central to copreneurship relationship](image)

**Fig. 1:** Factors for successful copreneurial Relationship Post-divorce


In developed economies, the death of a husband who owed a business with his wife may not be a problem because wills are written and properly executed at death. As a result the woman would only have to grapple with the pains of loosing her husband. In the African context, however, the above is not always the case. This is because cultural issues, in some cases, still make it difficult for the widow to continue running the business.

In some parts of Nigeria, for instance, the widow is dispossessed of the business after the death of her husband. In selected cases, she may still be allowed some very minor share and assigned to insignificant duties within the firm but in most cases, the widow is thrown out completely and sometimes household properties, landed property and even the same house the widow shared with her late husband, are equally taken away leaving the woman a destitute. Widows who had escaped such mistreatment would usually hail from very influential backgrounds or they are educated themselves or both. This mistreatment is counted among the widowhood practices which still prevail in some parts of Nigeria, especially in the southeast.

**Benefits and Problems of Copreneurships**

Many benefits have been said to be enjoyed by copreneurial forms of family business. Some of these are shared vision and true team effort (Marshack, 1998); much more flexibility in setting their own schedules...
(Seymour, 2002); satisfaction in both work and family domains which emanate from high degree of control (Thompson, 1990); fostering of an entrepreneurial spirit in their children (Smith, 2000) among others.

Seymour (2002) writes that copreneurs believe that working together actually improves a marriage or long-term relationship and that copreneurship makes a weak marriage weaker and a strong marriage stronger. Phillips (2002) claims that stronger marriages of copreneurs may result from the increased time they spend together and in the process, couples have a lot of opportunity to think about their relationship. Klaff (2000) opines that husband-wife companies last long because of the processes they go through from starting a family to paying for their college training and to considering their retirement about the same time.

There are also challenges which copreneurs face in their efforts to coordinate both family and work life. Among them are difficulties in managing boundaries (Marshack, 1993); division of roles and responsibilities (Rosenberg, 1991); interpersonal conflict (Dyer, 1992; Foley and Powell, 1997); neglect of personal needs (Garrett, 1993); feelings of inequality (Goffee and Scase, 1985); time and financial pressure (Jaffee, 1997); and problems of balancing competing needs in the family – work interface (Garrett 1993).

Sustaining Copreneurships.

There are also some practical issues which couples entering into business must seriously consider. These issues are not purely challenges but can lead to such if not seriously considered. According to Abrams (2002), they are:
- Financial security since family income will entirely be dependent on one business
- Time off which becomes difficult arising from the fact the two individuals (husband and wife) are sole operators of the business or the only managers.
- Ownership question which may arise due to lack of clear delineation of the percentage of the business each partnership owns.
- Contingencies like what happens to the business if the marriage fails, which partner leaves the company, if necessary, and how the value of the business will be decided and distributed.
- Impact on other staff especially when a problem concerning the accounts or even alienation of a customer is caused by a spouse.
- Inability to escape business problems which may usually crop up during private periods like dinner time or during days off from work.

In suggesting the way out for couples in business, Tompson and Thompson (2002:2) emphasized on the “two concurrent life goals that often make contradictory demands” and insisted that single-mindedness, persistence, mutual support and time investment are needed. Assumption of complementary roles and the ability to respect boundaries between work and personal life are also need at sustaining copreneurs (Lucaccini and Muscat, 2001). “Clearly defined work roles” according to Tompson and Tompson (2000:10) are important in making life work smoothly. Phillips (2002) in Seymour (2000) actually opines that a most outgoing wife should do more on the promotional side while a quiet husband should mind the business side. Such clearly defined roles would give them the opportunity to learn from each other as well as allow the business enough room to succeed and grow.

Cases for Copreneurships in Family Business

In the African context and specifically Nigeria, most wives, especially the uneducated ones, are not given much say in the families. Their roles are mostly limited to the kitchen as cooks and generally catering for their families.
Through copreneurships however, wives have been seen to be playing a lot of very important roles that do not only help the business to grow, but the families as well. The roles played by copreneurial wives include resolving conflict concerning both the business and the family. Wives in copreneurships have also been found to maintain the interpersonal interaction and social climate in their families. They have also played the role of maintaining peace in their businesses and homes.

Wives as members of copreneurs have also been found to be able to carry on the business after the demise of the husbands. The cases below buttress these issues and more.

**Case 1: Mr. and Mrs. Ibe and Sons**

The couples discussed in this Case are of the Igbo extraction in Nigeria. Both of them become married in 1958 and had six children. During this period the prevailing practice was to confine the woman to the domestic chores while the man fends for the entire family. This practice gave rise to the belief then that the place of the woman is in the kitchen. For Mr. Ibe (name disguised), just like most men at that time, the popular vocation at the time was largely trading. So Mr. Ibe started a viable textile business in Lagos and ran it with the assistance of trade apprentices. The trade prospered and Mr. Ibe opened new outlets, built a house, effectively provided for his nuclear and extended families and made donations for community development (these were common parameters for measuring prosperity at the time). Throughout this period, the woman did not have much knowledge of the husband’s business as she was not meant to know; she rather stayed at home and enjoy the prosperity of the husband being in-charge of the home front.

The Biafra-Nigeria civil war disrupted Mr. Ibe’s business. The war forced him to close his business in Lagos and withdrew to his home town just like most Igbo traders in Lagos and other parts of Nigeria. As a result, he lost his building, shops and customers in Lagos, which virtually brought the business to a halt. After the war, Mr. Ibe took his family back to Lagos in 1971 and started virtually from the scratch. This time, the wife had to get involved as the business was too small to take up any trade apprentices except family members that were living with them. The business developed gradually and by 1973 Mr. and Mrs. Ibe formed a business registered as Mr. Ibe and Sons. Mrs. Ibe got deeply involved in the business that she had to manage a whole unit of the business on her own. Her growth in business was rapid as she seemed to possess higher entrepreneurial skills that even the husband. By 1975, she became the first woman in the village to buy a brand new Peugeot 504 Salon (a rare feat that signified affluence at the time). Unfortunately, Mr. Ibe died in 1984 leaving Mrs. Ibe in charge of the entire business.

The copreneurship business continued operation from 1985 – 2000 (15 years) with greater vigour after the traditional burial rites of her husband. Due to the dwindling profit from the businesses of Mrs. Ibe, she had to divest and re-invested in alcoholic and non-alcoholic beverages, Supermarkets and other businesses and the business is still in operation till date (2010). Evidently, Mrs. Ibe has displayed evidence of high entrepreneurial skill not imagined possible by women of her cultural setting. She showed evidence of innovation, resourcefulness; risk taking, energetic leadership abilities that made the business to survive the harsh operating Nigerian environment till date.

**Case 2: Mr. & Mrs. Ibeji**

Mr. Ibeji (name disguised) got married to Mrs. Ibeji in 1973 and they had five children. The couple came from a background that was predominantly illiterates, but was able to develop and grew a small scale business that specialised in men’s clothing material in Lagos. After the untimely death of Mr. Ibeji in 1981, Mrs. Ibeji was directed by her brother-in-laws (as was common in such environment) to relocate to the village, who claimed that she (Mrs. Ibeji) was so young to live in Lagos alone. Expectedly, she obeyed and relocated, but founded small businesses in the areas of catering services, grocery, plastic wares and baby wears. These businesses have developed into sizable business outfits to date. Her
assiduity, resourcefulness, energy and moral integrity are evident from the ways she conducts the business. She succeeded in training her children still carrying on with the business. In fact, the only son is now a promising businessman in Abuja. The entrepreneurial spirit of Mrs. Ibeji could not be dampened by the ultimatum of her brothers-in-law to live in the village. She was able to overcome the barriers in her environment to attain resounding success and developed a business that survived till date.

Discussion

The above cases represent many other cases of unreported women's role in the stabilisation of family businesses in a typical African setting. It among others deconstructs the prevaild orthodoxy that the place of women is in the kitchen. From the above two representative cases the following obvious issues need further discussion.

- Women are active participants in business formation and growth among the Ibos.
- Entrepreneurial skills are not necessarily gender determined.
- Primitive cultural widowhood practices against women may not necessarily destroy their dexterity to carry on with business and private lifes.
- Surviving against the odds of harsh business environment is gender indifferent.

Conclusion and Implications

Women entrepreneurs in Nigeria are as entrepreneurial as their male counterparts and in some cases exhibit even greater evidence of entrepreneurial skill. Unfortunately, some of the harmful socially determined roles obstruct them from actively play their roles as entrepreneurs. Yet, some of them are never deterred in overcoming these barriers, and as the above cases have shown, widows can play extraordinary roles in rescuing and stabilizing family businesses when the male-founder is no longer disposed. However, to facilitate this, some of the social practices such as widowhood and aspects of inheritance culture that encumber widows from unleashing their entrepreneurial energy need to be dismantled. This will go a long way in rescuing many Nigerian businesses that order wise would fail as succession related problem has been identified as a major source of family business failure in Nigeria (see: Nkamnebe and Nnabuife, 2010; Sam and Kilby, (1998).

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The successes and challenges of a university SME support unit: a South African case study

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The lack of growth and high failure rate among Small and Medium Enterprises (SMEs) in South Africa has emphasized the importance of business support services to be rendered to SMEs to ensure their development and survival. This paper identifies and evaluates the business support services and solutions a business consultancy unit set up by a higher educational institution offers to SMEs in rural parts of South Africa in a bid to promote sustainable economic growth and development. The paper illustrates in theory and through a case study, the five principal activities, the business unit engages in to develop SMEs. It also highlights the successes the unit has achieved and the challenges it currently faces. The paper concludes that even though success has been achieved with a select few entrepreneurs being assisted to set-up business, the challenge lies in the sustainability and development of the businesses.

INTRODUCTION

Support for the development and growth of SMEs is vital because the SME sector is regarded as a major source of employment and a significant contributor to Gross Domestic Product (GDP) in most countries (Chaston, 2010; Nieuwenhuizen and Nieman, 2009). Given the high rate of unemployment, and the prevalence of poverty in South Africa, the Government has identified the SME sector as a medium for addressing the generic development goals of job creation, poverty alleviation, equity and participation, wealth creation, and social stability (Nieman, 2009). Unfortunately, with a high failure rate of 70% within the first two years of establishment among SMEs, it has become difficult for the goals of job creation and poverty alleviation to be accomplished (Pretorius, 2009; Botha, 2009). Therefore, the question arises: what can be done to promote the growth, development, and ultimately, the survival and sustainability of SMEs in South Africa?

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) states that SMEs need a supportive legal and regulatory environment in order to grow and survive. This supportive environment has been explained to include: access to markets, finance, appropriate resources and technology, infrastructural development, training in entrepreneurship and management, tax breaks, access to government tenders, and Black Economic Empowerment (BEE) initiatives (Le Roux and Strydom, 2006; Adams, 2009; Mbata, 2009; Ladzanil, 2001).

The responsibility of creating a conducive and supportive environment that encourages and enables the growth and development of SMEs is said to lie with the Government (national, provincial and local), as well as the business community, non-governmental organisations, and tertiary educational institutions (Adams, 2009; Mbata, 2009; Le Roux and Strydom, 2006). According to Ladzanil (2001) the government best plays the role of a facilitator and not necessarily an implementer of the transformation process in the SME sector. He argues that SME support programmes are best implemented by institutions that most closely reflect the entrepreneurship and risk characteristics of small businesses themselves. Such institutions are usually small localised non-governmental organisations (NGOs), private consultancies, partnerships and companies. One of such institutions is the Unit for Entrepreneurship - a business consultancy set up by the Department of Business Management at the University of the Free State (UFS-UE). The purpose of this paper is to highlight the different business support services the UFS-UE
provides to entrepreneurs and SMEs in the Free State province and to outline the successes the Unit has achieved and the challenges it currently faces.

Methodologically, this paper is based on a case-study of the UFS-UE. Both authors are involved in the activities of the Unit. One is the key figure in the coordination and daily running of the Unit, the other assists with managerial and operational activities pertaining to the Unit. The case study is based on the business plan of the Unit, personal accounts of the authors, as well as communication with the entrepreneurs who have been assisted by the Unit. This paper aims to analyse the various principal activities and objectives of the UFS-UE as stipulated in its business plan and recommend appropriate strategies and new objectives it can include to improve the growth and development of SMEs in the Free State.

SME SUPPORT SERVICES IN SOUTH AFRICA

SME support services give SME owners and entrepreneurs the opportunity to develop and access certain networks beneficial to the survival of their business. Prior to 1994, there was no official government approved strategy for the development and support of the SME sector in South Africa. After the advent of democracy, the new elected government saw the underdeveloped SME sector as a window of opportunity to address the challenges of job creation, economic growth and equity and thus, set about establishing a framework that would support and develop the SME sector and create an enabling environment for SME survival, sustainability and growth (Adams, 2009; Ladzanil, 2001).

In South Africa, SME support service providers include the Government, Banks and Private organisations. For the purpose of this paper, focus will be on the business support services of a private organisation- though a public Higher Education Institution (HEI). The private sector is a fundamental part of the economy that that may be run for profit or social gain and is not controlled by the state. Institutions in the private sector involved with assisting SMEs include non-governmental organisations (NGOs), private consultancies, multi-national companies and HEIs. As mentioned earlier, the focus of this paper will be on the business support services of a certain HEI, the University of the Free State and how its Unit for Entrepreneurship (UE) contributes to the growth and development of SMEs in the Free State.

THE ROLE OF HIGHER EDUCATION INSTITUTIONS IN PROMOTING SME GROWTH AND DEVELOPMENT

According to Hughes et al (2009), ‘businesses are increasingly looking to universities as sources of innovation and competitive advantage, as they seek to address the competitive pressures inherent in their operating environment’. Thus, HEIs have a key role to play in aligning and transferring theoretical knowledge to practical know-how which can be implemented in real life businesses. HEIs through teaching and research carried out in universities can create public knowledge and contribute to economic development by facilitating the transfer of skills and technology from the University to the private sector, and promote technology-based firms and products (www.research4development.info, 2009; Lewis, 2009; Charney and Libecap, 2000). In the last decade, HEIs have been in the forefront of fostering entrepreneurial attitudes and behaviour by developing and offering entrepreneurial courses and programmes to students, would-be entrepreneurs, and already established entrepreneurs. Thus, entrepreneurship education and training has had a considerable impact on the performance of entrepreneurs by helping them augment their firm’s survival chances, and increase their firm’s profitability. Also, it has created a new generation of graduates who compared to other graduates are three times more likely to start new businesses or be self-employed. Furthermore, it has been proven that SMEs that employ entrepreneurship graduates have greater sales and employment growth than those that employ non-entrepreneurship graduates (OECD, 2004; Charney and Libecap, 2000).
The University of the Free State’s (UFS) -Unit for Entrepreneurship (UE) is a division of the Department of Business Management within the Faculty of Economics and Management Sciences. Its aim is to assist potential and existing SMEs by engaging in five principal activities:

1. Financing equipment and stock;
2. Training;
3. Research;
4. Consultation, Mentorship and advisory services; and
5. Networking and capacity building.

For the purpose of this paper, focus will be on the role the Unit for Entrepreneurship plays assisting the development of SMEs in Qwaqwa, a semi-rural town in the Free State province. Qwaqwa is a predominantly Black (98%) town that was a designated homeland for the indigenous Africans during the apartheid years. Due to the closure of many industries in the area in recent years it has an unemployment rate of 57% (MAP, 2009).

Presently, the UFS-UE operates through funds from national and international donors and generates some income through its consulting services, and offering training courses to SME managers, employees and government departments. In 2008 the UE launched a social development project in Qwaqwa to assist the development and training of SME entrepreneurs in rural areas. The project known as the ‘Moahisane Development Project (MDP)’ is funded by two main organisations from the Netherlands- Noaber Foundation and CHR Investment BV. “Moahisane” is the Sotho word for “Neighbour”. To better understand the activities of the UE, each of its five principal activities as stated in its business plan will be analysed. Also, the Unit’s successes as pertaining to the Moahisane Development Project will be acknowledged, and the possible challenges it faces highlighted. The following are the principal activities of the Unit:

**Principal Activity 1: Financing Equipment and Stock**

In a bid to assist entrepreneurs in the start-up phase, the UFS-UE finances the equipment and stock of entrepreneurs it has identified and endorsed for training. Financing is done through loan agreements. The Unit approves loans for the purchase of any kind of equipment and stock the SME needs to start the business or manufacture the products it intends to sell. The loans are lent at prime rate and SMEs are required to pay back the loan at the on-going prime rate minus 5%. For instance, the current lending prime rate in South Africa is 10%. Thus, SMEs repay the loan at 5% interest rate. It is important that assisted SMEs repay the loan, though at low interest rate so as to teach them about the value of money in running a business.

**Principal Activity 2: Training**

The second principal activity involves providing training courses in entrepreneurship and business management to create sustainable development and job creation in the province. Entrepreneurial training is relatively new in South Africa and there is a lot of scope for development and improvement in certain speciality areas. The UFS-UE currently offers five accredited courses on the National Qualification Level 5 to SME managers and employees. The curriculum includes core courses in: New venture creation, General Management, Marketing, Financial Management and Strategic Management. These courses can also be used in more advanced programmes to help existing business owners, managers and employees to gain a diploma for a specific training course. In addition, bigger businesses as well as the Government departments take advantage of these training courses to improve the knowledge and skills of their employees.
Principal Activity 3: Research

The Unit and its involvement in the entrepreneurial environment is a window of opportunity for different and relevant research projects. The research aspect is important for the sustainable development and entrepreneurial growth of the Unit as well as the SMEs it assists. Research projects embarked upon afford academics and business practitioners an opportunity to work closely together. Through this relationship, academics get to know what problems SME managers face and generate ideas and strategies on how the problems can be solved. Care is taken to align research projects with the needs of the SMEs (see Hughes et al., 2009). The current research project the Unit is involved with is conducting a brain profile of new and existing entrepreneurs and their employees, so as to better fit them in a business where they will make the highest contribution to the business. Analysing the brain profile of entrepreneurs is necessary because, though a single psychological model of entrepreneurship has not been supported by research, behavioural scientists, venture capitalists, investors and entrepreneurs share the opinion that the eventual success of a new venture will depend a great deal upon the talent and behaviour of the lead entrepreneur and his/her team (Timmons and Spinelli, 2003).

From research studies conducted, the UE builds a database from which it makes certain predictions about entrepreneurial trends and identifies certain gaps in the environment that may affect the development of SMEs, and that need further investigation. Research findings are expected to be presented in both national and international conferences, and be shared in articles published in accredited journals or research reports. Also, it is expected that a few Master and Doctoral students can be part of/benefit from these research projects.

Principal Activity 4: Consultation, Mentorship and Advisory Services

After the creation of a new venture the next important step is the development of sustainable businesses. It is for this reason that the UFS-UE decided to offer after-training services or follow-up programmes. One of such after-training services is the Mentoring program. Through mentorship and advisory programmes SME managers receive expert advice and professional assistance to facilitate growth in their businesses. The UFS-UE mentoring program is for the duration of one–two years depending on the different needs of each SME. To be part of the mentoring program, a business or its owner must register with the Unit for a minimal fee of R250 ($37USD) per year.

Principal Activity 5: Networking and Capacity Building

The aim of this principal activity is to link SMEs with big and established businesses in the same industry. This is done through the creation of a database in which entrepreneurs with different products and services could network with each other. Different entrepreneurs are faced with different challenges, but business support systems such as business counselling, mentoring, networking and incubation should be rewarding to all entrepreneurs, new or already established.

The database system identifies the key role players in the various areas of support, by making their details available to the entrepreneurs at minimal costs. These role players, which include the government with its various supporting agencies, NGO’s and other private companies, create an enabling business environment for SMEs. Through networking and capacity building SMEs have the opportunity to market their products and services to established big businesses, and/or partner with established big businesses to undertake special projects and government contracts. This database is expected to stimulate venture growth in the province because of its marketing and contact value. The cost to an SME or individual to be included in the database is R250 ($37USD) per annum.

SUCCESSES

In the first year of operation at Qwaqwa, the following successes were recorded:
Four promising entrepreneurs were helped by the UE with the financing of their equipment and stock.

A brain profile analysis was conducted for all four of them, as well as for the managers assisting them to determine their core competencies.

The entrepreneurs underwent and completed a basic business training programme that included courses such as entrepreneurial skills, marketing, finance for non-financial managers, project management, and general management.

Job opportunities were created among the four entrepreneurs.

Their turnover increased by 50% to 70%.

Their market expanded from Qwaqwa to other areas in the eastern Free State such as Harrismith, Bethlehem, Reitz and Ficksburg.

Stock is bought at reduced prices from suppliers because the SMEs order in bulk.

**CHALLENGES**

Despite the successes, some challenges have been faced by the UE as highlighted below:

First, running one’s own business can be challenging and the entrepreneurs need a lot of motivation to be committed to the business, especially during lean times such as when orders for products are in low demand. Second, during lean times or when loan assistance comes to an end, the entrepreneurs threaten to close the business and/or go back/ look for fulltime employment. Third, when doing business, time management is of utmost importance. When orders were secured for the entrepreneurs, they sometimes did not meet the deadline for delivery. So, apart from being taught business concepts, the entrepreneurs had to be taught soft skills and business integrity relating to delivering orders on time.

Fourth, a lot of time is spent on scrutinising and balancing the finances of the assisted SMEs to ensure that the loans they received are spent wisely. It is of utmost importance to ensure that the individual entrepreneurs do not use the loans meant for the operations of the business as personal income. Also, selling prices of the different products had to be set, and at the same time ensuring that the SME made an appropriate profit. Thus, an excel sheet was developed for each entrepreneur, helping the entrepreneur to do the fixed and variable cost calculations for pricing the product.

Fifth, the 2008/2009 economic crisis affected the demand for some of the products the SMEs produce, thereby increasing the need for them to be innovative and creative and develop new products for the existing market or new markets. Lastly, the entrepreneurs are reluctant for their businesses to grow “too big” as they don’t want to lose control of the business. This negative attitude mitigates the chances of the SMEs to create more job opportunities.

**CONCLUSION AND IMPLICATIONS**

The findings from the study have a number of policy implications and implications for the UFS-UE. The study reveals that entrepreneurs need to be self-motivated and committed to the business especially during tough times. They must have a high internal locus of control and a high degree of determination. These attitudes will enable them to persevere against the odds during trying times. Also, there is a need to encourage entrepreneurs to have a desire to grow their business without the fear of losing control of the business. The lack of growth in SMEs due to the ‘mindset’ of its owner is one of the major causes of SME failure or the inability of SMEs to create more job opportunities (Nieman, 2006b). As a result, many SMEs remain at the micro enterprise level employing 1- 20 people and may never grow beyond these levels (Nieman, 2006a; Struwig, 2006).

Furthermore, there is a need for the entrepreneurs to receive continuous training in managerial and entrepreneurial education, as well as to improve their knowledge of financial management. A lack of good financial knowledge and control by the entrepreneur could cause a decline in gross or net margins
and irregular cash-flows which could impact the development of the SME negatively and increase its chances of failure.

RECOMMENDATIONS

In summary, it is recommended that the UFS-UE in conjunction with the government create a support system which will include activities such as on-going skills training in financial management, marketing management and customer services beyond the core level so as to build long-term relationships with customers and suppliers. Also, the UE can assist SMEs with the process of tendering for government contracts. Through its database system the UE can link two to three SMEs to form a consortium which can bid for huge government projects. In addition, the UE should establish a business forum which will cater for the specific needs of SMEs situated in the rural areas, and where entrepreneurs can meet regularly and network or discuss their challenges and share notes on how to overcome them. Lastly, the UFS-UE should ensure that the research projects it undertakes are aligned with the needs of the entrepreneurs, and the results generated are problem-solving and can be implemented, thereby reducing the “knowing-doing gap” (see Hughes et al., 2009).

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Social issues impacting on survival of SMME: A case study of South Africa

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Since 1994, the government of South Africa has embarked on a series of programmes aimed at empowering groups and individuals who had been negatively affected by the previous system of apartheid. This resulted in the fast boom of small, medium and micro enterprises (SMMEs). This partly spurred by Black Economic Empowerment (BEE) and Affirmative Action. This initiative will not be successful if these SMMEs are not supported to deal with challenges they face when running their businesses. The study focuses on the social issues impacting on the SMMEs. The study consists of 50 SMMEs in various sectors. Using the structured questionnaires, data was collected by visiting the SMME entrepreneurs. The findings indicate that the social issues do impact on the future viability of their businesses.

INTRODUCTION

The South African economy has since 1994 been faced with challenges of reintegration into the global economy as a result of policies that were skewed towards improving the livelihoods of a select few. To achieve the objective of economic growth through competitiveness, employment generation and income redistribution, small businesses have been actively promoted since 1995. In the quest to fast track the blacks to form part of the South African conglomerates, government introduced the policy of Black Economic Empowerment (BEE). The success of the South African economy is intrinsically interlinked to the success of the BEE. In this instance, a special call has been made to black people to play different roles in society and participate meaningfully in entrepreneurship to ensure that the BEE succeeds.

LITERATURE REVIEW

According to Nieman and Bennett (2009) from a macroeconomic perspective it is important to know what the long, medium and short term effects of BEE will be on the South African economy. Amos, Ristow, and Pearse (2008) point out that the purpose of BEE Act 53 of 2003 is to establish a legislative framework to promote the economic empowerment of all black (African, colored, and Indian) people through strategies.

According to Strydom (2008) SMMEs in South Africa SMMEs are seen as one of the ways in which budding entrepreneurs can fulfill their dreams to be independent and to create wealth. Viviers & Soontiens (1998.) point out that “assessments of the role of SME’s in the South African economy vary widely, but it is estimated that about 95% of total business sector (formal & Informal) is comprised of SMMEs” Darrol, States that formal sector SMMEs represents 84% of all private sector employment and informal sector SMMEs provide employment and income to more than 3.5 million people. The small business sector is an essential factor in promoting and achieving economic growth and development as well the creation of wealth and employment. Nieman and Bennett (2009,) point out that over the decade since 1994 more people have become involved in economic activities in South Africa. Business seeks stability if it is to prosper, yet is required to practice in environment of increasing global disturbances and turbulence. According to Taylor (2004.), the legitimate concerns of business are to ensure the maintenance of stable economy and social uncertainty and complexity can be accommodated.
A number of critical issues impacting on the future viability of small businesses in South Africa have been raised by community leaders and researchers. These issues have, and are currently still being debated at conferences, publications and public media. The speed of change in the business environment mandates small businesses to use some methods to respond to such changes. In an article by Lilian Miles the government embarked on an ambitious (and continuing) legislative and social engineering exercise aimed at transforming society to achieve socio-economic change to improve the lives of black SA and to integrate SA into a rapid changing global environment. Hamman, Agbazue, Kapelus and Hein (2005) point out that the most significant force for BEE has been the state, which has promulgated a National BEE Act, as well as a number of other pertinent pieces of legislation, such as Employment Equity Act, 2004 (These legislative developments are based on the constitution). It shows how significant social issues and economic issues are to SA. Small businesses in SA face a number of particular challenges, despite numerous government efforts to provide structured support. Small businesses comprise a very important component of the South African economy.

Dutton and Jackson (1987) state that the assumption underlying most organizational theory, research and practice is that the short term effectiveness and long-term survival of organizations are determined by the actions they take in response to their external environment. According to Pearce and Robinson (1997) small businesses face issues of strategic importance to their future survival and growth. Bigelow, Fahey and Mahon (1993) point out that the strategic management of issues is prominent in discussions of organizations response to environment turbulence.

The concept of issues management is gaining the increasing attention of both researchers and practitioners in the field of strategic management (Lozier & Chittipeddi, 1996). Strategic issues are not a phenomena found only in large firms’ domain (Robinson and Pearce, 1994). Wartick and Mahon (1994) describe issues management as a process by which a business can identify, evaluate and respond to social and political issues which may impact significantly upon it. The working definition used by King (1982) is that a strategic issue is a condition or pressure on the business that involves: possible outcomes that is important to, or of possible high impact on, the business’s overall performance; controversy, in that it is likely that reasonable people may take different positions concerning the impact of the issue; and strategic consequences in that various possible outcomes implied by the issue would prescribe that different strategies should be implemented.

In general, issues are according to Bigelow, Fahey & Mahon (1993) defined as development that will have an impact on the business performance and ability to meet its objectives. Further, Hogan (2002) issues are events that occur outside the control of an organization; that affect at some level the strategic direction, core business or mandate of the organization and that may require the organization to take action. Currently, most discussions on small business in South Africa are high on the government agenda which revolve around the need to promote the SMMEs activities as entailed in the National Small Business Act of 1996. As an indication of the seriousness of the Government to promote SMMEs, a number of support institutions was established, namely Ntsika Enterprises Promotion Agency (NEPA) which is a non financial support agency, Khula Finance Enterprises Finance Limited which is a wholesale financial mobilization and credit guarantee institution and Small Enterprise Development Agency (SEDA) which is an institution focusing on the support and promotion of enterprises to reach a greater variety of enterprises, particularly those located in rural areas. Small and medium-sized enterprises (SMMEs) play a significant role in the business system of both developed and developing economics. Orford, Herrington & Wood, (2004) point out that as the government has admitted that measures to support small businesses are less than satisfactory. This paper investigates experiences and the challenges faced by SMMEs entrepreneurs in terms of running their businesses to ensure viability. The rest of the paper is structured as follows: section 2 describes the research design and methodology. Section 3 presents the results of the study. Section 4 concludes.
THE RESEARCH DESIGN AND METHODOLOGY

The area chosen for the study was the Mamelodi metropolitan area. The objective was to identify issues impacting on viability of small businesses. In order to achieve the set objectives for the study, practicable research methodologies of a quantitative survey were employed. Quantitative approach was used with the intention of determining the experiences and challenges facing the entrepreneurs in running their business effectively. The rationale for quantitative research is “testing a theory composed of variables, measured with numbers and analyzed with statistical procedures, with the view of determining the predictive generalizations of the theory, holds true” (Leedy and Ormond, 2005:94).

The survey consists of a developed questionnaire. According to Huysamen, (1994) a survey questionnaires may be used to obtain the biographical details of the respondents and opinions and this is perceived to be the appropriate tool for the envisaged study. Clear guidelines were given on how to complete the questionnaire. A consent form was used to get permission from respondents with clear indication of their rights when they are involved in the study. The population consisted of 50 small business owners from Mamelodi in the Gauteng province. The participants were from the following sectors; food outlets 12; General dealers 21; Garages 3, Liquor outlets 4 and other 10. A convenient sampling approach was used to select participants to take part in the study.

A questionnaire was developed for data collection purposes from mainly the relevant SMMEs literature including the National Small Business Act of 1996. The developed questionnaire consisted of three sections: biographical, small business activities and perceptual data, ‘which are more on a’ The five-point Likert scale was used to gather the data. The questionnaire consists of questions pertaining to issues impacting on the future viability of small businesses. In each statement respondents had to indicate their degree of agreement or disagreement with the content. The 5-point scale on all items was transformed into a 3-point scale indicating Agreement- Uncertainty- Disagreement , that is strongly agree merged with agree and strongly disagree with disagree. The rationale for the transformation was that the researchers were of the view that a tri-polar dimensional approach of Agree-Uncertain-Disagree will provide stronger, yet simpler explanations of the perceptions of respondents. Due to the small sample size, only descriptive and non parametric data analysis procedures were employed for this specific study. For the purpose of this article, data will only be presented in percentages. In calculating the Cronbach to assess internal reliability in this study, Table 1 indicates the Cronbach Alphas for all the 12 variables (items) of the questionnaire are greater than 0, 80. Bryman & Cramer (1990) suggested that the results of Cronbach Alphas should be equal to or greater than 0, 80 to indicate internal reliability of measures of the variable.

THE RESULTS OF THE STUDY

The survey was conducted in the Mamelodi metropolitan area where 50 small business owners were involved. Of the 50 questionnaires issued 43 were returned. This however made a response rate of 85%.
Table 1: Results on impact of Social issues

<table>
<thead>
<tr>
<th>SOCIAL ISSUES</th>
<th>STRONGLY DISAGREE</th>
<th>DIS-AGREE</th>
<th>NEUTRAL</th>
<th>AGREE</th>
<th>STRONGLY AGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. High crime levels</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
<td>45%</td>
</tr>
<tr>
<td>2. Urbanizations</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>3. Influx of foreigners</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>40%</td>
</tr>
<tr>
<td>4. HIV/AIDS pandemic</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>5. Diversity of the workforce</td>
<td>5%</td>
<td>10%</td>
<td>20%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>6. Corruption in general</td>
<td>0%</td>
<td>0%</td>
<td>30%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>7. The 2010 soccer world cup</td>
<td>3%</td>
<td>5%</td>
<td>12%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>8. Inadequate infrastructure</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>9. Changes in demographics</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>10. Increase in the number of</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>malls in townships</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Environmental pollution</td>
<td>2%</td>
<td>3%</td>
<td>1%</td>
<td>20%</td>
<td>24%</td>
</tr>
<tr>
<td>12. Climate changes – drought</td>
<td>2%</td>
<td>3%</td>
<td>0%</td>
<td>24%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Explanation of Social Issues
A substantial majority (>80%) strongly agree with the assertion that high levels of crime, and the influx of foreigners have impact on their businesses with regard to the diversity and corruption. In general almost more than 40% and 60% respectively of responded were not sure about the effect of such issues. The majority (more than 50%) of respondents agrees with the assertion that issues such as urbanization, HIV AND AIDS pandemic, the 2010 soccer world cup, inadequate infrastructure, changes in demographics, increase in the number of malls in the townships, environmental pollution, and climate changes will affect the future viability of businesses in this region.

In conclusion, it can be stated that high crime levels are a major issue facing small businesses in this region. Stone (2006:1) points out that, generating equitable economic growth is a priority for the government of SA, and the high levels of crime is frequently cited as a constraint. Stone (2006:1) further, points out that the high level of crime imposes costs on business, including direct losses plus security and prevention costs. Crime also erodes human capital by encouraging emigration and discourages foreign investments.
Explanation of Social Issues
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High Crime level
About 90% see crime as a major social problem. According to Simpson (2007) SA has one of the highest violent crime rates in the world. Stone (2006) points out that, generating equitable economic growth are a priority for the government of SA, and the high levels of crime is frequently cited as a constraint, a number of forms are experienced such as stealing, rape, murder and robberies. Alcohol also contributes to the crime as people commit crime whilst under the influence of alcohol. In a research submitted to the department of Social Development indicates that there has been an increase in the alcohol, nicotine and dagga abuse. Our jails are over flooded by criminals. The government intends increasing the number of jails so as to cope with the large number of criminals. Stone (2006) further, points out that high level of crime imposes costs on business, including direct losses plus security and prevention costs. Xenophobia is a result of crime.

Influx of foreigners
In view of the problems experienced in our neighboring countries such as war a large number of foreigners have entered South Africa both legally and illegally. About 80% of the respondents view this in a serious light as it impacts on their businesses with regard to the diversity and corruption. Some come up with expertise and experience and they contribute to our economy. An element of jealousy is suspect on this issue as some foreigners are hard workers and sell their product at reasonable prices.

HI / AIDS pandemic (sic)
In light of the substantial number 52% who strongly agree that HIV/AIDS is a major problem. The Human Immunodeficiency Virus (HIV) and the Acquired Immunodeficiency Syndrome (AIDS) epidemic have resulted in a significant impact on every aspect of life and the working environment has not escaped their effects. The significance of the impact of HIV/Aids can be seen in the costs incurred by businesses in all spheres, as well as changes to employee/employer relationships, which have necessitated legislative regulation and control of the position of HIV/Aids sufferers. The highest mortality occurs between the ages of 20 and 54 years for males and between the ages of 15 and 49 years for females (Swanepoel 2003;). It is predicted that over 20% of South Africans who work will be directly affected by HIV/Aids within the next few years (Merrington and Theron 2007). When an employee dies from AIDS, the business needs to replace him or her and this requires additional recruitment and training funds. Businesses also need to pay employee benefits to the families of workers who die in service or to those who retire due to AIDS.

The 2010 soccer world cup
According to the findings 40% strongly agree that it will affect the future viability of businesses in this region because now large corporations are making inroads and getting contracts as opposed to these contracts being given mainly to SMME’s. The large slices of the cakes are shared among the big conglomerates. A lot of corruption and nepotism is going on in the allocation of tenders. . Road works have been given to big companies and SMME have been overlooked.

Increase in the number of malls in the townships
60% of the respondents have a problem with building of malls in the townships. The townships are experiencing an increase in the number of shopping malls and this affects the small businesses as these
malls are owned by large companies and offer reduced prices, the small business cannot compete with them as the big companies buy their stock in large quantities at good discounts. Small business face intimidating odds when operating near or even from shopping malls where SA’s retail giants reign supreme and small businesses are charged more per square metre than their larger counterparts. Large national retailers, who take up the bulk of space in malls, are charged R50 per square metre a month. To make up for the shortfall, developers then charge smaller tenants up to R570/m². Such a scenario does not promote small business, yet this sector has been identified as a major contributor to wealth creation. The competition commission must take note of this practice. The consumers as they have the buying power tend to frequent mall because malls offer convenient shopping. A new shopping mall was recently opened in this region.

**Environmental pollution**
As indicated by the 48% respondents environmental pollution has an impact on the businesses, issues such as environmental degradation, air pollution resulting in public health reeling, toxic things, lead pollution. The national Environmental Management Act places the responsibility of environmental degradation firmly at the door of directors of companies in certain instances, which goes a long way towards heightening the profile of the conservation of the environment.

**Climate changes**
Climate change as experienced in South Africa impacts heavily on the small businesses and about 42% of the respondents indicated that it will affect the future viability of businesses in this region. South Africa had some drought in the past years and this hampered farming. This situation resulted in the shortage of farming products and most small businesses market their products that are produced by our farmers such as vegetables, wheat, milk and meat. Global warming is another aspect likely to affect small businesses and make things worse for SMME.

**CONCLUSIONS**

In conclusion, it can be stated that social issues are a major issue facing small businesses in this region. The results above confirm that there are a number of issues impacting on the future viability of small business in the South Africa more particularly the social issues as indicated by the respondents. Crime also erodes human capital by encouraging emigration and discourages foreign investments. Influx of foreigners impacts on their businesses with regard to the diversity and corruption more particularly illegal foreigners. HIV has devastating economic effects, both directly through the loss of scarce skilled labour and indirectly through increased social insurance costs. Businesses are not only losing employees in whom a substantial amount has been invested in terms of training, but people are dying at the increasing rate. The 2010 soccer world cup-small business don’t benefit and loss immensely on capital as they are being neglected in the tendering process. Increases in the number of malls in the townships results in the slow death of small businesses, consumers go to the malls for convenience and reduced prices. Environmental pollution and Climate changes have an impact on turnover and productivity.

In the light of the above conclusions, the following recommendations are made: small businesses should develop long-term objectives and formulate appropriate strategies to deal with issues affecting their businesses, small business should recommend new legislations / by laws or amendments to current legislation / bylaws affecting their businesses, the government should actively assist small businesses to meet the administrative compliance requirements of regulations. There should be exemption or modification of the requirements to make them less onerous for small businesses. The establishment of specific mechanisms to ensure that regulatory design takes better account of small businesses’ needs and concerns in establishing new compliance burdens.
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Human resource development and utilization in rural Communities

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Over the years, philosophers, economists, and political leaders have all recognized the well-being of the people as the main purpose of development. No country has achieved sustained economic development without substantial investment in human capital. Several studies have evolved to analyze the channels through which human capital can affect growth. Thus, human capital development is a people-centered strategy of development. Using endogenous growth models, which see human resources as a key factor in rural development; this paper identified some constraints to development of human resources and also suggested some strategies for effective human resource development and utilization in rural communities.

INTRODUCTION

The orthodox economic theory draws a distinction between four broad categories of economics resources, namely land, labour, capital and entrepreneurship. Labour is presented as one of the resources at the disposal of the entrepreneur. In the early days, a lot of emphasis was placed in capital as the engine of growth in rural development. But in recent times, there has been a shift in emphasis from capital accumulation in the orthodox sense to human capital formation. In other words, there is now a growing interest in human resources per se. If we look at the orthodox classification of resources (land, labour, capital and entrepreneurship), we will observe that two of the them derive directly from human beings. They are labour and entrepreneurship. Labour, we know, refers to man’s mental and physical effort, directed towards the production of goods and services. It is not the man himself that is referred to as labour, but the effort emanating from him. But, the man is the source of the effort. In the case of entrepreneurship, we know that it refers to the risk bearing ability with reference to business undertaking. Looking at this closely, we will again see that the man is not the factor called entrepreneurship, but rather the source of this factor. It is in effect man that supplies the factors - labour and entrepreneurship. The quality of any labour effort and of any entrepreneurial exercise depends very much on the quality of man. If the quality of man is raised, then we can be sure that the qualities of these economic resources stand to be raised.

Having gone thus far, we can now say that human resources, refers to those economic resources that are wholly and directly supplied by human beings. It encompasses the suppliers of labour services and those that supply entrepreneurial function. The size depends largely on the population size and the quality depends mainly on education, health services, and environmental factors.

If we say that human resources are those that are supplied wholly and directly by human beings, one can start asking whether capital which are material resources, made and supplied by man can be regarded as human resources. No doubt, capital is man-made resources that are used in the production process. But a difference can be easily observed. First, capital equipment is an inactive resource until life is impacted to it by the human resources. It is the human resource that decides how and when the material capital is to be utilized, otherwise it remains idle. Second, a human resource is embodied in human beings whereas material capital has its own separate existence. However, some observable similarities exist. For instance, the quality of both human resources and material capital is the direct outcome of man’s effort. Think of a machine. Its quality depends on the technology embodied in it and this technology is the result of man’s
mental and physical effort. Effective use of this machine again depends on the skill possessed by its operator. At the same time, the quality of human resources is a direct result of the input of knowledge and health care provided for human being. In effect the quality of each human resources and material capital determine its utilisation in the development of rural communities. And this is the focus of this paper.

Statement of Problem
There can be no significant economic growth in any country without adequate human resource development. In the past, much of the planning in Nigeria was centered on the accumulation of physical capital for rapid growth and development without recognition of the important role played by human resources in the development process.

Theoretical framework
The neo-classical theory of growth developed by Slow centered macro economists’ attention throughout the 1960s and 1970s on tangible (physical) capital formation as the driver of economic growth. However, the theory showed that because of decreasing marginal returns in substituting physical capital for labour, the accumulation of capital would not indefinitely support a steady rate of growth in labour productivity. The recent literature on endogeneous economic growth emerged primarily as an attempt to encompass the sources of technological progress and hence of sustained productivity growth within the general equilibrium frame work of neo- classical growth theory.

Harro (1939), Domar (1946) and Slow (1996) explained the long-run growth path of advanced capitalist economies in terms of accumulation of capital and technological progress. The sole concern was the growth in income. From a development country perspective, the relevance of the model is limited to the extent that increased accumulation of capital is basic condition for the growth of economies. The early development theories accepted the importance of structural transformation in the process of economic development (Levis, 1956, Fei and Ranis: 1996).

The development economics received added thrust with the publication of Sen (1984 and 1985), who divided the whole concept of development in terms of commodities and capacities. He emphasized the importance of human capabilities over commodity approach. He admits that gross national product (GNP) is a measure of the amount of the means of well being that people have, but it does not tell us what people involved are doing to succeed in getting out of their means to their ends. From the writings of Sen, one can really make the case that development achievement cannot be a matter of only qualification of the income alone, but has to incorporate the actual achievement themselves.

In the recent developments in the growth theory, Romer (1982) tried to incorporate some of the development variables, like human capital, in economic growth. Others, such as Rannis and Stewart (2001) tried to relate economic growth and human capital development as the central objective of human activity and economic growth, as potentially very important instrument for advancing it. This paper rests on the strength of these theories to focus on human resource development and utilization in rural communities.

The role of human resources in economic growth
It was initially believed that the main way to bring about rapid development is in the productions of material capital. But, today, emphasis has changed. As part of the reaction to an excessive reliance on the accumulation of physical capital, Meier (1971) posited that the acceleration of development may be thwarted by a deficiency in the knowledge and skills embossed in human beings.

Material capital no doubt assists very much in raising output, but it has to be appreciated that the material capital development, accumulation and utilization cannot be brought about, if there is no significant empowerment in the number and quality of human resources in the rural areas. The quality of any factor
input matters a lot. The quality of physical capital is the direct product of the quality of the human resources that produces it. The quality of the human resources is represented by amount and level of skill it has acquired as well as the amount of interest and commitment brought. In essence, intangible human qualities are very significant contribution to material progress and so improvement in these qualities goes a very long to raising the GNP and inducing improvements in other aspects of man’s standard of living in community development.

Man is both producer and consumer of goods and services. As a producer, he can act in two capacities: one as a supplier of labour service, and two as an organizer of other resources (entrepreneur). In his supply of labour services, he uses other resources at his disposal to produce different goods and services. The greater the skill he possesses, the more the commitment and dedication to duty he shows and the greater the output per unit time, assuming a state of technology.

As an entrepreneur, he makes up his mind to shoulder all the risks inherent in business ventures and manages investments of his fund in a given time of production and sets to organize the business. The number and success of business ventures depends on the number and quality of entrepreneurs. Progress is more easily recorded in a rural area that has an abundant supply of enterprising men and women who are always ready to put their capital into productive ventures. Careful calculation goes to reduce the risk of failure, and so the more competent the entrepreneurs, the more fressful the business venture.

We observe that in most of the less developed nations of the world, government spearheads development efforts. The quality of the policy decisions and their subsequent executions depends very much on the quality of the decision makers and the executors of the policies respectively. A community with highly qualified competent and committed people stands to produce more national policies and get them efficiently executed, all things being equal.

As a consumer, man is the object of all productive activities. It is usually said that production is in anticipation of demand. This anticipation is to be predicated upon the presented state of affairs. The producer judges the nature of the anticipated consumers before deciding on what to produce and the quality of the production. If he perceives the purchasing capacity as inferior the producer will aim at a limited output. The more sophisticated the consumer, the greater the variety and the higher the quality of the goods and services.

**HUMAN RESOURCES CONSTRAINT ON RURAL DEVELOPMENT**

**Population Growth Rate**

The population of any community has serious economic implications. First, it establishes a ceiling for the labour force. In other words, it gives an indication of the highest possible number of workers that the economy can generate, since it is out of the existing population that the labour force will emerge. The larger the population, the larger the labour force, all things being equal (Olaloku et al, 1984: 103).

Second, the composition of the population seriously influences again the labour force. For instance, in a situation where a larger proportion of the population is made up of children and elderly people in any community, it means that the labour force will be rather low and there will thus be a great pressure on the few people. This is because children and elderly people are not active members of the labour force. They are simply mouths to feed, who contribute little or nothing to the GNP (Olaloku et al, 1984: 103).

Furthermore, where female constitutes a large proportion of the population, there will be unsalutory effect on the labour force participation rate. This is because female labour force participation is generally low
because of social values and domestic engagement of women. For instance, in 1963, whereas 88 per cent of the male populations in Nigeria were in the labour force, it was only 27.7 per cent of female that were in the labour force (Olaloku et al., 1984: 103).

Although the population of a country is the major source of its manpower supply (there can be importation of skills from abroad), we have to note that it forms the major consumer of its national product. Since it is not all members of the population that are active members of the labour force, it stands to reason that increasing population can constitute a cog in the wheel of progress of any rural community. The population growth rate in the LDCs is said to be a real problem, since it is found to be greater than what holds in the advanced nations of the world. In this regard, Salvatore and Dowling (1977: 92) say, “Population in developing nations is much greater than in today’s developed nations, it is much greater than in most developed nations during their period of development, and far greater than that experienced by the world in the past.”

The rapid population growth is a direct result of high birth rate and a declining death rate as a result of improved medicare. For instance, death rate has declined from about 4% to 1%. This means a population growth rate of 2.5% in contrast to the 1% in most of the advanced countries. The high population growth rate means a high dependency ratio, as the number of children increases relative to the labour force. This leads to decline in GNP per person.

Many of the developed nations now appreciate the problem being posed by the high population growth rate, and so are adopting measures to control the situation. For instance, the Nigerian Government in 1988 developed its population policy, which is aimed at providing health for all by the year 2000, and curtailing the birth rate through voluntary fertility regulation. It has embarked upon education of the masses through TV plays and other measures, pointing out the adverse effects of having large family. It also encourages the populace to undertake birth control measures as allowed by their religions, values and social practices. It is expected that with time many people will see the wisdom inbirth control in the communities and this will go a long way to enhancing the economic well being of the populace. One of the reasons why persuasion through propaganda and television jingles is not yielding much result as far as birth control is concerned is that traditionally people have tended to regard children as visible forms of wealth and productive agents. This supports the view that human resource is as good as the engine of growth as capital. Though this can be accepted, we cannot fail to stress the unsalutary effect of high population growth rate on economic progress.

**Slow Growth in Knowledge**

There are a number of miscellaneous issues that can be discerned as contributing to “economic backwardness” in the rural communities. These have been categorized by Merier (1971:599) as:

1. Low labour efficiency
2. Factor immobility
3. Limited specialization in occupations
4. Traditional social institutions that minimize incentives for economic change and
5. A deficient supply of entrepreneurship.
6. Customary values. This situation is brought about by the slow growth of knowledge in these LDCs communities.

The economic quality of any nation’s population remains low as long as there is deficiency in knowledge of what natural resources are available and how they can be used to man’s advantage. Deficient knowledge can lead to the people not knowing of possible alternative production techniques, the existing market conditions, institutions that could be created to enhance development in the rural areas. Deficient knowledge in addition can lead to deficiency in skill mix. This does not account for the situation whereby
one man engages in multiple occupations at the same time instead of being guided by the principle of specialization. Looking at all these, we will come to conclusion that an improvement in the quality of human factors is then as essential as investment in physical capital (Meier, 1971: 599).

STRATEGIES FOR EFFECTIVE HUMAN RESOURCE DEVELOPMENT

In this last section, we will only highlight the main strategies, which the communities will have to consider if they must tackle the problem of underdevelopment. The strategies are as follows:

1. **Population Control**
   We noted that one of the human resources problems in the rural development is the issue of rapid population growth rate. In dealing with this problem the developing communities would be advised to undertake population control measures. Usually a lot of difficulties would be expected, since the culture and values dominant in these communities seem not to be in consonance with the idea of population control. For instance in Nigeria, especially among the Igbos, it is deep rooted in their belief that since it is God that gives children, it is not for man to decide to send a strong protest to the president, after collecting a number of signatures against legalizing abortion in the country. This is on the argument that the fundamental right of man is the infringement on the unborn child’s rights to life. No doubt, legalization of abortion will not reduce population growth. But such is strongly resisted on religious grounds.

2. **Rational development of formal education:**
   Ukeje (1981: 10) held that “Education is the key agent in the development of human factor - the human personality, human potentials, human talents, human skills and human attitudes.” In fact, education is described as the key that unlocks the gate to modernity. As we have already noted, one of the problems facing the rural communities is scarcity of critical skills. The main process of developing and generating these various skills is through formal education and training. It is here being said that the communities have to pay special attention to their educational system, that the knowledge and skills being imparted to the students are functional in the sense of being suited to the manpower needs of the economy.

3. **Provision of Appropriate Incentives**
   A lot of money may be spent on education, while there persist critical skills shortage and even surpluses in certain areas. The reason could be that there have not been enough incentives to attract movement into the critical areas of shortages. In other to deal with the situation, the community leaders should provide adequate incentives to encourage young men and women to engage in those activities that are critical to the development of the community.

SUMMARY AND CONCLUSION

Human resources development is vital for rural development. Most rural areas are composed of raw population. It is only through human resource development through quality education and improved health programmes that the raw population can be transformed to quality rural labour force. This quality rural labour force to a large extent will contribute positively to the development of the rural communities.

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On the Entrepreneurial Intentions of Nigerian University Students

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Introduction

Recently, the International Labour Organisation (ILO) reports that 212 million persons were unemployed in 2009, which represents almost 34 million increase over 1997 figure (ILO, 2010). Globally, youth unemployment is the highest averaging about 3 times that of adults and has risen to 15% in 2009 (ILO, 2010) with wide variation. ILO statistics further shows that sixty-six million young people are unemployed; a much higher number are underemployed; and over the next decade, as many as 500 million young people are expected to enter the world’s workforce. In Sub-Saharan Africa, youth unemployment rates can be as high as 60% and is not abating. Also, the region’s share of the global vulnerable employment for 2009 was put at between 76.9 and 79.6 per cent, and extreme working poverty about 67.7 per cent (ILO, 2010). For Nigeria, employment figure is equally high and is on the increase. Of the 140 million Nigerian populations, youths constitute about 50 percent of the population (Population Census of Nigeria, 2006). Majority of these youths are unemployed with concomitant social and other vices, of which the restiveness in the Niger Delta region represents a classical case. Arguably, unemployment has become a critical dimension to the unemployment problem in Nigeria (see: Echebiri, 2005), and this will continue as the economy stagnates with fewer jobs (see: Okojie, 2003), and about 200,000 graduates join the labour market annually.

The growing problem of youth unemployment informed the annual Spring Meetings of the World Bank and International Monetary Fund, where the problem and strategies for addressing youth unemployment in Africa were discussed. The Director of the National Planning Commission of Nigeria, Ayodele Omotoso, captured Nigeria’s youth unemployment case this way: “youth unemployment in Nigeria is 60 to 70 percent, and the labour market can only absorb 10 percent of new job entrants. We used to think that the public sector had to provide jobs. Now we are looking at things holistically... We are also reforming the education sector. We're also looking at ways to increase youth employment in all sectors...” (World Bank, 2009). Part of the strategies adopted to stem this ugly tide of unemployment is the introduction of entrepreneurship education in the university curriculum. This is consistent with the prevailing orthodoxy that entrepreneurship is a veritable tool for confronting unemployment among university graduates.

Thus, it is the policy of government to develop a culture of entrepreneurial thinking among the youths, since every successful entrepreneur accrues benefits not only to himself, but to the entire nation. In the views of Kourilsky (1980), the supply of entrepreneur can be increased by developing a positive perception about the feasibility and desirability of entrepreneurship through educational preparation at an early stage. This is supported by Turnham (1997) who observes that a positive correlation exists between new business formation (entrepreneurship) and employment. He explains that in developing countries, such new businesses have tended to originate from the entry of the unemployed into survival self-employment (entrepreneurial intention).However, since the introduction of mandatory entrepreneurship education in the Nigeria’s universities, no attempt has been made that is known to us, which tries to understand if the students themselves have any intension of taking to entrepreneurship. Such inquiry has become necessary in view of ongoing discourse regarding whether universities are good breeding ground for entrepreneurs. Accordingly, this study examines the intension of Nigerian university students to take the path of entrepreneurship as opposed to other career paths.
Literature Review

Entrepreneurship has been defined from diverse perspectives, notably: economical, ecological, psychological perspectives among many others. In the context of this paper, entrepreneurship can be viewed from the prisms of business start-ups. Thus, entrepreneurship is conceptualized as the willingness and capability of an individual to acquire skills, generate ideas, identify and exploit opportunities in the environment with a view to establishing profitable ventures. Youth entrepreneurship is touted by educators and employers as an alternative means for acquiring skills and attitudes necessary for entering the work force (Tweeten, 1992; Bishop, 1991). In extending the theorisations of entrepreneurial intentions of university students, Pruett, Shinnar, Toney, Llopus and Fox (2009) modelled entrepreneurial intention as a concomitant of culture/country, personal entrepreneurial exposure, expected family support, entrepreneurial disposition, perceptions of motives and perceptions of barriers.

Methodology

This study adapted the methodology used in similar study (see Bhandan, 2006). 500 students from all the academic Departments of Nnamdi Azikiwe University (UNIZIK) Awka Campus Nigeria were randomly and conveniently sampled and surveyed. 19-item (variables) questionnaire was administered to the students who have been exposed to entrepreneurship and business formation courses. The questionnaire elicited information on the demographic profile of the respondents such as age, sex, marital status, major family occupation, course of study, intention to become entrepreneurs or seek paid employment, reason and against self-employment and paid-employment. The dependent variable (intention to start a business or seek for paid-employment) was related to other eighteen variables grouped into four (personal data, course of study, requirements for starting own business, and reasons to start own business. Chi-square analysis was used to determine the relationship between the dependent and independent variables. Factor analysis was used to unearth any pattern in the relationship among the variables, and the logistic regression analysis was used to determine the predictive value of the factors.

Analysis and Discussion

Table 1 summarises students’ entrepreneurial intentions?

<table>
<thead>
<tr>
<th>After you finish your education, what do you intend to do?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Become self-employed or start my own business</td>
<td>338</td>
<td>67.6</td>
<td>67.6</td>
<td>67.6</td>
</tr>
<tr>
<td>Begin working for someone else</td>
<td>62</td>
<td>12.4</td>
<td>12.4</td>
<td>80.0</td>
</tr>
<tr>
<td>Continue working at my current job or business</td>
<td>61</td>
<td>12.2</td>
<td>12.2</td>
<td>92.2</td>
</tr>
<tr>
<td>Others</td>
<td>26</td>
<td>5.2</td>
<td>5.2</td>
<td>97.4</td>
</tr>
<tr>
<td>Begin working for a business owned by a family member/relative</td>
<td>13</td>
<td>2.6</td>
<td>2.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
Table 1 above shows that 338 (67.6%) of the respondents prefer starting their own businesses when they graduate, while the cumulative percentage of students opting for other occupation was 32.4%.

Table 2 summarises possible sources of support/enablement for students’ intention to start their own business/ventures?

**Table 2: Sources of Support for Students’ Entrepreneurship intentions**

<table>
<thead>
<tr>
<th></th>
<th>Responses</th>
<th>Percent</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Entrepreneurship Education</td>
<td>279</td>
<td>21.2%</td>
<td>56.6%</td>
</tr>
<tr>
<td>Non-Business Education</td>
<td>20</td>
<td>1.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Determination</td>
<td>327</td>
<td>24.8%</td>
<td>66.3%</td>
</tr>
<tr>
<td>Finance</td>
<td>349</td>
<td>26.5%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Luck</td>
<td>69</td>
<td>5.2%</td>
<td>14.0%</td>
</tr>
<tr>
<td>work experience</td>
<td>148</td>
<td>11.2%</td>
<td>30.0%</td>
</tr>
<tr>
<td>connections to people that matter</td>
<td>126</td>
<td>9.6%</td>
<td>25.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1318</td>
<td>100.0%</td>
<td>267.3%</td>
</tr>
</tbody>
</table>

Finance, determination and business/entrepreneurship education were the three main sources of support students’ desiring to start their own business as shown by percentage responses; 26.5%, 24.8% and 21.2% respectively. Non-business Education was the least support for students intending to set up their own business.

Students’ intention to start or not start their own business is not significantly related to the nature of the programmes they are enrolled (see Table 3).

**Table 3: Relationship between the intention to start a business and course of study**

<table>
<thead>
<tr>
<th></th>
<th>Intention to Start Business</th>
<th>X²</th>
<th>df</th>
<th>Probability Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Sc.</td>
<td>No: 115</td>
<td>Yes: 247</td>
<td>48.77</td>
<td>2</td>
</tr>
<tr>
<td>Expected Count</td>
<td>117.3</td>
<td>244.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>No: 14</td>
<td>Yes: 77</td>
<td>77</td>
<td>2</td>
</tr>
<tr>
<td>Expected Count</td>
<td>29.5</td>
<td>61.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Sc.</td>
<td>No: 28</td>
<td>Yes: 7</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Expected Count</td>
<td>11.3</td>
<td>23.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education (Voc.Ed)</td>
<td>No: 5</td>
<td>Yes: 7</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Expected Count</td>
<td>3.9</td>
<td>8.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Using chi-square test, it was found that the faculty students were enrolled were related to their entrepreneurship intentions, X² (2) = 48.77, P<0.05. The contingency table shows that students from the faculty of Management Science and Engineering are more inclined to starting their own businesses.
business than students from Natural sciences and Education. Students’ business/entrepreneurial education is not associated with Students’ entrepreneurship intention (see Table 4).

Table 4: Chi-square of Independence of business/entrepreneurship education and Entrepreneurship Intensions

<table>
<thead>
<tr>
<th>Intention to Start Business</th>
<th>X²</th>
<th>df</th>
<th>Probability Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>60</td>
<td>161</td>
<td>2</td>
</tr>
<tr>
<td>Yes</td>
<td>71.6</td>
<td>149.4</td>
<td>4.99</td>
</tr>
</tbody>
</table>

Using chi-square test, students perception of business/entrepreneurship education is significantly related to their intention to start business, $X²(2) = 4.99, P<0.05$. Students’ need for independence (one’s own boss), innovation, flexibility, leadership and wealth are not important predictors of entrepreneurship intentions (see Table 5).

Table 5: Result of Logistic Regression Analysis

<table>
<thead>
<tr>
<th>Step 1a</th>
<th>$b$ coefficient</th>
<th>S.E.</th>
<th>Wald</th>
<th>Df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>95% C.I. for EXP(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus-edu</td>
<td>-.387</td>
<td>.202</td>
<td>3.695</td>
<td>1</td>
<td>.055</td>
<td>.679</td>
<td>.457 .1008</td>
</tr>
<tr>
<td>Determination</td>
<td>-.683</td>
<td>.228</td>
<td>8.933</td>
<td>1</td>
<td>.003*</td>
<td>1.505</td>
<td>.323 .791</td>
</tr>
<tr>
<td>Finance</td>
<td>.650</td>
<td>.214</td>
<td>9.225</td>
<td>1</td>
<td>.002*</td>
<td>1.915</td>
<td>1.259 .2912</td>
</tr>
<tr>
<td>Luck</td>
<td>.458</td>
<td>.301</td>
<td>2.319</td>
<td>1</td>
<td>.128</td>
<td>1.580</td>
<td>.877 2.848</td>
</tr>
<tr>
<td>Work_Exp</td>
<td>-.583</td>
<td>.218</td>
<td>7.164</td>
<td>1</td>
<td>.007*</td>
<td>.558</td>
<td>.364 .855</td>
</tr>
<tr>
<td>Constant</td>
<td>1.104</td>
<td>.248</td>
<td>19.805</td>
<td>1</td>
<td>.000</td>
<td>3.018</td>
<td></td>
</tr>
</tbody>
</table>

Note: $R² = .06$ (Cox & Snell), .08(Nagelkerke), $X²(5) = 35.48, P<0.05$. *Significant at 0.05

Using logistic regression, business/entrepreneurship education, determination, finance, luck and working experience as predictors of students’ entrepreneurship intentions, shows that, although the overall model was significant as shown by $X²(5) = 35.48$ was significant, the overall contribution of the predictors to the model was low ($R² .06, .08$). However, the analysis of individual contribution of each of predictor shows that students’ perception of business/entrepreneurship as support for entrepreneurship do not significantly predict whether students have the intention to set up their own business or not, $b$ coefficient = -.387, Wald $X² (1) = 3.695, P>0.05$. On the other hand, students perception of their determination significantly predict whether they have the intention to set up their own business or not, $b$ coefficient = -.683, Wald $X² (1)=8.933, P<0.05$. The odds ratio (EX(B) shows that the odds of students who do not perceive determination as relevant not setting up their own business is 1.5 times higher than for students who perceive determination as relevant in setting up business. Financial support significantly predict whether students have intention to set up business or not, $b$ coefficient = .650, Wald $X² (1)=9.93, P<0.05$. The odds of a student who do not perceive financial support as important not setting up business
is 1.9 times higher than those of the students who perceive it as important for setting up business ventures. Luck does not significantly predict students’ entrepreneurship intentions, \( b \) coefficient = .458, Wald \( X^2 (1) = 2.319, P > 0.05 \). That student perceives luck as important or not does not predict whether they will set up their own businesses. Students perception of work experience as important to the setting up of business significantly predict their entrepreneurship intentions, \( b \) coefficient = -.583, Wald \( X^2 (1) = 7.164, P < 0.05 \). The odds ratio of .558 shows students who do not see working experience as relevant have the higher odds of not setting up their own business than those who see working experience as relevant.

Students’ Business/Entrepreneurship education, determination, luck, work experience are not important predictors of entrepreneurship intentions.

**Conclusion**

Entrepreneurship has been recognised as a veritable tool for controlling youth unemployment. As a result, many countries including Nigeria are introducing entrepreneurship in the universities in the hope that it would help in creating entrepreneurs among youths. However, evidence from this study suggests that exposure to business/entrepreneurship courses is not a necessary and sufficient condition for sculpting entrepreneurs from the university students. This has policy implications. For instance, there are other factors other than entrepreneurship education such as culture/country, personal entrepreneurial exposure, expected family support, entrepreneurial disposition, perceptions of motives and perceptions of barriers (Pruett, Shinnar, Toney, Llopis and Fox, 2009) which determines the intention to take the path of entrepreneurship. Such factors must be investigated and integrated into the existing policy to increase chances of creating entrepreneurs from students.

**References**

and
Nurturing of Entrepreneurs Through Social Ties: The Case of Nigerian Families

Carol A. Onionwi, Ezimma Nnabiufe, Anayo D. Nkamnebe and H.N. Nzewi
Nnamdi Azikiwe University, Nigeria

The study centred on the role of Nigerian families in unconsciously raising and nurturing entrepreneurs through the extended family system and other social ties as a form of social entrepreneurship which concentrates on creating value by solving social problems in the citizen sector. The methodology adopted case study method which highlighted selected cases of families that have existed for up to 20 years and have taken up househelps or maids from very poor families, trained them in schools, later in vocational skills through apprenticeship or directly under their master’s own businesses. The findings reveal that by the time the house-helps left the homes of the their masters, they were already prepared to start off their own businesses which they started and recorded huge successes. The major recommendation emphasizes the formal recognition of these families that prepare today’s youths for their future through tax deduction/exemption for families that are taxable and even for policy makers to consider as a policy matter.

Introduction

The role of social ties in the context of entrepreneurship in tackling the challenges of society has enjoyed robust intellectual inquiry lately. Such growth is largely informed by the increasing realizations that societies could solve their problems by embedding entrepreneurship creation within the existing social networks. This somewhat entails harnessing the creative powers of individuals in such societies and the determination and indomitable will to meet their needs. In essence, this requires using business sense in solving social problems, which for long has not been reported in the literature, especially as it possesses the potency for solving unmet needs of the society (Mair and Schoen, 2007; Seelos and Mair, 2005a, b). Accordingly, social entrepreneurship has been used as a tool for managing aspects of human society that are entrenched with such social problems as poverty, crime, environmentalism, education and health systems, inhuman cultural practices like widowhood, abandoned children, kidnapping, just to mention but a few.

Evidently, all over the world, some people, few in number and in their minority still, have taken up some areas making much effort toward alleviating the sufferings of the poor and the forgotten. The people involved have done so in their riches and wealth; others have done so most subtly with little funds endowed on them. The later group has proven that it does not take too much wealth to make positive impact on the down-trodden and most neglected part of the society. It has rather taken feeling of the burden, discovering a particular area of need and then being innovative in the ways these problems should be dealt with. People like Mohamed Yunus who used about $27, to empower 42 people (mostly women) to make a difference by changing their lives in Bangladesh; Florence Nightingale (Lady of the lamp), an ethically driven social entrepreneur who devoted her life from a very young age to ministering to the poor in their cottages, visiting slums, schools and work houses, to tending to British soldiers during the Crimean war; giving up her royalty and taking on to being a nurse which was implied at the time in England to mean “a coarsed old woman, always ignorant, usually dirty, often brutal… in bunched up sordid garments, tripping at the brandy bottle or indulging in worse irregularities “(Strachey, 1999); Fabio Rosa, a twenty-two year old and a recent graduate in agronomic engineering who delivered the rural poor farmers in Brazil by providing rural electrification to save them from their shackles of poverty. Before then, they paid a quarter of their farm products proceeds to the rich for the supply of water which
they needed for rice cultivation; Jeroo Billimorio who instituted (founded) the childline (a twenty four hour helpline and emergency response system for children in distress) in 1996 in Bombay India to save Indian children who at the time mostly suffered from abuse, abandonment, assault, tuberculosis, dysentery, jaundice, AIDS etc; Veronica Khosa from South Africa and a nurse by profession, helped to care for the aged, the sick and AIDS – infected South Africans through Tateni Home care Services which was built and Supported with her reduced pension and one-half of her retirement package.

Despite the rich body of knowledge in this area, the role of families in most African culture to nurture entrepreneurs from within and beyond the extended family ties is visibly under represented in the literature. Using Nigerian family as a typical African culture, this paper examines how more endowed families are helping to raise crop of entrepreneurs from poor families thereby helping to empower such families. Even though the apprenticeship mode of training entrepreneurs has received some attention in the literature (see: Nkamnebe, 2003), yet, the supportive role of families in raising entrepreneurs in non-apprentice structure is yet to attract research attention. This forms the basis for the present paper.

Nigeria in Context

Nigeria is populated by nearly 150 million people, and remains the largest black population in Africa, and accounts for half of West Africa’s population, and about 25 percent of Sub-Saharan Africa (SSA), making it the largest market in the region. It occupies a land area of 923,768 sq kilometre with diverse climate, culture, and natural resources and 250 ethnic groups making it a highly diversified culture. The informal sector is well developed, far ahead of the formal sector of the economy. For instance, about 65 percent of active population, most of them women, have been excluded from the formal financial institutions (Bamisile, 2006). Obtaining the actual size and employment structure in the Nigeria’s informal sector is difficult, but estimates suggest that the sector accounts for between 45 – 60 percent of the urban labour force; up from about 25 percent in the mid 1960s, life expectancy at birth is put at 52 years. Rural-urban drift is high and largely towards the State capitals and commercial centres. Househelp is one traditional mode of rural-urban migration.

The Nigerian context is embedded with the extended family system which creates elongated networks, which is further extended by closely knitted social networks and ties. Through these networks, family bring in members of other families to live with them and help in family chores. Most of such family helps are between 7-15 years and are usually from relatively poor families occupying the lower rung of the society. In order to provide them with a career, the obedient ones are trained in school, vocational skills and business. Over time, this network has become medium for creating entrepreneurs and this development has always been taken for granted, and under-reported in the literature.

Brief Review of Literature

Social Entrepreneurship Conceptualized

Attempts to profer a universalistic conceptualisation of entrepreneurship have not been successful, resulting in viewing entrepreneurship to be enigmatic. Instead, such attempts have yeilded diverse perspectives, which include psychological, contextual, and strategic viewpoints among other perspectives.

The psychological theories attribute entrepreneurial outcome to the personality or generally speaking, the psychological disposition of individual entrepreneur. On the other hand, contextual perspectives argue that the determinants of entrepreneurial outcome are domiciled in the environment and not necessarily within the individual entrepreneur. The strategic perspective posits that entrepreneurial outcome is largely determined by how individual entrepreneur takes steps to bring under control variables that would otherwise encumber him/her from attaining desirable entrepreneurial goals. Out of all these, Olomi (1999)
particularly argues that individual differences account for most of the variations in entrepreneurial performance. This provides validity to the assertion that certain skills regarded as entrepreneurial skills are responsible for the success of entrepreneurs, and that these skills are learnable and teachable. Accordingly, this section aims at explaining who an entrepreneur is, defining and explaining entrepreneurial skills, and how to learn them.

The term entrepreneur with its derivative of entrepreneurship is indeed enigmatic. As a result have resisted any attempt to identify a universally acceptable definition. What looks like definitional crisis could as well be said to confront this construct. However, for the purpose of placing our discussion in context, the typology discussed by Olomi (1999) would be reviewed. Accordingly, entrepreneurship is discussed to constitute three different classifications (two are particularly relevant for our discussion). Firstly entrepreneur is seen as that factor of production that attracts and coordinates the other factors of production. Even from this perspective, an important conceptual question was posed: Is it the owning or managing of a business that qualifies one to be an entrepreneur? (Wickham, 1998). One suggestion is to look at entrepreneur as one “who has ultimate responsibility for the overall direction of a business and bears the risks and rewards thereof” (Olomi, 1999:55).

Secondly, entrepreneurs have been situated to possess certain behavioural traits that actually set them apart from others. Rutashobya (1999) documented the following traits in a review: the need for achievement (n-ach) and power (McClelland, 1961), desire for autonomy, independence, and leadership (Hornaday and Aboud, 1971), risk taking and innovative behaviour, pro-activeness and future orientation (McClelland, 1971, Gibb, 1990) among others. An important challenge faced by this perspective is the apparent disagreement on the exact mix of these and other traits that could at all time define an entrepreneur. While this may be Herculean, however, the contextual perspective seems to provide answer to the preceding question. Accordingly, this perspective argues that specific contexts can have overwhelming influence on the relevance of these traits. According to this perspective, what constitute “entrepreneurial activities and outcomes vary from one socio-economic context to another” (Rutashobya, 1999:24). Disparity in economic, political, socio-cultural antecedents, institutional structures, type and distribution of resources etc have been cited as contextual variables that may influence entrepreneurial outcome (Buame, 1996; Morris and Lewis, 1991).

When the above literature is related even with such classical writings that existed from about 1755 up to the writings of Cantillon (1931), an important conclusion could be made. For instance: entrepreneurship represents an important catalytic process that stimulates and sustains development of individuals, firms, societies and nations. Thus, contemporary theorizing on the concept of entrepreneurship situate it as a process that can occur in all forms of organisation and business venture yet separate from but dependent on some individuals (Burgelman, 1983; Kao, 1989). This process would require the existence of an entrepreneurial event. An entrepreneurial event refers to the conceptualisation and implementation of new ventures, while an entrepreneurial agent represents person(s) responsible for the event (Morris and Lewis, 1995). Innovation, risk taking, and proactive behaviour have been identified as some of the key dimensions underlying entrepreneurial attitudes and behaviours (Morris and Lewis, 1995). Hofer and Bygrave (1992) gave a picture of entrepreneurial process to be: changing, discontinuous, holistic and dynamic.

Entrepreneurship has also been conceptualised from the social perspective wherein social entrepreneurship is considered to be relevant in pursuing social agenda. For instance, Hibbert, Hogg and Quinn (2002) defines social entrepreneurship as the process of employing entrepreneurial behaviour to achieve non profit objectives or achieving profit objectives for promoting social ends. Accordingly, social entrepreneurs, are innovative in engaging in social value creating activities that can occur within or across the non-profit, business or government sector (Wei-Skillern et al 2007 in Osisioma 2009). Social entrepreneurs are driven to create social value rather than just personal and shareholders wealth; they can apply business expertise and market based skills exemplified in the revenue – generating enterprises by
non-profit organizations and they have social rather than profit objective in operating their enterprises. Osisioma (2009:203) aptly captured social entrepreneurs as

individuals with fresh ideas for social change who combine entrepreneurial ability and strong ethical fibre in the task of creating social value. They are social innovators, who deploy powerful ideas to improve people’s lives, and who implement those ideas to engender social change. They are transformative forces, people with new ideas to address major problems and who are relentless in the pursuit of their visions until their corrective function has been spread far wide”.

Social entrepreneurs seize opportunities missed by others to improve systems, inventing new approaches and creating solutions to change society, by changing peoples lives for the better. They possess great ideas committing their lives for the sake of helping others through their problems. They are ambitious, and persistent, tackling major social issues and offering new ideas for wide scale social change in the citizen sector. For social entrepreneurs the social mission overrides the profit motive of the business entrepreneur and they are not limited by the funds they have at hand. Being an emerging area with limited literature, we shall through this review of literature, make some contribution on these specific sections: Developing the social entrepreneurship, the qualities and Roles of a social entrepreneurship, Opportunities open to SE and the importance of social entrepreneurship for development.

**Qualities for Successful Social Entrepreneurship**

There are some qualities peculiar to successful entrepreneurs. According McClelland (1987:2190 “the most successful entrepreneurs were the ones most determined to achieve a long-term goal that was deeply meaningful to them…. They tended to be more systematic in the way they searched for opportunities, anticipated obstacles, monitored results, and planned ahead. They were more concerned with quality and efficiency and more committed to the people they employed and engaged with, the business or partners. Finally they valued long term consideration over short-term gain”.

Bornstein (2004:233) also discussed six qualities of successful social entrepreneurs as follows:

- Willingness to self-correct moves which may not have not been very wise.
- Willingness to share credit and acknowledge the contributions of others.
- Willingness to break free of established structures which may constrain growth in order to be able to test and market new ideas.
- Willingness to cross disciplinary boundaries pulling together people from different spheres, with different kinds of experience and expertise, who can together build workable solution that are qualitatively new.
- Willingness to work quietly without the intention of being noticed. This quiet disposition may make them unnoticed but affords them time to accomplish greater things with little resources at hand.
- Strong ethical impetus which make social entrepreneurs become part of the projects that give them the self fulfillment of having accomplish; renewing the faith in an harmonic way of living without misery”

**Opportunities Open to Social Entrepreneurship**

Opportunities open to intending social entrepreneurs are so many since the citizen sector, in the recent times, has continue to be infested with untold social problems. Also some of the venture can be turned into being profitable or self-sustaining. Some of the areas presented by Chandran (2004) are

- Supplying information to create value
- Value chain management
- Increasing access to market, capital and training
In developing nations like Nigeria, many opportunities are open to social entrepreneurship. Some of these are in the area of girl-child prostitution, child labour, shap widowhood practices, low income housing, micro-credit schemes for farmers and petty business people, apprenticeship, adoption, poverty alleviation through enterprise development.

**The importance of social entrepreneurship for Development.**

The value-creating nature of social entrepreneurship makes it imperative for economic development in the following ways (Nagler, 2007):

- Employment Development (OECD, 1998);
- Innovation/New Goods and Services (OECD, 2000; Bornstein, 2003);
- Social Capital (Bourdieu, 1983; Leadbeater, 1997; Hasan, 2005; World Bank, 2004);
- Equity Promotion (Alter, 2006; Bornstein, 2003).

**Social Ties/Networks and Entrepreneurship**

Social networks can be a proxy to social capital as it creates progression to advantaged position. For instance Burt (1992) found that social network characteristics is a good predictor of job mobility. Within the mainstream literature, “the existence of the reciprocal relation between friendship ties and the creation of various economic activities have been frequently proven and examined by such approaches as social capital, network analysis, rational choice theory, and game theory (Wilk, 2003:5). In particular, Granovetter (1985) used *embeddedness* of economic activity as a construct that represents the interface between social ties and economics. Within the enterprise creation, Dubini and Aldrich (1991) found that social networks are correlates of new business formation; yet it is grossly misunderstood (Steier, 2000).

**Methodology**

This study intends to show how social networks as examplified in the extensive family ties are serving as credible source of entrepreneur nurturing. Accordingly, the paper is based on historical reportage of cases of families that have nurtured their househelps into entrepreneurs. Five families were reported and they serve as bases for the discussion that follows. The study is restricted to Awka, Anambra State of Nigeria, which was chosen because of its growing cosmopolitan nature that makes it one of the Nigerian cities with highest number of families with househelps. Awka was also chosen because it is one of the three largest urban cities of Anambra state reputed for high concentrations of entrepreneurs in Nigeria (see Madichie, Nkamnebe and Idemobi, 2009). The later consideration means that the context of study is supportive of entrepreneurship and would help to provide contextual condition for entrepreneurship development. We selected families of at least twenty years to allow for sufficient time to judge their propensity to nurture entrepreneurs, since entrepreneurship requires relatively longer period to emerge.

**Findings/Discussion**

Basically, househelps considered in this study were not taken with any obligations to train them as entrepreneurs or train them in higher educational institutions. Rather the understanding was to provide for them and possibly assist them obtain universal basic education. In some instances, the parents of the househelps are paid monthly since the househelps are generally minor. However, most households that are
Table 1: Summary of Career Development Path of Househelps

<table>
<thead>
<tr>
<th>FAMILY</th>
<th>MARRIED</th>
<th>Househelps so far taken</th>
<th>Those Presently Engaged in micro businesses</th>
<th>% of Househelps that became entrepreneurs</th>
<th>Graduates from higher institution</th>
<th>% of househelps that graduated from higher institutions</th>
<th>Those that dropped/finished primary and secondary education or vocational training</th>
<th>% of those that dropped/finished primary and secondary education or vocational training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family A</td>
<td>1981</td>
<td>15</td>
<td>5</td>
<td>33</td>
<td>2</td>
<td>27</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Family B</td>
<td>1983</td>
<td>10</td>
<td>3</td>
<td>33</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>47</td>
</tr>
<tr>
<td>Family C</td>
<td>1984</td>
<td>10</td>
<td>4</td>
<td>40</td>
<td>2</td>
<td>20</td>
<td>4</td>
<td>47</td>
</tr>
<tr>
<td>Family D</td>
<td>1979</td>
<td>6</td>
<td>2</td>
<td>33</td>
<td>-</td>
<td>00</td>
<td>4</td>
<td>67</td>
</tr>
<tr>
<td>Family E</td>
<td>1986</td>
<td>7</td>
<td>3</td>
<td>43</td>
<td>1</td>
<td>14</td>
<td>3</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: Field Summary

impressed by the service of the households are often compelled to provide the househelps with training that would support them for life. Along this line, househelps uses the enhanced social networks of their hosts to upgrade themselves, which is consistent with existing suppositions in the literature (see for example Dubini and Aldrich, 1991). From the summary in Table 1 an average of about 35 per cent of househelps graduate to become entrepreneurs. And about 15 per cent were trained as graduates of higher educational institutions. This points to an important source of entrepreneur development that has been grossly misunderstood.

Implications

The use of house help makes it possible for children who ordinarily would have been in the streets to serve in families where they are sent to schools. Our data reveal that in some cases these children are trained up to university level which enables them to be gainfully employed and become responsible members of the society. Another important development is that this serves as credible means for developing entrepreneurs. In some cases the hosts provides seed-fund to enable their former househelp start a business of their choice. This subtle means of nurturing entrepreneurs helps to reduce the number of street children who would have engaged in social vices to be recovered and made productive members of the society. Public policy may be structured to grow this mode of entrepreneurship development by granting some form of tax exemption to families engaged in this act. Arguably, research in this area is still nascent in Nigeria, therefore, this study exposes yet another area of study that is begging for intellectual investigation.

Conclusion

Social network is highly developed in Nigeria and forms part of Nigerian culture. Its role in upgrading life has been recognised, and this study has pointed to its efficacy in nurturing entrepreneurs. The need to harness this mode cannot be more appropriate than now when private entrepreneurship has become a more preferred route for enhancing the well-being of the Nigerian population. Government therefore needs to encourage the citizenry by formulating and implementing policies which create more enabling environment for awareness creation and greater involvement in the performance of such act.
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Developing African Entrepreneurs for Global Dominance from late 21st and throughout 22nd centuries.

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Abstract
The paper considers all the processes of nurturing the entrepreneurial personality, right from childhood to the time of retirement from active entrepreneurial practice, if ever possible, as development. It also specifies development as a construct used to explain economic expansion. It posits an agenda of developing the entrepreneur from cradle to the grave which involves active participation of virtually all forms of institutions in the society. Two models are used as vehicle for conveying the demands and processes of developing African entrepreneurs for global dominance from the 21st and throughout the 22nd centuries. The paper contends that the era of relying on natural entrepreneurs for economic development, based on the experience from South East Asia is gone. Therefore, if we hope to have great and dynamic economy, we must develop indigenous entrepreneurs by equipping them with necessary capacity to face the challenges of the 21st century. This calls for active involvement all economic, social, political, technical institutions and offices. It also demands the development of multiple skills in our entrepreneurs. Twenty eight of such skills are outlined for future trainers of indigenous entrepreneurs in Africa.

Introduction
The entrepreneur in the context of this paper is the originator or creator of a profit seeking organ of the society or economic organization established for the purpose of providing goods and services for the consumption of the society, in which such organization is located. The entrepreneur is often referred to as the agent of economic, technological and social changes, because of the multi dimensional roles that he plays in the economic, technological and social systems (Ogundele and Olayemi, 2004). Entrepreneurship is considered as the processes of emergence, behaviour and performance of entrepreneur (Ogundele 2004a). The formal processes of equipping the entrepreneur with necessary insights and skill are through formal education, entrepreneurial training and development.

Education is commonly considered as formal process of learning in school, college or university. The purpose of education is to develop the individual and it is broad in scope. Udo-Aka (1987) considers education as involving the acquisition of general knowledge and development of basic mental capacity. Therefore, the main burden of education falls upon our formal school system, since education is concerned with increasing general knowledge and understanding of the total environment (Flippo, 1966). It is to be noted that business firms, religious, institutions and other forms of social organizations are also involved in the educational process. Training is considered as the organized procedure by which people learn knowledge and/or skills for definite purpose (Beach, 1975). The objective of training is to achieve change in behaviour of the trained. Yoder (1963) notes that training means to educate somewhat narrowly, by instruction, drilling, discipline and other methods of modifying behaviour. Learning is another related concept, which
is the human process by which skills, knowledge, habits and attitudes are acquired and utilized is such a way that behaviour is modified. Thus education as used here is inclusive of training and learning processes.

Development in the general sense is many-sided process. At the individual level it implies increased skill and capacity, greater freedom, creativity, self-discipline, responsibility and material well being (Rodney, 2005). The achievement of any of those aspects of personal development is very much tied in with the state of the society as a whole. At the level of social groups development implies an increasing capacity to regulate both internal and external relationship. Rodney (2005) is of the view that the tool with which men work and the manner in which they organize their labour are important indices of social development.

Rodney (2005) notes further that development when used exclusively in economic sense is in relation to how members of a society increase, jointly their capacity for dealing with the environment. This capacity is dependent on the extent to which they understand the laws of nature (science) and on the extent to which they put (technology) and on the manner in which work is organized. All these are assisted by the processes of formal education, training and development in the society.

**Conceptual Framework**

The developmental theory developed by Singh (1986), has as its foundation massive education, training and development of the entrepreneurs from childhood, on the need for achievement motive. Singh (1986) notes further that entrepreneurial performance is influenced by three factors. First factor is his or her attitude towards his/her occupation. Second, the role expectations held by the sanctioning groups. Third factor is the operational requirement of the job. He notes that society’s values are most important determinants of the first two factors, education, training and development is crucial for the third. Rao, Wright and Mukherjee (1990), note that the focus of development approach is entrepreneurship skill. These skills include: (1) development of entrepreneurial spirit, characteristics and personality (2) development of technical, technological and professional competencies needed for productive work employment (3) Development of enterprise-building and small business development, capabilities to initiate and start one’s own business or self-employment and (4) Development of Managerial capability to run the business and other self-employment activity successfully.

**Model of African Entrepreneur in a Globalized System**

Figure 1 below depicts the entrepreneur in the center of a cobweb like circle of the global system with 13 relevant environmental elements ranging from technology, political system, international agencies to regional blocks and others. The number of elements could be expanded to include all relevant factors. Globalization and each of the relevant environmental elements create challenges of endless list for the entrepreneur. The African entrepreneur will need to be adequately equipped to cope with the challenges. If so how should he/she be developed to cope and to have appropriate and adequate responses to these challenges? In Figure 1 below, the central circle surrounded by the thirteen elements stand for African entrepreneurs. The outer circle represents globalization. From it, arrows branched out to each of the other elements impacting on
entrepreneurial development. This is to show that globalization has its own distinct effects on each of the elements.

The inner double-edged arrows show impacts of the various elements on African entrepreneurs and that of African entrepreneurs on each of them. The inner arrows with broken lines stand for the challenges posed by various elements to African entrepreneur. An examination in brief of the impact of globalization and the challenges of some of the elements are given below:

**Environmental Challenges to the African Entrepreneurs**

A look at Figure 1: Model of Globalized system and some elements of the environment, reveals that each of the elements poses separate and distinct challenges to the entrepreneurs. Self-reliance one of the elements means autonomy, independence, full use of ones talents and capacities, and growth in all directions. In short self-reliance is challenging the African entrepreneurs to make full utilization of all available resources to be self-dependent to a reasonable level. This will imply that human talents are being effectively utilized with the result that there will be minimal level of unemployment. The African entrepreneurs will need to develop skill in self-reliance for global effectiveness.

The globalized system has the political system in operation within a specified geographical area, which determines desirable patterns of economic development as another element. In Nigeria we are operating a Federal democratic system of government. The Federal government in the early part of 2004 put forward the National Economic Empowerment and Development Strategy (NEEDS) as the vehicle for the Nations economic development. NEEDS is a completely home made response to Nigeria’s past efforts at economic development which have failed to produce the desired result.

Ethics or disciplined behaviour is a value concept, which has to do with rightness or wrongness of action. It has relevance in a globalized system. Ogundele (2000) reported that acts of indiscipline was the second most important problem facing indigenous entrepreneurs in Nigeria. Frimpong and Jacques (1999) edited collections of academic works that emphasized the entrenchment of corruption in Sub-Saharan Africa. Therefore the African entrepreneur is confronted with challenges of unethical behaviour, of government agencies, competitors and customers. It is a challenge that is slowing down the rate of meaningful capital flow into the continent outside South Africa and North Africa. The inclusion of re-orienting the value system of the populace as one of the major thrust of NEEDS in Nigeria is a step in the right direction. This will provide opportunity for developing valued behaviours in African entrepreneurs.
Figure 1. The globalized system, environment elements and African entrepreneurs.

Source: Developed by the author and Adapted from O.J.K. Ogundele (2004 globalization and development, multidisciplinary journal of Research Development. Vol. 3, No. 2., p.3.)
Each of the other elements in Figure 1 above, have their distinctive challenges. The World Bank and International Monetary Fund (IMF) have their conditionalities which are concrete blocks against any meaningful development programmes by the poor African countries. How can the African entrepreneurs wriggle themselves out of the net of World Bank and IMF for meaningful economic growth? The solution for this also rest on developing in African entrepreneurs appropriate skills in self-reliance, foresightness and global business operations. Also the regional economic groups’ e.g. Economic Community of West African States (ECOWAS) throws up wider market opportunities to the African entrepreneur. It thus challenges their capacities, and initiatives in coping with the environmental opportunities. This requires skills in cross-national business operations; it again emphasizes the needs for global executive’s skills.

The lists of executive challenges given above are merely illustrative. They show the need for manpower development as it affect the general social system, and also providing or developing global skills in the African entrepreneurial stream. The entrepreneurial stream stands for various groups of entrepreneurs of diverse descriptions in any given geographical area. They are the torch bearers for any meaningful progress and development. Therefore, equipping the African entrepreneur with necessary skills for global effectiveness should be of concern to government, academician, human resource consultants, educational institutions, government agencies, international groups that are interested in the development of Africa.

**Interactive Model of Socio-economic Development**

The Interactive Model of self-reliant socio-economic development is intended to complement the model on entrepreneurial development with a view to producing technologically innovative and result oriented entrepreneur who have practical training in relevant industrial sectors of the economy. In Figure 2 below, the principal institutions of development are the school and factory. In the model, they are sandwiched together by the double-headed arrows. Ascending arrows in the school system depict academic career growth whereas descending ones emphasize the role of the higher institutions to provide instruction to the lower levels. The sandwiched institutions give students at all level opportunities to match their classroom learning with practical work experience in industry. Workers in the industry will, also continue their school learning part time. This will eliminate unemployment. It will also ensure that learning and research are made relevant to the development needs of African countries (Ogundele 2005a).

Figure 2 below is modified version of the proposal by Ekpo-Ufot (1990) with the focus on developing indigenous technology. The operations of the experiment depicted in the model are through the Ministries of Education and Science and Technology in each African country. The Ministry of Science and Technology has the most important responsibility to discharge. These are in planning and executing the experiment. The operators are:
Figure 2: An Interactive Model of Self-Reliant Socio-Economic Development

Source: Adapted from Ogundele (2005c).

(1) The school system
(2) Existing business sector of the economy. They will contribute fund to the national R and D, which must be compulsory in each country.
(3) National, State and local governments will also contribute which will be used to establish R and D Corporation, with three major divisions suggested in the case of Nigeria these are, instructional and scientific equipment, and motor vehicle and food processing. The development activities will involve students in formal educational systems, and other forms of training and development on short term basis provided for the general public. This is a form of massive evangelistic entrepreneurial education, training and development in various forms of social institutions e.g. schools, clubs, corporative societies, churches, mosques etc. each country will set its own area of important priorities.

The lesson that we have learnt from the Asian Tigers is that effective entrepreneurial education, training and development are the only sure path to national economic development. African countries can tread this path through the collaborative and interactive efforts of the educational institutions, the government, business organizations and other relevant social institutions listed above. The end result will be mass turnout of creative agents of development – the entrepreneurs. The products of the interactive model would be technologists, innovators, scientists, engineers, accountants, technicians who are entrepreneurs in their own rights. Hamilton (2006) in an interview with an indigenous entrepreneur in Nigeria states that Durojaiye (the entrepreneur interviewed) reported that waste management idea first came to him in 1991, but he built his first set of mobile toilets on a wagon in 1996. He imported his first set of plastic mobile toilets in 1999. He started manufacturing the same in Nigeria in 2002. That he used to import plastic mobile toilets into the country, but now he exports to other countries in the spate of about eight years. Durojaiye notes that until, now waste management had been seriously neglected to the background and he stated that if as a nation Nigeria puts her priorities right and decide to manage
waste properly, it can become the biggest income generating source, next to oil. He puts up a challenge – “give me N100 million today, I will sign an undertaking for you to tie me up to a pole and get the firing squad to shoot me if I am unable to create, 200,000 jobs in two years, with 150 million Nigerians generating feaces everyday, more mobile toilets are needed”. This is the type of entrepreneur are the ones needed for African dominance of the global economy before the close of this century and beyond.

Massive Evangelistic Entrepreneurial Education, training and development a Must for National Development in Africa

Recent developments in South East Asia have clearly shown other Third World Countries and Africa, that a nation’s progress and economic development is not essentially constrained by the levels of natural resources it possesses, but by the human capacity and capability in responding to challenges in the environment. The Asian Tigers have developed and equipped their human assets with orientation and capacity for spontaneous responses to opportunities of wide ranging patterns both near and far. Because of appropriate entrepreneurial education, training and development, right from childhood every six out of ten people in Indonesia are entrepreneurs. The truth is that entrepreneurship has become a culture of that country and indeed all the Asian Tigers. That is why their economies are the fastest growing and developing ones in the world today. Consequently, entrepreneurship development has equipped the Asian Tigers with the competencies of turning their economies to very dynamic ones for national development. For African countries to move into the club of great and dynamic economies, there must be massive evangelistic entrepreneurial education training and development (Ogundele, 2005b). The outline of the desirable and proposed entrepreneurial educational, training and development agenda for Africa entrepreneurial and the continent’s development is provided below.

Installing Educational, Training and Development Programmes for Entrepreneurial Development in Africa.

It must be stated here, that the levels of formal education will affect entrepreneurship (Ogundele, 2000). In addition, the levels and types of technical, vocational, managerial and other forms of specialized education, training and development will equally affect entrepreneurship. The other side of the coin is that the lack of appropriate and necessary education, training and development would adversely affect the pace of emergence, patterns of behaviours and consequently lead to a slow pace of performance of the economy. Therefore, appropriate entrepreneurial educational training and development programmes must be provided for pupils and students at various levels of Africa nation’s educational systems and for the adults in other forms of social institutions of which they are members. At the primary level, it is not enough to teach pupils the skills of reading, writing, calculating and elementary science. They must be taught how to apply these skills in solving the problems of society or have the skills that can be used to provide goods and services to the society. There is also the need for entrepreneurial education at the secondary level in Africa. In Nigeria for example, if the 6-3-3-4 educational policy in Nigeria is made functional there would have been little problems in building on the foundations which would have been laid at the primary schools level. During the first three years teachers at the secondary school level will have to build on, and further develop the skills of intuitive sensitivity, self-awareness, risk taking, visionary consciousness and multicultural responsiveness whose foundations should have
been laid at the primary school level. At secondary school level the last three years of the students will focus efforts in areas where they have exhibited the best competences to contribute most to the societal development. Those who are not best suited for pure academic pursuit would at this level branch out into relevant vocational areas for them. The tertiary level includes the colleges of education, the polytechnics, the universities at graduate and post graduate levels and other forms of private initiatives designed to promote entrepreneurship. The best practice will be to ensure that students take at least a course in entrepreneurship in every year of their academic pursuit at the tertiary educational level, under varying titles such; as entrepreneurship development, small business management, management of small scale industry, managing your own business etc.

Skills to be developed in Entrepreneurs and the general populace for Africa Development in the 21st Century

The demands of globalization have shown that African entrepreneurs must have multiple skills if they are to be agents of national development. Ogundele (2005b) presents three broad categories of such skills which have twenty eight elements. The first is Management Development Perspective Skills. There are thirteen elements in this category they are; time managements, entrepreneurial self-development; managing change for competitive success; Decision-making; human resources environment of business; helping people to learn; team building; project management; re-engineering or business process redesign; total quality management, organizational development, corporate excellence and people skills. The second is interpersonal skills. There are also twelve elements in this group they include; leadership; subordinate development, delegation and counselling; information technology, re-engineering entrepreneurial values for the 21st century; entrepreneurial effectiveness; motivation and entrepreneurship ventures; managing information; employee empowerment; conflict management; negotiation; and communication skills. The third category is cross-sectional skills. This group consists of four elements which are innovation/creativity, planning, organizing and Kaizen skills.

Apart from the 28 skills areas listed above, other areas where skills development are necessary for Africa entrepreneurs are in cultural adaptation, managing knowledge for organization success, creating participative organization, quality customer service, managing ones health, physical, mental, job specific, technical, transfer of knowledge and human relations skills. These skills must be developed in African entrepreneurs so as to be able to face effectively the challenges of globalization and other environmental factors, which will lead to national development. The above outlined educational and developmental programmes and areas of skills development constitute the proposals of evangelistic agenda for entrepreneurship education training and development. The adaptation and implementation of these proposals should be the sure foundations for rapid African development in the 21st century which will develop African entrepreneurs for global economic leadership in the late 21st and throughout 22nd centuries.

In summary, modern entrepreneurship can be defined as anticipating the future requirements of society and successfully meeting these with new, creative and imaginative combination of resources. Other critical resources are information, superior organization, talented and professionally trained people and last but not the least, time itself. These requires organizations as well as individuals with entrepreneurial skills to foresee the future needs of the society and
develop new and better ways of fulfilling needs these individuals must be developed now in Africa to meet the challenges of the 21st century and beyond. The entrepreneurial decisions to be made now and in future are strategic decisions on the direction in which entrepreneurs shall follow into an always unknown and uncertain future. Analysis and information no matter how good, will never make these decisions for the entrepreneurs, entrepreneurial decision must of necessity be made on inadequate information.

African entrepreneurs must have an acute sense of timing to be able to lead the global economy later in this century and into the next century. Therefore Africa has to develop her tomorrow’s business leaders today. Tomorrow’s African entrepreneurs and business leaders will need to be able to organize for entrepreneurship. It requires being capable of making effective economic decisions regarding the future. There is also the need to build in our entrepreneurs the capacity for systematic innovation. They have to know how to anticipate innovation and how to make innovation effective – rapidly and profitably.

The organization they will build and lead will essentially be an organization of knowledge workers, highly educated people who put to work knowledge and concepts. The African business entrepreneurs of tomorrow will have to be able to run business that operate across national boundaries and are truly “multi-national”.

The African entrepreneurs now and in future must know much about other institutions of the society, especially about government, government agencies, educational institutions and others relevant social constituencies and the global environment.

The four categories of developing the entrepreneurs call for massive propagation, at local state and federal government levels. Other relevant actions that will complement the approaches listed above include the follows:

1). Commonly accepted slogan on dignity of owing your own business should be developed around which all propaganda is build. This should be propagated in all major African languages.

2). The mass media must be actively involved in mobilizing the masses for effective entrepreneur activities to promote national development.

3). High employment salaries e.g. paid in oil sector, bank and especially politicians are disincentives to entrepreneurial development. Government should therefore create fund to assist genuine entrepreneur before their ventures begins to yield returns e.g. graduate and those thrown out of jobs consequence upon current economic reforms.

4). Electronic commerce has been used by all developed countries to achieve greater strides in taking advantage of globalization and attendant competition. This should be positively employed in Africa.

5). Women should be used as a special group in this proposed programme they are in the majority and they need more flexibility in the use of their time than men.

6). Rural areas must be properly integrated in the programmes it should not be an urban affairs we must bridge in gap between aging retiring entrepreneurs and their young successors to minimize the problem of entrepreneurial succession.

7). Government is to concentrate more on infrastructure development at all levels, local, state and federal. Abercrombic, Hill and Turnor (2000)
8). There is the need for moral entrepreneurs championing the restoration of proper moral values, as a crusade against unethical business actions on the part of beneficial from the proposal entrepreneurial development evangelistic agenda.

Conclusion

Education training and development play very crucial roles in entrepreneurial development and skills acquisition. It is the position of this paper that the hope for any meaningful development that will produce great and dynamic economy in Africa in all aspects of its peoples endeavours lies in rigorous and massive entrepreneurial education, training and development, right from childhood and continually until one retires from gainful employment. At the primary school level the “catch them young concept” should be the central objective. At the secondary and tertiary levels students are to be provided with some form of background knowledge on entrepreneurs and based on model 2 in figure 2, this should be complemented with industrial experience by the learners. For example, at secondary, polytechnic, undergraduate and graduate levels students presently are being provided with conceptual skills and technical skills which entrepreneurs require to perform in specialized functional areas such as accounting, marketing, production, personnel etc. The dynamic global environments require that skills should be upgraded constantly hence the need for expansion as provided in the 28 listed skills area. Several private and government agencies in Nigeria e.g Administrative staff college of Nigeria (ASCON) and Centre for Management Development (CMD) have programmes for developing indigenous entrepreneurs to up grade their skills. The methods of training and development and the course contents in all these institution need to be refocused and upgraded based on the discussion in this paper. There is need for a “people change approach” if we are to have great and dynamic economy in the 21st century. We need to show that man and not materials should be the focus of development for a purposeful great and dynamic economy in Africa. The models presented outlined the various levels that are relevant for people change approach to African development. The various groups and area for training and development have been specified. Governments as well as private organizations’ supports are required urgently to produce needed positive changes. The other important ingredients are values reorientation, disciplined behaviour and leadership by example. All these are components of entrepreneurship education, training and development for African development in the 21st century which will result in Africa entrepreneurs’ global dominance of world economy in the late 21st and throughout 22nd centuries.

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Why on earth do foreign firms invest in Ghana? The changing motives and determinants of FDI.

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This paper examines the main motives and determinants of foreign direct investment in Ghana. A number of studies in the literature have examined the motives and determinants of FDI in Ghana. But further regulatory changes coupled with increasing inflows of FDI into non-natural resource sectors of the economy necessitated the re-examination of the determinants and motives of FDI in Ghana. First the study shows that the main motive of FDI in Ghana has shifted from the traditional natural resource seeking to market seeking. Secondly, the paper finds that the dominant determinant of FDI in Ghana is political and social stability.

Introduction

Global Foreign Direct Investment (FDI) has been on the increase for decades reaching a historic level of US$1.9 trillion in 2007. The impact of the global financial and economic crises however resulted in a 14% decline in global FDI flow to US$1.7 trillion in 2008 and a further 39% declined in 2009. Despite this downturn, Africa recorded an increase of 27%, West Africa recorded 63% increase while Ghana recorded 30% increase in FDI inflow in 2008. But the Global FDI flow decline in 2009 witnessed across all regions including Africa which saw its FDI inflow fall by 36% after the peak year of 2008 in the region (UNCTAD, 2008, 2009). Despite the declining global trend of FDI flow over the past two years, there is still huge capital from foreign companies which they seek to invest in attractive locations. This massive global FDI flows phenomenon is occasioned by the deregulation of restrictions on markets entry, the privatisation of state owned firms, the lowering of corporate tax rates, the provisions of generous incentive packages, the relaxation of controls on capital movement and foreign exchange transactions and the major institutional and technological changes recorded in many countries over the years. These policies developments are also stimulated by the important role FDI plays in host countries’ development.

The role played by FDI in host countries has been noted in many books, government reports, global institutional reports and in scholarly publications. These reports and studies to a varying degree of sophistication, suggest that FDI has more positive impact on overall economic growth and sustainability of host economies, especially developing economies (Cotton and Ramachandran, 2001). It is seen to benefit developing economies through the transfer of financial, technology and managerial resources, job creation, and the expansion of domestic capital stock (Young, 2005). The underlying argument therefore is that FDI provides a strong stimulus for sustainable economic growth in host countries as well as offering access to internationally available technologies and management know how (Benassy-Quere et al., 2007). The increasing importance of FDI has influenced almost all host governments to pursue favourable strategies towards the phenomenon. Governments of developing countries in particular are all participating in offering both explicit and implicit incentives in an attempt to attract this foreign capital (Young, 2005). As a result, an overwhelming majority of countries have since the mid-1980s introduced measures to liberalize their FDI regimes and this has generated positive effects on inward investment (UNCTAD, 1998). The increasing importance of this phenomenon has also intensified academic research exploring not only the determinants but also the motives of foreign direct investment in host economies.

In this paper we attempt to explore the motives and determinants debate in Ghana employing empirical approach which departs from the commonplace abstract econometric studies usually conducted and
generalized to all African countries (Grant, 2001). The questions this study seeks to answer are: (1) what motivate firms to invest in Ghana? and (2) what are the determinants of FDI in Ghana? The rest of the paper is organised as follows, section two presents a brief review of the investment environment of Ghana. Section three reviews the literature on the motives and determinants of FDI in general and section four outlines the methodology. Section five presents the data and the discussions while section six contains the conclusion and implications of the study.

**Government policies and FDI inflow in Ghana.**

Ghana at independence had an open attitude towards foreign investors and measures such as guaranteed free repatriation of profits and dividends were introduced to make the country attractive to foreign investors. By the end of 1960, a socialist system of government was introduced and most of the policies pursued from then on by successive governments prior to 1983 entailed strong socialist and economic nationalist emphasis (Grant, 2001; Debrah, 2002). The government dominated the economy during this period functioning as the major shareholder in over 400 different enterprises from financial, extractive and agricultural sectors (World Bank 1994). During the same period the country also experienced series of coup d’états that inflicted political instability on it. These robbed the country of an enabling environment for private enterprises to thrive and discouraged FDI inflow. Subsequently, the number of foreign companies operating in the country over time eroded as capital flight became the norm in the country. Consequently, the country became plagued with economic deterioration. To arrest the deterioration, the government in 1983 embarked on a set of major reforms under the label of the Economic Recovery Programme (ERP) without backtracking and transformed the country from a socialist orientated economy to a free market economy (Debrah, 2002). The set of policy reforms implemented under the ERP were designed to liberalise and stabilise the economy, eliminate barriers to FDI, create more transparency in the economic system, upgrade the physical infrastructure, privatize state-owned enterprises, establish export-processing zones, reduce and eventually eliminate import tariffs and other trade barriers and hence attract FDI (Boateng, 2004).

The impact of these reforms in the country has since been an increasing trend of FDI inflow into the country. Asante (2006) traced the history of FDI in the country from 1983 and identified four different discernible faces of inflow. Namely, the sluggish inflows period (1983-1988) where inflows averaged US$4million, the modest inflows period (1989 – 1992) with inflows averaging US$18 million, the significant inflows (1993-1996) reaching US$233 million, and the general oscillating inflows period (1997-2001). A recent data obtained from various government agencies responsible for foreign direct investment in the country also reveals an increasing trend of FDI inflow into the country since the reforms in 1983. Even when the financial crises reduced global FDI inflow in 2008 considerably in all regions, Ghana recorded an impressive 30% increase in FDI inflow. And so the question is what motivates foreign firms to invest in Ghana?

**Literature review**

What motivate firms to invest abroad and what determines which country they invest are important questions that research in economics and international business have focused on for some time now. Dunning (1980) eclectic paradigm offers a holistic framework for identifying and evaluating the reasons why firms choose to engage in FDI and what determines which countries they invest. The paradigm suggests that the phenomenon of FDI takes place when three sets of conditions are met. These include firm-specific ownership (O) advantages, internalisation (I) of these ownership advantages and finally locational (L) advantages. The first two factors are firm specific and by them alone FDI cannot take place unless the firm finds an attractive location to exploit its ownership specific advantages through internalisation. The paradigm posits that the interplay of the three independent sets of advantages explain what determines where firms finally end up establishing subsidiaries in the world. The locational
component of the eclectic model provides a framework for assessing the host country determinants of FDI and what makes a location more attractive to a foreign firm (UNCTAD, 2009). Empirical research on the determinants is huge and covers both developed (Dunning, 2000) and developing economies (Asiedu, 2004; Benassy-Quere and Mayer, 2007; Buckley et al., 2007). These determinants can be grouped under policy determinants, economic determinants and business facilitation factors. It is the combination of these determinants that decide in an individual case whether FDI will be made in a specific host country or not (UNCTAD 2009).

The economic determinants also consist of the four fundamental motives of firms investing in foreign countries. These include market seeking, resource seeking, efficiency seeking and strategic asset seeking motives. The market seeking FDI are those seeking to serve a particular foreign market or set of foreign markets (Dunning, 2000). The resource seeking FDI on the other hand are those investing in a foreign country in order to gain access to natural resources such as minerals, agricultural products and unskilled labour. Arguably, firms investing in foreign countries for such things as gold extraction, oil production or steel manufacturing could be seen as resource seeking FDI. Efficiency seeking FDI are those designed to promote the efficiency of the firm’s operations through specialization, cost reduction or some other factors in the host country that will afford it efficiency in its operations. Finally the strategic asset-seeking FDI are those investing in a foreign country in order to protect or augment its existing ownership specific advantages or reduce the ownership advantages of its competitors. Some of these advantages may include advanced technology, human resource management skills, distribution networks, or new patents (Dunning, 2000).

A number of studies focusing on the motives of FDI inflow in SSA suggest that FDI in the region is largely driven by natural resources and market size (Asiedu, 2006; Collier and Patillo, 2000). Data on FDI in Africa from the UNCTAD and World Bank also reveal that countries that consistently receive the largest FDI inflow in the region (such as South Africa, Angola and Nigeria) have huge natural resources and market size and much of their FDI inflows go into the natural resource sectors. China’s increasing investment in Africa has also been suggested to be for its quest for natural resources to meet the country’s fast growing industrialising needs. Does this mean that FDI will only flow to African countries with natural resources and or large markets? If that argument holds, then natural resource-poor countries or small countries will always attract very little or no FDI regardless of the policies the country pursues.

The literature on FDI in Ghana also suggests that FDI is attracted into the country because of its natural resources (Afriyie, 1998) and that the country has attracted mainly the natural resource seeking FDI (Asante, 2006). Admittedly, Ghana has an abundant supply of natural and created resources which include substantial deposits of gold, industrial diamond, bauxite, manganese, oil, timber and cocoa (Debrah 2002, Grant 2001). Ghana also has a modest size local market of 23.8 million people and an African regional market of 999 million. Products from the country also have access to the American and European markets as well as the Caribbean markets through AGOA and ACP-EU. Because of its modest local market as well as its huge and adequate international market size, it is difficult to accept the findings that FDI in the country mainly goes to the natural resource sector. This paper therefore attempts to establish whether the findings are still applicable and hereby proposes that;

Proposition 1: The main motive of FDI inflow into Ghana will be for natural resource seeking.
Proposition 2: Market seeking FDI will be attracted to Ghana because of its market size.
Proposition 3: Efficiency seeking and asset seeking FDI will not flow into Ghana.
Proposition 4: The main determinant of FDI in Ghana is the availability of natural resource.

Sources of Data
Data for this study was collected from June 2009 to September 2009. The country does not have a single internal published source that provides comprehensive data on foreign companies and the best
unpublished source of information are the Ghana Investment Promotion Centre (GIPC), the Free Zones Board, the Minerals Commission, the Ministry of Energy and the Registrar General Department. A total list of 3604 registered foreign companies was obtained from these agencies and a simple random sampling was then employed to select three hundred and fifty (350) foreign companies which were then surveyed. The researchers were able to collect back one hundred and two (29%) questionnaires of which ninety two (26%) were useable. The constructs of the survey questionnaire involved the motives of firms investing in Ghana, the markets of the firms’ products and the major factors that influenced them to invest in the country over alternative locations. The results are presented in the next section.

**Motives of Firms investing in Ghana.**

Table 1 reveals that 64.1% (59) of the firms surveyed, indicated market seeking as the main motive for their investment in the country. Firms that invested in the country for efficiency purposes accounted for 17.4% (16), while 14.1% (13) invested for natural resource seeking reason. Firms investing for efficiency reasons make the strategic decision to invest in the country so as to enable them compete effectively with their competitors on the global market and not for the Ghanaian market.

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Market Seeking</td>
<td>59</td>
<td>64.1</td>
<td>64.8</td>
<td>64.8</td>
</tr>
<tr>
<td>2 Natural Resources Seeking</td>
<td>13</td>
<td>14.1</td>
<td>14.3</td>
<td>79.1</td>
</tr>
<tr>
<td>3 Efficiency Seeking</td>
<td>16</td>
<td>17.4</td>
<td>17.6</td>
<td>96.7</td>
</tr>
<tr>
<td>4 Asset Seeking</td>
<td>3</td>
<td>3.3</td>
<td>3.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>91</td>
<td>98.9</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>1</td>
<td>1.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Natural resource seeking firms are now relatively fewer than market seeking and efficiency seeking firms. Asset seeking FDI however remains a negligible 3.3% (3) of the total 92 firms surveyed.

**Markets of foreign firms.** In light of the importance of markets seeking motive of foreign direct investment in the country, particular attention was given to the distribution of markets served by foreign firms operating in the country. Table 2 reveals that 29.3% of participants invested in the country to serve the local market.

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ghana</td>
<td>27</td>
<td>29.3</td>
<td>29.3</td>
<td>29.3</td>
</tr>
<tr>
<td>2 West Africa</td>
<td>25</td>
<td>27.2</td>
<td>27.2</td>
<td>56.5</td>
</tr>
<tr>
<td>3 Sub Sahara Africa</td>
<td>14</td>
<td>15.2</td>
<td>15.2</td>
<td>71.7</td>
</tr>
<tr>
<td>5 Europe</td>
<td>8</td>
<td>8.7</td>
<td>8.7</td>
<td>80.4</td>
</tr>
<tr>
<td>6 North America</td>
<td>6</td>
<td>6.5</td>
<td>6.5</td>
<td>87.0</td>
</tr>
<tr>
<td>8 Asia</td>
<td>3</td>
<td>3.3</td>
<td>3.3</td>
<td>90.2</td>
</tr>
<tr>
<td>10 Worldwide</td>
<td>9</td>
<td>9.8</td>
<td>9.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Those participants that invested in the country in order to serve both the West African sub region and Sub-Saharan African region constituted 27.2% and 15.2% respectively. While 9.8% of participants serve the global market, 8.7% have their products’ market in Europe while 6.5% market their products to North
America. Only 3.3% of participants’ markets are in Asia. All the participants with markets in Ghana and West Africa also indicated their interest to expand to the rest of the Sub Saharan African region and serve the African regional market.

Determinants of FDI in Ghana

Respondents were asked to rank the various factors in table 3 as to whether they were the only determinant (5), the main determinant (4), a secondary determinant (3), a consideration (2) or not at all a determinant (1) in their initial decision to invest in Ghana. The mean score of stable political environment (3.88), government policies (3.57) and the Ghanaian markets (3.50) are all above 3.50 which denote that these are the main determinants that influenced investors’ initial investment decisions in favour of Ghana over other countries.

Table 4: Determinants of FDI in Ghana

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable Political Environment</td>
<td>3.88</td>
<td>.969</td>
</tr>
<tr>
<td>Government policies</td>
<td>3.57</td>
<td>.932</td>
</tr>
<tr>
<td>To access the Ghanaian Market</td>
<td>3.50</td>
<td>1.155</td>
</tr>
<tr>
<td>Incentives provided by government</td>
<td>3.12</td>
<td>1.091</td>
</tr>
<tr>
<td>To access the SSA market</td>
<td>2.99</td>
<td>1.282</td>
</tr>
<tr>
<td>To defend market share in SSA market</td>
<td>2.55</td>
<td>1.249</td>
</tr>
<tr>
<td>Availability of Natural Resources – Motive</td>
<td>2.41</td>
<td>1.419</td>
</tr>
<tr>
<td>Existence of Clusters of firms</td>
<td>2.24</td>
<td>1.194</td>
</tr>
<tr>
<td>Investment made by competitors in SSA</td>
<td>2.22</td>
<td>1.264</td>
</tr>
<tr>
<td>Cultural similarities</td>
<td>1.99</td>
<td>1.326</td>
</tr>
</tbody>
</table>

Government Incentives (3.12), SSA market (2.99), Level of skills/qualifications of the Ghanaian workforce (2.85), comparatively low cost inputs (2.77), defend market SSA market share (2.55) each also have a mean score above 2.5 and below 3.5. The interpretation of these numbers shows that foreign investors also assessed these factors as secondary determinants in their initial decision to invest in Ghana. The availability of natural resource (2.41), cluster of firms (2.24) and competitors in SSA (2.22) were also taken into consideration in their investment decision making about the country.

Discussion

Proposition 1: The main motive of FDI inflow into Ghana will be for natural resource seeking.

Ghana’s natural resources are still attracting investors into the country. However, Ghana, Table 1 reveals that many more foreign firms are now investing in the country principally for market seeking. Admittedly, Ghana has a small local market of 24 million people. This market size is the second largest in West Africa after Nigeria’s population of 153 million people. Additionally through regionalism, investors locating in Ghana have access not only to the West African market of 297 million people but also to the rest of the African market of 999 million people. This makes Africa the second most populated and second largest market after Asia if measured in terms of the number of people. Products from Ghana also have free market access to the American, European and the Caribbean markets through AGOA and the ACP-EU treaties. The data also reveals that 72% of foreign firms operating in Ghana invested with the motive to serve the African regional market of which 29% of that constitutes the Ghanaian market. Regionalism and the signing of bilateral and multilateral investment agreement are playing a pivotal role in changing the main motive of FDI inflow from natural resource seeking to market seeking. Thus the
proposition (1) that FDI will flow into Ghana mainly for natural resource seeking is not supported. The second Proposition (2) that Market seeking FDI will be attracted to Ghana is however supported.

**Proposition 3:** Efficiency seeking and asset seeking FDI will not flow into Ghana
Efficiency seeking FDI is gaining prominence in the Ghanaian investment environment in recent times than the natural resource seeking FDI and the asset seeking FDI as evidenced by the data set. This is occasioned by the increase in the level of skills and qualifications of the Ghanaian workforce. This gives credence to the rising importance of efficiency seeking FDI inflow into Ghana in recent times. This proposition is partly supported in that the country is currently attracting efficiency seeking FDI, while still unable to attract asset seeking FDI.

**Proposition 4:** The main determinant of FDI in Ghana is the availability of natural resource.
Table 3 reveals that Political, economic and social stability features strongly as the major determinants of FDI in Ghana. The country is considered to be the most stable base within the African region that investors can use as a platform to reach out to the rest of the region. The country has not experienced any political instability since the early 1980s and this stability enabled the government to develop favourable policies in order to attract FDI. Policies on entry and operations in Ghana are very favourable unlike in the past where investment projects had to go through vetting before approval. Barriers and restrictions that discouraged investors in the past have systematically been removed. Foreign investors are also offered numerous international and local dispute settlement opportunities to resort to in the event of any dispute. Additionally, investors find the generous incentives put in place by the government to induce investors as important determinant attracting them to locate in the country. The level of skills and qualifications of the Ghanaian workforce has also become an important factor attracting foreign investors into the country. Labour in the country also cost less than alternative locations and hence give foreign firms the opportunity to drive down cost. Table 3 above also reveals the important role market size and growth is playing as a determinant of FDI in Ghana. The availability of natural resource is also serving as a determinant attracting foreign investors into the country. However the improvement in the investment environment, stability in the country and the development of favourable investment policies are giving other factors prominent role in the attraction of foreign direct investment into the country than the availability of natural resource. Thus the proposition that the main determinant of FDI in Ghana is the availability of natural resource is not fully supported as there are other more prominent determinants.

**Conclusion and implications**

This paper examines the motives and determinants of foreign direct investment in Ghana. Existing literature on the motives and determinants of FDI in Africa in general and Ghana in particular suggest that FDI flow into the region and Ghana mainly for natural resource. Admittedly, the availability of natural resource plays an important role as evidenced by the fact that natural resource rich countries in the region tended to attract more FDI than those without. Some countries with little natural resources in recent times however, are strongly competing with those that are well endowed with natural resources. Ghana is one of those countries now strongly competing for FDI not on the strengths of its natural resources but other factors. Evidence from the empirical results reveals that market is serving both as the main motive and an important determinant of FDI in the country than the availability of natural resources. Additionally, political, economic and social stability, favourable government policies, market size and growth, incentives and skills of the Ghanaian workforce are also found to be very important determinants of FDI. The major implication of this study is that African countries with no or little natural resource can still strongly compete in attracting FDI when they develop favourable policies and ensure that there is not only economic stability but also political and social stability in their countries. This study however opens up the question as to what kind of specific policies will attract FDI into a developing country like Ghana.
References


Transparency and Foreign Direct Investment into Sub-Saharan Africa: An econometric investigation

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This paper examines the long-run relationship existing between corruption and FDI flows into Sub-Saharan African countries. This is done by investigating the relationship between FDI and the level of transparency in host countries in Sub-Saharan Africa. A panel unit root and panel cointegration tests are employed to data from 13 countries in the region from 1998 through 2008. The cointegration framework employed in this study accounts for individual as well as time effects by adjusting for potential heterogeneity and serial correlation existing in the data panel. The results imply that the level of transparency and size of FDI inflows have a long-run equilibrium relationship.

INTRODUCTION

The General Assembly of the United Nations adopted a bold program christened Millennium Development Goal (MDG) in September 2000. One of the key thrusts of the MDG is eradication of poverty in the world. Consistent with the MDG is the effort of many African leaders who put together a plan of action which is referred to as New Partnership for Africa’s Development (NEPAD). Under both the MDG and NEPAD, Africa needs to attract capital from abroad. However, income levels and savings are low, and most of the countries in the region do not have access to international financial markets. Asiedu (2002) argues that foreign direct investment (FDI) is the most logical source of development funding open to African countries in view of the aforementioned challenges.

Gurmess (2006) reports that Africa’s dilemma is an inexorable economic decline with declining per capita incomes, rapid increases in population, loss of export revenues, curtailment of foreign investment, destruction of fragile ecosystems, war and civil strife, and inability of many countries to feed their people as well as meet other basic human needs. For example, from 1980 through 1990, Africa’s per capita output fell by 42.5%, per capita consumption fell by 40%, domestic investment declined by 29.7%, exports fell by 34.5%, per capita food production dropped by 12.2%, and the total external debt rose by 162.0%. The people from this region of the world had hoped that the 1990s would bring renewed development. While signs of renewal appeared for a time, hopes had dimmed. During the decade from 1990 through 2000, GDP rose at a rate of 2.4% per year, but with a population growth averaging an annual rate of 2.6%, output per person continues to fall along with personal incomes. In view of the aforementioned, a huge gap is created between domestic investment and savings. Little wonder that several international organizations recommend foreign direct investment as a key source of external finance (Nunnenkamp and Spatz, 2003). However, Caves (1996) reports that the relationship between the stock of FDI in any developing country and its subsequent economic growth is ambiguous. This
conclusion is also supported by several researchers who analyzed data from Africa (Ayadi, 2009; Murthy, 2005).

In a recent treatise, Asiedu (2006) uses anecdotal evidence to show that FDI flows to Africa are largely driven by natural resources and market size. According to this author, South Africa has a large local market which accounts for 46 percent of Sub-Saharan Africa’s GDP in 2002. Nigeria and Angola are major oil producing nations in the region. Thus, these three countries account for 65 percent of FDI flows to the region. Asiedu notes that the key determinants of FDI flows into Africa are different from those identified in the literature as important for other regions of the world. The study concludes that large local markets, natural resource endowment, inflation, physical infrastructure, legal system, investment climate, corruption and political stability are key determinants of FDI flows to Africa.

According to Mmieh and Owusu-Frimpong (2003), the provision of specific incentives, such as, lower taxes have no significant impact in attracting foreign direct investment to Ghana. However, the removal of restrictions and provision of business-friendly operating environment generally have a positive effect. Nunnenkamp and Spatz (2003) argue that the extent to which investors transfer managerial know-how and technology to a host country depends on institutional developments such as rule of law, degree of corruption, quality of public management, protection of property rights and degree of government interference. According to the authors, host country and industry characteristics and the interplay among these characteristics are critical on the growth impact of FDI flows to developing countries. These arguments point to the conclusion that a conducive business environment, must exist in FDI-seeking developing countries and at the same time they must reach a minimum level of economic development in order to be successful.

Asiedu (2002, 2004) identifies the factors that influence FDI in Sub Saharan Africa as return on investment, infrastructure development, openness of the economy, political risk, size of government consumption, economic stability and the growth rate of the domestic market. Ojode and Ofori-Brobbey (2006) report results to the effect that existence of raw materials in Sub-Saharan Africa is the major FDI attraction into the region. However, governance is seen as an important distinguishing feature of countries in the region. The authors define governance in terms of the presence or otherwise of rule of law, government effectiveness and graft. Asiedu (2006) reviews four major survey reports which identify impediments to FDI flows to Sub-Saharan Africa. The surveys were conducted by the World Bank (in 1996-1997, and 1999-2000), United Nations Conference on Trade and Development (UNCTAD in 1999-2000), and The Center for Research into Economics and Finance in Southern Africa (in 2002). The three surveys whose focus was on Sub-Saharan Africa, corruption was identified as the most important factor constraining FDI inflows.

Corruption is present when an individual or a group of individuals misuse public office for private gain thereby creating a *quid-pro-quo* which involves an exchange of public favor for private gain. Wei (2000) studies the effect of corruption on foreign direct investment in a sample covering bilateral investments from twelve source countries to forty-five host countries. The results show that a rise in either the tax rate on multinational firms or the corruption level in a host country reduces inward foreign direct investment. According to Wei, corruption discourages FDI from all investing countries. Daude and Fratzscher (2008) conclude that flows of foreign direct investment are more sensitive to information frictions than portfolio investment. Moreover, a high level of corruption exacerbates an information asymmetry problem.

Pinto and Zhu (2008) explore a bi-directional relationship between FDI and corruption. They argue that foreign investors do make economic decision by calculating the costs and benefits associated with corrupt behavior in the host country. Thus, they conclude that multinational corporations do not necessarily possess superior governance credentials because they are as likely as domestic corporations to engage in sharp behavior. Furthermore, the reason for a low level of corruption in an economy is due to the
existence of institutional checks, existence and consolidation of rule of law, property rights protection, and political development. Given that most countries in Sub-Saharan Africa are classified as less developed economies, it will be interesting to isolate the role of corruption in international capital flows to the region. Therefore, this paper examines the long-term relationship existing between corruption and FDI flows into Sub-Saharan African countries.

THE FERNANDEZ-ARIAS AND MONTIEL FRAMEWORK

International private capital flows are in the form of portfolio investments and foreign direct investments. So much research has been documented on different aspects of international capital flows especially investment flows into industrialized nations of the world. As for capital flows into developing countries, there is no consensus in terms of the specific determinants. Taylor and Sarno (1997), note that private flows are more important and significant than official flows. Moreover, they discuss two groups of factors which drive private capital flows as revealed in the financial economics literature: “pull” and “push” factors. The “push” factors are country specific factors which are essential to the relative importance for improving the economic performance of the host countries. On the other hand, the “pull” factors are global in nature, and they represent the stimulus provided by worsening situation in the investing countries.

In view of the aforementioned, Fernandez-Arias and Montiel (1996), (hereinafter FAM) propose a useful analytical framework for determinants of capital flows. FAM assume that capital flows can be in form of transactions in various types of assets indexed as s where s = 1, 2, ……, n. Furthermore, the domestic return on each asset type s, can be dichotomized into, project-specific expected return, Ds, and a “country creditworthiness” adjustment factor, C, where 0 ≤ C ≤ 1. The project-specific return depends inversely on a vector, F, of net flows to projects of all types based on the economic argument of diminishing marginal productivity. The creditworthiness factor also depends negatively on a vector of end-of-period stock of liabilities of all types, which are denoted as S (with S = S_{-1} + F). Note that S_{-1} represents liabilities brought forward from the previous period. In order to solve for F, FAM establish an arbitrage condition of the form:

$$D_s[F, C][S_{-1} + F] = W_s[F, S_{-1} + F]$$  \(1\)

Where, W_s represents the opportunity cost of funds associated with asset s in the world economy. Note that d is a shift factor associated with the domestic environment and c is a shift factor associated with domestic creditworthiness. These two factors, d and c are the “pull” factors. On the other hand, w is a shift factor associated with the financial conditions of the capital supplier countries and thus is referred to as the “push” factor.

In Equation (1), FAM assume that Ds, C, and W_s are increasing functions of d, c, and w. If one holds constant the initial level of liabilities, S_{-1}, FAM solve the desired (equilibrium) vector of net flows, F^* as:

$$F^* = F^*(d, c, w)$$  \(2\)

where, F^* is increasing in d and c but decreasing in w. Therefore, the size of capital inflows to developing countries is determined by domestic (pull) factors operating both at the project and country levels and external (push) factors at the global level.

A key element of the “pull factors” is a lack of transparency or existence of corruption. Corruption creates business uncertainty, makes contracts unenforceable, leads to inefficient economic, social, and political outcomes because it is a symptom of deep institutional weaknesses, exacerbates an information
asymmetry problem, makes local bureaucracy less transparent and decreases the effective protection of the assets of investors within the host economy (Smarzynska and Wei, 2000; Akçay, 2006; Spence, 2008).

METHODOLOGY

Data:
The panel framework employed in this study includes 13 selected countries from Sub-Saharan Africa. The sample selection is premised on full data availability for each country from 1998 through 2008. The countries are Botswana, Cameroon, Ghana, Kenya, Mali, Mauritania, Namibia, Nigeria, Senegal, South Africa, Uganda, Zambia and Zimbabwe. For each country, annual dollar values of inward FDI for 1998 through 2008 are obtained from the UNCTAD database. In addition to this, the corresponding corruption perception index (TI refers to transparency index) scores for the countries are obtained from Transparency International. Chang and Golden (2006) argue that TI is the standard barometer for measuring perceived corruption. By invoking the spirit of rational expectations in decision making, TI is considered a more appropriate benchmark for investors to employ. TI scores used in this study (referred to as CPI by Transparency International), varies from 0 (most corrupt) to 10 (least corrupt). However, rather than refer to them directly as index of corruption, the approach is to refer to them as index of transparency. The higher the TI score, the higher is the level of transparency.

Unit Root Tests:
A cointegration test is usually preceded by a test for unit roots in time series studies. However, testing for unit roots in panel data is a more recent undertaking and these test have more power than the usual tests associated with time series data (Taguchi et al., 2009). The tests employed in this paper are Levin, Lin and Chu (2002), Im, Pesaran and Shin (2003) and Maddala and Wu (1999) Fisher-based tests. The Levin, Lin and Chu (LLC) test is discussed in the EViews 6 User's Guide and it employs the following equation:

$$ΔY_{it} = αY_{i,t-1} + ∑β_iΔY_{i,t-τ} + X_{it}β_i + ε_{it}$$ (3)

Where, i=1,2,..., N cross-section or series that are observed for periods t=1,2,..,T and X_{it} are the exogenous variables in the panel which include fixed or individual effects. Under the null hypothesis, α=0 with an alternative hypothesis assuming α<0. The generalized form of the LLC model has a way to capture the presence of heterogeneity that is present in a panel setting.

The Im, Pesaran and Shin (IPS, 2003) test represent an extension of the LLC framework and allows for heterogeneity in the panel. The IPS test has better small sample properties and also more intuitive in its development than the LLC test and also does not require Monte Carlo simulation to generate its p-values. While the LLC test assumes that all series are stationary under the null hypothesis, the IPS test only assumes a fraction of the series in the panel to be stationary. The testing procedure is based on the average of the individual unit root test statistics. Through this procedure, each section of the panel is estimated separately with different parameter specifications, residual variance and lag lengths (Asteriou and Hall, 2006). Maddala and Wu (1999) tests are similar to the IPS test. The Maddala and Wu (MW) tests use a Fisher-type test that combines the significance level for rejecting the null obtained when estimating individual unit root tests. The MW model can be applied to an unbalanced panel. The tests combine p-values from individual root (ADF and PP) tests. The null and alternative hypotheses are similar to the IPS framework.
Pedroni Panel Cointegration Test:

Pedroni (1999, 2000 and 2004) proposes several cointegration tests of panel data that are extensions of the Engle-Granger residual-based framework. The cointegration framework employed in this study accounts for individual as well as time effects by adjusting for potential heterogeneity and serial correlation existing in the data panel (De Vita and Kyaw, 2008). The approach involves an examination of the residuals from a spurious regression performed on nonstationary variables. If the nonstationary variables are cointegrated, then the spurious regression residuals would be stationary. Formally, the null hypothesis that is tested is that Y and X are not cointegrated while the alternative hypothesis is that the series in the panel are cointegrated. The tests proposed by Pedroni allow for heterogeneous intercepts as well as trend coefficients across cross-sections. The panel regression is of the form:

\[ Y_{t, i} = \alpha_i + \beta_t + \sum_{m=1}^{M} \beta_{m, i} X_{m, t, i} + u_{t, i} \]  

Where \( t = 1, 2, \ldots, T \) (time); \( i = 1, 2, \ldots, N \) (number of cross sections) and \( m = 1, 2, \ldots, M \) (number of independent variables). Y and X are the nonstationary variables. The parameters \( \alpha_i \) and \( \beta_i \) are individual and trend effects respectively. Two major groups of statistics are generated by Pedroni: Between-dimension-based statistics and Within-dimension-based statistics. The eight within-dimension-based tests are based on pooling autoregressive coefficients across different members of the panel for the unit root tests on the estimated residuals. The tests impose a common value for the autoregressive root under the alternative hypothesis. On the other hand, between-dimension-based tests represent the group mean approach as in the within-dimension. These tests are based on pooling along the "between" dimension by averaging autoregressive coefficients for each member of the panel for the unit root tests on the estimated residuals. The tests do not impose a common value for the autoregressive root under an alternative hypothesis (Karaman-Orsal, 2008; De Vita & Kyaw, 2008).

The starting point to a panel cointegration test is to estimate the cointegration regression represented by Equation (3) through ordinary least squares. Under the null hypothesis of no cointegration, the residuals \( u_{t, i} \) should be integrated at order one \([I(1)]\) and proceed by estimating the following regression for each cross-section:

\[ u_{t, i} = \rho_i u_{t-1, i} + \varepsilon_{t, i} \]  

Or

\[ u_{t, i} = \rho_i u_{t-1, i} + \sum_{j=1}^{p} \alpha_j \Delta u_{t-j, i} + \omega_{t, i} \]  

The null hypothesis implies that \( \rho_i = 1 \). The alternative hypothesis is two-fold. With the within-dimension panel tests the alternative hypothesis assumes homogeneity in which case, \( \rho_i = \rho < 1 \) for all \( i \). In the second alternative (between-dimension) heterogeneity is assumed and \( \rho_i < 1 \) for all \( i \). In both cases identified above, Pedroni generates eleven panel cointegration test statistics based on residuals from either Equation (4) or Equation (5). Moreover, a Newey and West (1987) estimator and the Bartlett kernel are employed to obtain a long-run variance estimate. Both the long-run variance and the contemporaneous variance estimates and other Newey-West kernel estimates are employed to generate the different test statistics. The null hypothesis of no cointegration, is rejected if the absolute value of the calculated test statistic exceeds the critical value at a chosen level of significance (Karaman-Orsal, 2008). In a simulation test, Karaman-Orsal (2008) reports results which indicate that the panel-ADF statistic has the best size and power properties among the panel cointegration test statistics evaluated.
RESULTS

The approach in this paper is to examine the relationship between degree of transparency in an economy and the level of FDI inflows using cross-section and time series data from 13 Sub-Saharan African countries from 1998 through 2008. The Pedroni panel Fully-Modified Ordinary Least Squares cointegration framework is employed. This econometric model adjusts for heterogeneity as well as serial correlation in panel data. Thus, one is able to account for country-specific factors that can affect the analysis.

Table 1 shows the results of stationarity test performed on the panel data. These results show that the null hypothesis is not rejected at the 1% level of significance for the levels of both FDI and TI using the statistics for $W_{IPS}$, ADF-Fisher and PP-Fisher. Moreover, all the test statistics indicate a rejection of the null hypothesis for both FDI and TI. Therefore, the two variables, FDI and TI are integrated of order one. It should be noted that under the null hypothesis, the $t_{LLC}$ statistic assumes a common unit root process while the remaining test statistics assume individual unit root process.

<table>
<thead>
<tr>
<th>Series</th>
<th>$t_{LLC}$</th>
<th>$W_{IPS}$</th>
<th>ADF-Fisher</th>
<th>PP-Fisher</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI</td>
<td>-4.271*</td>
<td>0.482</td>
<td>46.140</td>
<td>46.652</td>
</tr>
<tr>
<td>TI</td>
<td>-2.484*</td>
<td>-0.545</td>
<td>27.364</td>
<td>31.239</td>
</tr>
<tr>
<td>$\Delta$FDI</td>
<td>-8.000*</td>
<td>-4.075*</td>
<td>78.728*</td>
<td>97.744*</td>
</tr>
<tr>
<td>$\Delta$TI</td>
<td>-11.119*</td>
<td>-5.968*</td>
<td>85.243*</td>
<td>98.473*</td>
</tr>
</tbody>
</table>

FDI refers to the dollar amount of foreign direct investment inflows while TI refers to transparency index and same as corruption perception index. The null hypothesis in each case is that unit root is present. * indicates a rejection of the null hypothesis at the conventional 1% level.

Table 2 reports the results of Pedroni panel cointegration tests. The null hypothesis of no cointegration is rejected by six of the eleven test statistics. Given that Karaman-Orsal (2008) reports results which indicate that the panel-ADF statistic has the best size and power properties among the panel cointegration test statistics evaluated, one can interpret the results with reference to the panel-ADF. Therefore, at the one percent conventional level of significance, the null hypothesis of no cointegration between TI and FDI is rejected. As noted by Darnell and Evans (1990), two cointegrated variables move together, and they do not drift apart, all things being equal. Thus, transparency (absence of corruption) and foreign direct investment flows into Sub-Saharan Africa have a long-run equilibrium relationship. The two variables move together without drifting apart.
Table 2: Pedroni Panel Cointegration Results

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>Value</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panel v-statistic</td>
<td>0.826</td>
<td>0.204</td>
</tr>
<tr>
<td>Panel ρ-statistic</td>
<td>-2.209</td>
<td>0.014**</td>
</tr>
<tr>
<td>Panel PP-statistic</td>
<td>-5.237</td>
<td>0.000*</td>
</tr>
<tr>
<td>Panel ADF-statistic</td>
<td>-3.708</td>
<td>0.000*</td>
</tr>
<tr>
<td>Panel v-statistic (weighted)</td>
<td>-0.065</td>
<td>0.526</td>
</tr>
<tr>
<td>Panel ρ-statistic (weighted)</td>
<td>-1.987</td>
<td>0.024**</td>
</tr>
<tr>
<td>Panel PP-statistic (weighted)</td>
<td>-3.466</td>
<td>0.000*</td>
</tr>
<tr>
<td>Panel ADF-statistic (weighted)</td>
<td>-0.619</td>
<td>0.268</td>
</tr>
<tr>
<td>Group ρ-statistic</td>
<td>0.123</td>
<td>0.549</td>
</tr>
<tr>
<td>Group PP-statistic</td>
<td>-2.068</td>
<td>0.019**</td>
</tr>
<tr>
<td>Group ADF-statistic</td>
<td>0.954</td>
<td>0.830</td>
</tr>
</tbody>
</table>

The null hypothesis in each case is no cointegration between FDI and TI. Probability values are reported in the third column. Note that * indicates a rejection of the null hypothesis at the conventional 1% level and ** indicates that the null hypothesis is rejected at the 5% conventional level. Pedroni shows that the standardized statistic is asymptotically normally distributed. PP statistics are based on non-parametric estimation while ADF statistics are as a result of parametric estimation. Newey-West automatic bandwidth selection and Bartlett kernel are employed.

CONCLUSION

In recent times many American and European corporations (such as Halliburton, Panalpina, etc) with operations in Sub-Saharan Africa have been accused of unwholesome behavior which contravenes the U.S. Foreign Corrupt Practices Act. These events have shifted people’s attention to the relationship between absence of transparency and foreign direct investments into the Sub-Saharan Africa region.

To investigate this relationship between FDI and the level of transparency in host countries in Sub-Saharan Africa, this paper employs panel unit root and panel cointegration tests to data for 13 countries from the region from 1998 through 2008. The results imply that the level of transparency and size of FDI inflows have a long-run equilibrium relationship. In other words, these two variables move together. The results reported in this paper are consistent with those reported by Wei (1997) for several developing countries. He finds a negative correlation between perceived levels of corruption in host countries and foreign direct investment inflows. More importantly, the results in this paper are consistent with those reported for Sub-Saharan Africa by Bende-Nabende (2002) and Asiedu (2006).

If one agrees with the arguments of Pinto and Zhu (2008) that inward FDI affects the level of corruption in developing counties, then a two-prong approach is needed to address the situation. The role of multinational corporations in increasing the levels of corruption in host countries can be curtailed through the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The Convention which was signed in 1997 and went into effect in 1999, criminalizes bribery of foreign officials by firms from member countries. There are 30 OECD member countries and 8 non-member countries that signed the Convention. Countries that are signatory to the Convention are expected to put in place legislation to reinforce efforts to prevent, detect and investigate multinationals who run afoul of the spirit of the Convention. More significantly, the United States has been very aggressive in enforcing its Foreign Corrupt Practices Act.

The second approach to help Sub-Saharan Africa attract FDI flows is to transform the domestic political and economic environments. Pinto and Zhu argue that the survival of corruption is dependent on both the political and economic environments. A weak political environment needs to be strengthened through
appropriate laws, government institutions and agencies such that the rule of law prevails. On the economic front, each economy should be well-diversified to the extent that competition is promoted.

REFERENCES


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Despite a number of benefits, “African food” is not as widely served in public eating places worldwide as many others, a situation reflected in the near-total absence of international literature on African cuisines. As a result, ethnic African cuisine is less internationalized. The paper reports on a survey undertaken to assess the exposure to and perceptions of foreign visitors on the food quality experience of ethnic Ugandan cuisine as well as the improvements necessary to enhance its acceptability by foreign clientele. The study finds that foreign visitors’ exposure to ethnic cuisine is low and are more interested in African vegetarian dishes than meat or dairy related dishes. The study further identifies areas where improvement is required to enhance acceptability of ethnic African cuisine by foreign clientele. Some managerial and policy implications are also identified.

Introduction

African Cuisine (food) has remained largely local and less internationalized up to now. “African food” is not as widely served in public eating places worldwide as many international cuisines and this is reflected in the near-total absence of international literature on African cuisine (Osseo-Assare, 2006). Food as a cultural commodity whose acceptance internationally helps promote a people’s culture globally also helps to boost a country’s image, national pride and cultural nationalism. Effective internationalisation of ethnic cuisine also helps promote tourism (Sunanta, 2005). Other economic benefits include accelerated value addition on local agricultural and food products and generation of foreign exchange earnings through sales and service of food in international markets. Despite these benefits, African cuisine seems to lag behind in the level of internationalisation compared to several ethnic cuisines worldwide. For instance, most of the literature on international cuisine refers to five main cuisines - French, Italian, Chinese, English and Indian dishes (Sunanta, 2005; Tamar et al., 2001) suggesting that these are among the most internationalized and internationally popular. However, although there is generally no international consensus on the most tasty and internationalised cuisines, recent surveys of ethnic cuisines suggested that by 2008, the top ten most rated and (internationally popular) cuisines were as follows, in that order: French cuisine, Italian cuisine, Chinese cuisine, Indian cuisine, Thai cuisine, Mexican cuisine, Japanese cuisine, Spanish cuisine, Greek cuisine and Lebanese cuisine (Source: http://blog.hotelclub.com/top-10-international-cuisine).

According to recent literature, internationalisation of ethnic cuisines has generally followed a sequential process characterised by:

Stage1: Exposure to, and acceptance by foreign visitors in the home country, either as tourists, business or with foreign armies during wars
Stage2: Opening of ethnic restaurants in metropolitan cities across the world by either nationals or others (Van Esterik, 1992) and raising international popularity
Stage3: Increasing concentration of ethnic restaurants in metropolitan cities globally marketing to non-ethnic audiences (Sunanta, 2005)
Stage4: International publication of cuisine cookbooks and other literature (Osseo-Assare, 2006)
In general, it is clear that internationalization of cuisines has emphasized the “authentic taste” but at the same time, restaurants have had to adapt the recipes, serving processes and service systems to suit the local culture’s dining customs. Adaptation is, according to ethnic restaurant owners, a necessary step taken to ensure business survival and sustainability (Sunanta, 2005). None the less, a key feature is that traditional terminologies for various dishes is largely maintained and any adjustments made are not allowed to compromise the original flavours. Additionally, to further increase the level of internationalisation of ethnic cuisines, there has been liberalisation of ownership of restaurants serving ethnic cuisines. According to Sunata (2005), ethnic restaurants are not necessarily owned by ethnic people but sometimes by non-ethnic owners. This has helped to increase restaurant numbers serving ethnic cuisines in different metropolitan cities of the world. Another key factor that has helped increase the level of cuisine internationalisation has been an emphasis on creating and maintaining a unique cultural identity of the ethnic restaurants. Sunanta (2005) and Tamar et al. (2001) point to this fact. Referring to Thai restaurants abroad, Sunanta (2005) observes that the restaurant atmosphere in ethnic restaurants emphasize the traditional (home) atmosphere and maintain a cultural touch at all times. The restaurants are often decorated in ways that emphasize traditional culture. They also tend to display traditional paintings, sculptures, furnishings, and pictures of people and places in the home countries. Most restaurants play home music and serve food in attire that reflects the home cultures. The serving equipments and ware, designed to ensure artful presentation of food, are often decorated with traditional design to ensure food presentation reflecting the home cultures (Sunanta, 2005). The restaurants are designed to provide some kind of “cultural tourism.” It is also possible to pinpoint the role of governments in promoting traditional cuisines as a key factor for the successful internationalisation of some cuisines. For example, the Thai government (Sunanta, 2005) has deliberately promoted the establishment of Thai restaurants abroad and set goals to increase them three fold by 2008 pointing to the fact that government promotional efforts are key to successful internationalisation of ethnic cuisines.

In light of the forgoing, therefore, the internationalised cuisines, individually and collectively, seem to be characterised by the following:

- Brand strength - food quality, consistency, presentation, attractive restaurant environments, etc. (Pierson et al. (2005); Wood (2000); Feldwick (1996); Keller (2003); Reid (2002); Simon et al. (1993))
- Systematic documentation (Osseo-Asare, 2006)
- International entrepreneurship - opening up ethnic restaurants in metropolitan cities abroad (Sunata, 2005)
- Cultural marketing – systematic efforts by respective governments to support cultural marketing abroad (Sunata, 2005)
- Adaptation to suit international demand and standards (Tamar et al. (2001); Sunata (2005))

While the foregoing relates to already well established ‘international cuisines’, the situation of ‘African Cuisine’ seems to be slightly different. The brand strength of most African cuisines seems to be low without significant international appeal. There appears to be very limited systematic documentation of traditional African cuisines and cultural marketing by many African governments seems to be non-existent, as such efforts are not reported anywhere. There appears to be minimal adaptation of African cuisine to suit international demand and standards, coupled with relatively limited entrepreneurship focusing on establishing “African restaurants” abroad. The net effect seems to be a low level of internationalisation of African cuisines despite the numerous cultures and languages that offer a greater potential for attracting a varied clientele around the world. This potential was first captured by Polgreen who observed that “people travel to Africa for history and for scenery but never the food. I don’t get it . . . Africa, with thousands of languages and cultures, each with its own cuisine, always rewards an adventurous eater” (Lydia Polgreen, 2006). The potential was again captured by Gonahasa (2002) who observed that “a gastronomic tour of Africa provides a wide education in food and good eating. Most of
the African countries divided into regions provide a repertoire of local dishes that are rich, nutritious and worth exploring by international travelers.” Despite this potential, only the Ethiopian cuisine seems to be the most accepted outside Ethiopia and Africa and therefore more internationalised (http://www.ethiopianrestaurant.com/). Ethiopian cuisine is served in ethnic restaurants in major cities worldwide while Ethiopian restaurants exist in all the major cities in the USA and in Africa. Only recent efforts have been recorded to export and internationalise South African cuisine (Tamar et al., 2001) but this seems to have remained at a minimal scale.

The situation of Ugandan cuisine is no different from that of other ethnic cuisines across Africa. In addition to limited international presence outside Uganda and Africa, there seems to be a trend whereby food served in local restaurants is prepared and served based largely on recipes, ingredients and technology drawn from outside Africa and as such, international dishes and cuisines have slowly replaced African dishes in hotels, restaurants and other public eating places. Most chefs are trained on curricular termed by Foskett et al. (2003) as “traditional classic cooking” that is based on foods, dishes and gastronomic practices as well as culinary techniques of Europe and to some extent oriental cooking. The training curricular for chefs is based on textbooks that do not cover African dishes and cuisine. The French culinary history and language still dominates cookery and hospitality training. As a result, little research and training has been conducted on traditional cookery methods keeping the local ethnic cuisine and dishes largely undocumented. Up till today, there is limited literature that is elaborate enough on local recipes (Gonahasa, 2002). The absence of systematic documentation, analysis and refinement of the local cuisine has limited international exposure to the cuisine, limiting the opportunities for its internationalisation both within Africa and outside Africa.

The Study

This paper reports on a study conducted in Uganda in 2009 to assess gaps in the brand strength of the local cuisine that may hamper its ability to effectively internationalise. The overall aim was to establish the brand building tools that could be used to effectively internationalize the local ethnic cuisine. The assessment therefore surveyed the perceptions of foreign visitors on local ethnic cuisine focusing particularly on the food quality experience as a key influencer of food acceptability and brand strength within particular markets. The study was exploratory and asked four broad questions as follows:

- Are local dishes sufficiently exposed to foreign clientele and what determines the level of exposure in local “African” restaurants?
- Does local cuisine appeal to international clientele and what improvements are required to enhance acceptability?
- What food-related and restaurant-related conditions are vital for building the international brand strength of local cuisine?
- In general, what are the brand building tools (methods and approaches) that can be effective in driving further internationalization of the local ethnic cuisine?

The study covered three local dishes (Luwombo, Gobe and Shabwe) that are traditionally popular and extensively served in local restaurants. The snow ball sampling approach was employed in identifying and locating respondents while data was collected using questionnaires. In most cases, data was collected from respondents after they enjoyed their meals in the restaurants.

In order to assess the potential for further internationalisation, the study adopted a modified Pierson et al. 2005 food acceptance model. Pierson (2005) argues that each culinary experience should result in sensory excellence in order to generate acceptance of the dish. Sensory excellence, in form of a unique taste and flavour, in turn depends on the quality of ingredients that contributes to the sensory quality of the product. In addition to the sensory quality of the product, quality of ingredients used (freshness), the process of
preparation and cooking, the quality of equipment used as well as dish presentation attractiveness that is artistic and innovative contribute to the overall *food quality experience*. According to Pierson (2005), the food quality experience is a major component of the brand strength of food service product and affects food exposure and acceptance, repeat purchase and loyalty to a food product.

In addition to food-related factors, a number of restaurant-related factors are important ingredients of the brand strength of a cuisine. These include effort required to purchase a food item (Pierson, 2005), ethnic decor and music (Sunanta, 2005), degree of formality of the restaurant environment and price differential offered by the restaurant (Pierson, 2005). The foregoing factors seem to be in turn moderated by the social setting atmosphere, social setting amenities, group interaction, location of restaurant and the individual client expectations to influence food acceptability and exposure in public eating outlets as illustrated in Figure 1 below.

**Figure1. A Modified Pierson Model for Cuisine Internationalisation**

The above model suggests that cuisine internationalisation depends largely on its acceptability by foreign clients irrespective of whether exposure takes place in the home country or in a foreign country. It is the combination of the *food quality experience* obtained and the *quality of the restaurant environment* that underlie cuisine acceptability although there are other moderating factors. Therefore African cuisine has to undergo persistent exposure to foreign clientele in ‘African restaurants’ in order to build its international brand strength and further internationalise. Consequently, foreign clientele have to be attracted to “African restaurants” so that the process of food acceptability can begin, increase or continue.
Data and Results

A: Exposure of Foreign Clientele to ethnic Ugandan Cuisine and Determinants
Exposure was measured by the proportion of foreign visitors in local restaurants that had ordered for and patronized African dishes as opposed to western or oriental dishes. Three local dishes were investigated and for each case, a total of 30 foreign visitors were interviewed. The results are presented in table 1 below.

Table 1a. Level of Exposure to African dishes by foreign visitors (N=30)

<table>
<thead>
<tr>
<th>Case</th>
<th>Luwombo</th>
<th>%</th>
<th>Case2: Gobe</th>
<th>%</th>
<th>Case3: Shabwe</th>
<th>%</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>20</td>
<td>8</td>
<td>30</td>
<td>3</td>
<td>45%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1b. Reasons for exposure to African dishes (N=30)

<table>
<thead>
<tr>
<th>Case1: Luwombo</th>
<th>%</th>
<th>Case2: Gobe</th>
<th>%</th>
<th>Case3: Shabwe</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique taste and flavour</td>
<td>20</td>
<td>Nice taste</td>
<td>80</td>
<td>Well prepared dish</td>
<td>20</td>
</tr>
<tr>
<td>Packaging and presentation</td>
<td>10</td>
<td>Nice flavour</td>
<td>80</td>
<td>Used to eating it - addiction</td>
<td>30</td>
</tr>
<tr>
<td>Level of service delivery</td>
<td>0</td>
<td>No fats</td>
<td>10</td>
<td>Good taste when properly prepared</td>
<td>70</td>
</tr>
<tr>
<td>Ingredient choice and selection</td>
<td>0</td>
<td>Attractiveness/appearance</td>
<td>60</td>
<td>Delicious</td>
<td>20</td>
</tr>
<tr>
<td>Quality of preparation and cooking</td>
<td>10</td>
<td>Served hot, not cold</td>
<td>70</td>
<td>Nutritious</td>
<td>50</td>
</tr>
<tr>
<td>Food temperature - hot</td>
<td>20</td>
<td>Good portion size</td>
<td>70</td>
<td>Attractiveness – appealing, nice looking, good colour</td>
<td>60</td>
</tr>
<tr>
<td>Good service</td>
<td>10</td>
<td>Consistency</td>
<td>20</td>
<td>Safe (no health hazards)</td>
<td>20</td>
</tr>
<tr>
<td>Good food hygiene</td>
<td>30</td>
<td>Good presentation</td>
<td>40</td>
<td>Hygiene –served in good containers</td>
<td>20</td>
</tr>
<tr>
<td>Superb presentation</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>Easy digestion</td>
<td>10</td>
</tr>
<tr>
<td>Nutritional value</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>Good process</td>
<td>10</td>
</tr>
<tr>
<td>Good taste -tasty</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>Original, local, authentic</td>
<td>10</td>
</tr>
<tr>
<td>Locally made</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Quality of food</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Attractive – good color</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Portioning-size of food</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Well seasoned</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Flavoured</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Steaming hot</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Good accompaniment-red pepper</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Standardized recipe - consistency</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The results of exposure in table 1 suggest that Foreign visitors’ exposure to local cuisine is low- average 45% and that they are more interested or patronize more of the African vegetarian dishes than meat or dairy related dishes. Secondly, the main reasons for patronizing African dishes were: good unique taste, colour attractiveness and appearance, nice flavouring; steaming hot or high temperature; the minor reasons were: good portion size, good packaging and presentation; and nutrition value. The foregoing factors seem to reflect the current strengths of the ethnic African cuisine in Uganda.

B. Requirements to enhance Acceptability by Foreign Clientele
The survey was aimed at capturing the aspects of the ethnic Ugandan cuisine that require improvement to enhance acceptability by foreign clientele and these are summarized in table 3 below.

Table 3. Perceived gaps and improvements required to enhance dish acceptability (N=30)

<table>
<thead>
<tr>
<th>Gap</th>
<th>Improvement Required</th>
<th>%</th>
<th>Gap</th>
<th>Improvement Required</th>
<th>%</th>
<th>Gap</th>
<th>Improvement Required</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized cooking time</td>
<td>Standardize cooking time</td>
<td>10</td>
<td>Enough salt - taste</td>
<td>Limited preparation skills</td>
<td>60</td>
<td>More skills training in preparation process for chefs</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Unstandardised recipes</td>
<td>Standardize recipe</td>
<td>10</td>
<td>Good preparation</td>
<td>Few flavours</td>
<td>10</td>
<td>Add more flavours</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Unstandardised serving temperatures – sometimes served when not hot</td>
<td>Serve at hot temperatures</td>
<td>100</td>
<td>Adulterated with sand or soil</td>
<td>No sand/soil</td>
<td>10</td>
<td>Take care of customers’ interests – to suit their taste</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>
The results from table 3 point to a number of areas that require improvement for ethnic Ugandan cuisine to obtain acceptance by foreign clientele. First, standardization of recipes and cooking time are critical areas – to improve consistency of taste, customer waiting time etc. Perception by is that they are currently unstandardised. Secondly, hot dishes should be served steaming hot and cold ones very cold. Sometimes, this is not the case. Thirdly, ethnic Ugandan cuisine requires increased spicing and flavouring. Current levels of spicing and flavouring are low. Fourthly, international quality certification of some dishes – especially milk based dishes is required. Currently, many of the traditional dairy-based cuisines are not quality certified including the Shabwe dish - case 3 above. Other major requirements emerging from the table 3 above include the requirement for improved packaging and labeling – clearly indicating the food value and food content (ingredients); minding about the quality of ingredients by standardizing quality as much as possible; improving standards of food hygiene and eliminating any form of adulteration, especially in vegetable dishes; standardizing customer care in restaurant environments by ensuring among others - uniformed staff; improving the quality of plates used in food service; increasing the training of chefs in local dishes and widening their exposure beyond their immediate local environments.

**Discussion and Implications**

Increasing exposure of foreigners to ethnic African cuisine is critical to increasing the level of internationalisation. Through exposure, greater awareness is created and if this exposure results in positive food quality experiences is bound to increase the level of acceptance of the cuisines internationally. The keys to increasing acceptance of ethnic African cuisine to foreign clientele and therefore increasing their level of internationalisation seem to lie with four major elements namely: standardization of recipes – research and documentation of preparation processes of various dishes; improving the colour attractiveness of ethnic African dishes; emphasis on vegetarian dishes and lastly, better packaging and presentation – more art and creativity.

A number of implications seem to emerge for managerial and policy action. First, African cuisine has to increase openness to foreign flavours and other ingredients – as part of international adaptation to foreign markets and foreign clientele. Currently, the level of flavouring of African dishes seems to be low. This calls for action from hospitality managers and chefs as well as those involved in exporting ethnic African cuisine beyond Africa.

Second, given that African cuisine is less internationalized compared to cuisines from other continents especially Europe and Asia, there is need for governments, academics, African Diaspora community and others to make a deliberate and possibly joint effort to promote ethnic African cuisine as a cultural
commodity. This will boost the image of Africa and create other backward linkages to the Agricultural sectors as well as to the local economies. However, further internationalisation might depend not only on improving the food quality experiences that ethnic African cuisine offers but also some other factors. These factors include among others: increased number of ethnic African restaurants abroad as well as improved cultural association of African restaurants.

Lastly but not least, more ground breaking research is needed to identify ways of packaging the varied African cuisines for international markets.

References

Achieving Millennium Development Goals through Gender Budgeting: A vehicle towards Sustainable Growth and Technological Development

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Introduction and Background

Sustainable growth and development has been a global concern for some time and gained momentum during the 1990’s. A World Summit (the UN Millennium Summit) to address this matter was organised in New York in 2000 for countries to share ideas on how best sustainable development could be achieved. The Summit culminated in the adoption of the 8 developmental goals. The goals were drawn from the Millennium Declaration and were targeted to be met by the year 2015. An agreement to these developmental goals was adopted by 189 nations and was signed by 147 heads of the states. These goals are to:

- Eradicate poverty;
- Achieve universal primary education;
- Promote gender equality and empower women;
- Reduce child mortality;
- Improve maternal health;
- Combat HIV/AIDS, Malaria and other deceases;
- Ensure environmental sustainability; and
- Develop a global partnership for development.

Africa as a continent is moving towards sustainable growth and technological development. But given the targeted time frame and the progress made, Africa does not seem to be on track regarding the attainment of these goals. There is also a gap between men and women with regard to participation and contribution towards growth and development in the continent. In most instances, women are left behind and these jeopardises Africa’s success towards sustainable growth and technological development.

Although there have been major gains in some areas and some goals looking reachable, most of the countries are still far behind. There is slow progress and as a result their constituencies are living below the poverty line. Technology is slowly developing in most African countries. Technological development is experienced mainly by the working class rather than the society at large.

The research question

In view of the above background, the following questions are worth pursuing: “Is Africa’s dream towards sustainable growth and technological development soon to be realised; and what can be done to accelerate Africa’s achievement of the millennium goals?”

Purpose

This paper advocates the use of gender budgeting as a tool that can assist the African continent to work towards realising the millennium goals. The purpose of this paper is to assess how gender budgeting can be effectively used to achieve the MDG goals.
Methodology
In this research paper, the qualitative research method is applied. Through qualitative research method, secondary analysis is applied wherein information is gathered from the existing documents. (Martella et al. 1999,94).

Limitations
Every research project has some limitations. This paper is no exception. As such, of the 8 (eight) above-mentioned goals, this paper will be limited to or focuses only on the goals of (a) eradicating poverty and hunger; (b) promoting gender equality and empowering women; (c) ensuring environmental sustainability; and (d) developing a global partnership for development. The four identified goals are considered as the pillars of sustainable growth and technological development. Again, Gender Budgeting cannot be considered as the only vehicle towards Sustainable Growth and Technological Development.

Defining Gender Budgeting
Gender budgeting should not be considered to be specifically referring to funds allocated towards the development of women only. It should be considered as a classification of the government’s budget that is meant to establish gender differential impacts and to translate gender commitments into budgetary commitments. Its main objective is to improve the analysis of incidence of budget, targeting public expenditure and make up for any undesirable gender specific consequences of the past budgetary measures (wcd.nic.in Annual Report. 2001-2002).

The concept “gender budgeting,” is a resource allocation method that stands to encourage government, non-governmental organisations and other civic organisation to be thoughtful of the needs, interests and challenges that women and men experiences when moving towards growth and development (Helen Leadbetter. 2002, 4).

Despite the women’s contribution towards growth and development in the continent, there has always been an imbalance in benefiting from development programmes and projects. Most women were attached to informal work and remained underpaid and unrecognised. The situation resulted with the gender developmental status being widened. Therefore, through gender balancing such disparities are likely to be addressed. Maseko (2008,2) is of the opinion that gender budgeting, if effectively implemented can positively contribute towards sustainable growth and development in the continent. This can among other things be done through; influencing government’s spending, influencing the government’s commitment to gender equality, provision of women’s organisation’s platform to decision making, and the promotion of transparency throughout the government’s daily operation.

Eradicating poverty and hunger towards growth and development
Poverty entails the state of being poor; it means an individual’s inability to satisfy his/her basic needs such as food, clothing, shelter and health. Poverty has historically been related to income, which remains at the core concept in recent times, however “income” is itself no less problematic a concept than poverty. It (poverty) further includes deficient command over productive assets and access to key public services (The World Bank 2001.10). Most people can be said to be in poverty when they are been deprived of income and other resources that are required to obtain the conditions of their state of life. However, poverty line cannot be based on an arbitrary selection of a low level of income. It is only a specific criteria independent of income that can justify where the poverty line should be drawn (www.undp-poverty.2006).

Poverty and hunger remain dreadful to Africa and hinder the continent’s growth and development. For instance, the current global financial crisis has resulted in reduced forecast annual growth rates. This is likely to have a negative impact on progress made towards reducing poverty. Most countries in Africa are
experiencing food price hikes and economic meltdown that hampers poverty and hunger eradication process and, eventually delay Africa’s growth and development programmes.

The future prospects remain strongly dependent on growth rates, which are highly uncertain. This then lead to the following: Firstly, encourages countries to consider the importance of allocating and to spend their financial resources wisely; Secondly, consideration of vitality for targeting programmes that are set for equal benefit towards and development; Thirdly, advocating for employment opportunities for men and women in order to reduce poverty in the continent; Fourthly, aligning budgets with the policies and programmes to stimulate investments and lastly, strengthening international economic links to prove its fruitfulness.

**Promotion of gender equity and women empowerment**

In the South African context, the Constitution of the Republic of South Africa, 1996, provides for the equality of men and women as a fundamental part of human right approach and section 10 states that “everyone has inherent dignity and the right to have their dignity respected and protected”. A number of societies seem patriarch regarding the relations between men and women. Most regard the role of men as that of being dominant and are expected to be heads of households hence women play a subordinating role (www.etu.org.za). This was usually the case from the socio-economic and political system which was denying women the opportunity to grow and develop on their own. Women, who were working, were only confined to unpaid or cheap labour such as to raise children and to keep families intact. It was only until the late 1970’s wherein women were considered to participate in politics and be allowed to vote during elections.

So far, there is a great advancement towards women’s empowerment. In countries like South Africa, women are encouraged to participate in socio-political and economic developments. Section 9 of the Constitution of Republic of South Africa, promotes the right to equality. Subsection (1,2) advocates that “everyone is equal before the law and has the right to equal protection and benefit of the law. Equality includes the full and equal enjoyment of all rights and freedoms....” Furthermore its ruling party, the African National Congress (ANC) also is also of the idea of having a 50/50 representation across all the sectors.

Africa aims to eliminate gender inequality especially through women participation and empowerment. But Africa cannot end poverty and reach the MGDs until the elimination of discrimination against women towards growth and development is achieved. Women have a vital contribution to make to the economy, improve governance, peace processes and other initiatives of their communities. However, continuous discriminatory actions against women and children reduces their worth contribution. To address all these concerns, there is a need to have financial support and to provide economic opportunities which will encourage and promote women towards political participation, access to productive assets, employment opportunities and to participate in decision-making processes.

**Ensuring environmental sustainability**

Sustainable environment is about maintaining the factors and practices that contribute to the quality of environment on a long-term basis (www.businessdirectory.com). It is imperative for the society together with government and the NGO’s to recognise that a sustainable environment contribute towards growth and development in the continent. There is an urgent need to avoid exploitation of scares natural resources such as forests, land water and fisheries. The exploitation of these resources also harms vulnerable people (mostly women and children) who depend mainly on them for their livelihood.

Climate change, for example, has a disproportionate impact around Africa, and is also a global challenge. To date, Africa accounts for less than 3 percent of global emission and its inhabitants are experiencing
challenges such as draught and flood, which disturbs effective water supplies. However, a large number of African countries have poor infrastructure and have insufficient financial resources to respond to such challenges. This challenge therefore threatens sustainable growth and development in the continent (www.endpoverty2015.org).

In responding to the challenge, there is a need to put in place the growth and development objectives and to target the achievement of the Millennium Development Goals. It is also important to increase the resources allocated to sustainable environment in order to meet the existing growth and development commitments and its predictions. It becomes a challenge for the government alone to address such challenges. Therefore, there is a need for partnership between private sector, non-governmental organisations government and regional and national developments agencies. These moves stand to increase the effectiveness of multilateral and bilateral programmes to get Africa on track towards achieving sustainable environment, growth and development.

**Adopting a global partnership for development**

As much as women are empowered and allowed an opportunity for growth and development, there is an urgent need for partnership and financial support for their programmes and projects. Monies accumulated from debt repayments can assist during poverty alleviation process and result sustainable growth and development. Countries should effectively and efficiently use their limited financial resources towards achieving their MDG’s without running a risk of running into debts again. Furthermore, it becomes difficult for countries that are in debts to maintain a sustainable developmental partnership with the outside world. That could affect their developmental progress. This goal will. Therefore, rescue a number of countries who are in debt trap and to realize national and international measures. To achieve this, there is a need for the creditors together with those lending countries to establish and agree on the appropriate terms of lending and as a result will keep far from debts for a lengthier period. It is further advised that those countries that are experiencing difficulties in repaying their debts will in one way or the other receive grants and loans as a means of financing its activities. But, when taking loans countries should make sure that such loans are suitable and will contribute towards their development.

**Conclusion**

The Millennium Development Goals, if well monitored and achieved can be a rescue to the world. The goals encompasses universally accepted human values and rights such as freedom from hunger, the right to basic education, the right to health and a responsibility to future generation. Though an important progress has been done so far, the continent is not yet on track to fulfil its commitment. Therefore, the implementation of effective and efficient gender budgeting can come in handy and assist in this regard.

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Single mothers, family businesses and sustainable economic development in South-Western Uganda

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This paper critically explores the experience of single mothers in the running of small family businesses in a bid to alleviate their financial challenges in south Western Uganda. It sheds light on the otherwise neglected implication of these family run businesses on overall national economic development. The paper is categorized into three sections where the first section gives a background to single motherhood with emphasis on the causes, plight and survival strategies. The second section of this paper explains the actual contribution of small family businesses to micro and macro economic development in Uganda while the third section outlines the main bottlenecks to the owners (single mothers). The final section exposes a number of best practices that have aided successful businesses and which could be adopted by others in ensuring sustainable contribution to overall national economic development.

Methodology

This study is an exploratory descriptive survey that sought to provide some insight relating to Single mothers, family business and the contributions to sustainable economic development. The geographic scope of the study is South-western Uganda. The study populations are all the single mothers in this particular region. A sample of 70 respondents was used to give insights to the study topic. The sample size was not too large because the study was largely qualitative. Thus, respondents were purposively selected using the snowball sampling method because in each region the researchers were able to get a single mother by getting information from the District probation officer since some of the single mothers are registered with this office so as to get assistance. Two main approaches, in-depth interviews, and questionnaires were used to collect data. The administration of the questionnaire was done on a stratified basis. A deliberate effort was made to get respondents cutting across a wider age range, so as to be able to compare the explanations that both older and younger single mothers share.

Introduction.

The economic plight of single mothers is well documented. We know that single Mothers may be poor for several reasons ranging from poor background to lack of support from the other spouse. Single mothers in Uganda are engaged in a number of small businesses such as selling charcoal, fresh domestic food stuffs and cooked foods and drinks to mention but a few. It is estimated by Gatsby Trust (2008) that that out of every 10 businesses that are owned by women in Uganda, two belong to single mothers. These businesses owned by Single mothers have contributed to sustainable economic development in Uganda in a number of ways ranging from paying tuition for their children, source of revenue to the Government in form of taxes and creating employment.
Background to single motherhood

To start with, a single parent is a parent who cares for one or more children without the assistance of another parent in the home. "Single parenthood" may vary according to the local laws of different nations or regions. Single parenthood may occur for a variety of reasons. It could be opted for by the parent as in divorce, adoption, artificial insemination, surrogate motherhood, or extramarital pregnancy, or be the result of an unforeseeable occurrence such as death or abandonment by one parent (Kotey, 2003). The living and parenting arrangements of single parents are diverse. A number live in households with family or other adults. When parents separate, one party usually parents for the majority of the time but most continue to share parenting to some extent with the other parent. Single mothers in Uganda now head a quarter of all families with children, counting those have never married along with women who are divorced, widowed or are living apart from a spouse for any other reason (Ministry of Gender and Social Development, 2009).

It is also believed that the economic circumstances of single parents are largely responsible for the differences in child outcomes and single mothers strive a lot to fend for the children so as to bring them up properly majorly by educating them hence need to start small businesses (Kotey, 2003). Single parenting is strongly associated with an increased risk of a number of negative social, behavioral and emotional outcomes for children. However while the association is strong, on balance the effect size and the actual numbers affected are modest. Most children from single parent families do well. Many factors influence how children develop in single-parent families: the parent's age, education level, and occupation; the family's income and the family's support network of friends and extended family members (including the non-resident parent, if and when available). Disadvantages in these factors that often accompany single parenting appear to cause most of this association rather than single parenting itself (McLanahan and Sandefur, 1984). It goes to prove that these households led by women will be doubly handicapped than the other very poor households with both spouses. They might become the poorest of the poor in poverty when measured the same way across the board.

Small family businesses have an intrinsic relationship to sustainable economic development in Uganda. This is because these small family businesses greatly contribute to the socio-economic well being and standards of living in families which would have otherwise been beggarly and, these businesses also generate a lot of revenue for local governments in form of licenses and taxes. Therefore, this study tries to underline the relationship between single-motherhood as a social condition, small family businesses as an economic vehicle and sustainable economic development as an end.

Causes of single motherhood

From the study that was conducted, there are a number of reasons why some women end up as single mothers. These are explained below;

- **Divorce:** There are cases when women who had been married for a given time experienced irreparable disagreement that eventually led to either the woman or the man opting to end formal union with the partner. From the study this was represented by 23 respondents (16.1%). It has also been seen that it is in very rare cases that the two people mutually agreed to separate with clear understanding that they are not going to manage to tolerate each other happily. In the advent of a divorce, the children who in some cases were too young to independently survive without their mother's oversight had to automatically remain with her.

- **Death:** Majority of the respondents (60%) said that there are cases when the husbands to women died hence leaving them widowed. Here the women automatically remained alone and had to devise means of survival alone without opting to remarry. In such a case, these women who had children were automatically relegated to single motherhood.
• **Unexpected pregnancy:** It was found out that some women got pregnant from casual relationships with men. In the advent of a pregnancy in a relationship that has not been formalized, men opted not to marry these women claiming that this was not meant to be a relationship that leads to marriage. 5 respondents representing (7%) of the single mothers whom this research focused on indicated that they went on to deliver the child and ended up devoting their time and life to raising their children.

• **Rape:** In some very rare cases, there are some single mothers whom we found to have been forcefully impregnated by unknown men and they felt a moral obligation to raise the child they had produced. This category of respondents was small as it is represented by 6 respondents that accounts for 8%.

• **Separation:** This can be as a result of mutual agreement or the woman taking the option to separate from spouse and the woman ends up taking the children that need to be fended for. From the study, this category of single mothers as a result of this was very small as it had only 2 respondents representing 3%.

• **Incapacitated husbands:** single motherhood arising from such incidents is rare (3%) but it has occurred to some women when the husband is affected by a serious illness or an accident and is bed ridden for a long period of time. This means that the woman is the one to fend for the family. Most of the women asked agreed that they didn’t not have formal education and therefore found it hard for them to get formal employment.

• Husbands committed for a long time to institutions such as prison, drug rehabilitation centers and mental asylums; 8% of women interviewed admit that they do have husbands but their husbands have been in prison for so time and they have been left alone. They considered themselves single mothers since they are the ones that look after the families.

• **Husbands working oversees:** Some women have been considered as single mothers because their husbands left them and went oversees to look for better work or what is normally termed as ‘Greener Pastures’. Women who fall in this category justified their status by the fact that their husbands do not send any money back let alone communicate home.

In a nutshell, there seems to be a new category of single mothers who were identified but for purposes of the ambiguity surrounding their status were ignored. These are the women who seemed to be happily living with their husbands, but these are husbands and fathers who are non-providing, non-responsible and in some cases abusive. We intend to conduct a more detailed study in future focusing on this type of single mothers and their family ran businesses.

**Plight/Challenges**

The plight of single mothers can largely be placed into three broad categories; economic, emotional and social.

**Economic:** These are difficulties that arise out of the need to meet the basic needs of life that include food, shelter and clothing. Many of these mothers are poor and struggle to fend for themselves and their children in a very competitive economic arena without a husband’s support. This is compounded by impractical economic and poverty measurement practices, political voicelessness as a result of being poor and hidden, lack of resources and lack of information.

**Emotional:** These difficulties range from loneliness to isolation in society. In single motherhood, these women have to play a part of being mothers and at the same time taking that tough responsibility of doing what the fathers would have done in their role of rising children who are at times rebellious and unruly.

**Social:** These difficulties arise from the societal stereotypes attached to single mothers. Those we interviewed, especially the ones who were divorced, showed that people around them normally but wrongly perceive them to be troublesome and rebellious characters who could not keep their men loving them all through.
Social-cultural: Unfair and Out dated cultural practices, unacceptance, victimization and stigmatization. Single mothers are always segregated among the women and this brings with it a lot of trauma. They are considered social misfits in society.

Legal: This represents demands for inter religious remarriages, the custody of children and alimony that cannot be claimed for lack of savings or property. There is a plight of remarriages as most of these single mothers cannot remarry since they will not have divorced with their husbands.

Capital: 66 respondents (94%) acknowledged that they are constrained by lack enough capital to invest into their businesses to make them bigger and better. This is mainly because they spend a good amount of time taking care of their children while at the same time trying to ensure that their businesses survive and as such are not capable of diversifying their activities in order to attract more income.

Management: There was consensus among the different respondents regarding the overall management of their businesses. 65 of the respondents (93%) agreed that they do not know how to manage their businesses. This is reflected in the fact that they hardly separate their business incomes from other non-business sources (such as selling their land), in spending on family needs.

To sum it all up, some of the women we interviewed had very little education and that is why in the first place they opted to start small income generating businesses instead of finding formal jobs since they did not have the necessary qualifications. This in turn is reflected in their poor business discipline coupled with inability to develop and manage long-term plans.

Understanding the nature small family businesses in Uganda

A family business is a business in which one or more members of one or more families have a significant ownership interest and significant commitments toward the business’ overall well-being.

A firm is said to be family-owned if a person is the controlling shareholder; that is, a person (rather than a state, corporation, management trust, or mutual fund) can garner enough shares to assure at least 20% of the voting rights and the highest percentage of voting rights in comparison to other shareholders (Chakrabarty, 2009). This is in agreement with the study findings since the shares of the business are all owned by the family (or the single mother).

Family businesses may have owners who are not family members. Family businesses may also be managed by individuals who are not members of the family. However, family members are often involved in the operations of their family business in some capacity and, in smaller companies, usually one or more family members are the senior officers and managers. Many businesses that are now public companies were family businesses (Marlow, 2006).

Family participation as managers and/or owners of a business can strengthen the company because family members are often loyal and dedicated to the family enterprise. However, family participation as managers and/or owners of a business can present unique problems because the dynamics of the family system and the dynamics of the business systems are often not in balance.

Structuring of a family business

When the family business is basically owned and operated by one person, that person usually does the necessary balancing automatically. For example, the founder may decide the business needs to build a new plant and take less money out of the business for a period so the business can accumulate cash needed to expand. In making this decision, the founder is balancing his personal interests (taking cash out) with the needs of the business (expansion).
The dynamics of a small family business

Researchers note the lack of consensus on what constitutes a family firm (Birley, 2001; Chua et al., 1999). Some suggest the use of multiple conditions to identify family from non-family firms (Litz, 1995). Frequently used conditions include family ownership and control (Litz et al. 1995); Upton et al., family influence in decision making Sharma et al.( 1997) family members as employees DEWRSB (1998), and the intent to transfer the family firm to the next generation (Stewart, 2003). In this paper, respondents self-identified their firms as family or non-family based on a number of conditions (ownership and control, decision making, employment of family members, and business acquired from parents). In addition, family ownership and family management of the self-selected firms were verified empirically.

Family businesses are the engine that drives socioeconomic development and wealth creation in Uganda, and entrepreneurship is a key driver of family businesses. The ability to create and foster an entrepreneurial mindset across generations is a major element of family business continuity and longevity and is instrumental in effective strategic execution, innovation, and growth (Josiane Fahed-Sreih et al.). However, within the conceptual context of this research, the family businesses in question are those whose operations are entirely subsistent and as such their longevity cannot be guaranteed across generations.

Small family businesses especially those owned and operated by single mothers are capable of removing all the vices associated with economic growth, social disparities and employment. Many countries of the world Uganda inclusive are actively seeking ways and means to promote entrepreneurship. In many developing countries women entrepreneurs are taking leading role in helping their respective governments to establish and develop strong small and medium enterprises (SMEs) that contribute significantly to poverty reduction. SME development and promotion helps in mobilizing entrepreneurial initiative and autonomy and at the same time strengthens pluralistic and social emancipation processes. The importance of SMEs reflects the need to provide employment, enhance economic growth, and generate additional capital for large-scale operations in less developed countries (Hailey, 1987). Muma (2002) argues that SMEs contribute to self-sustained growth and development of nations. In recent years, factors such as loss of spouse, privatization, and specialization have contributed significantly emergence of SMEs.

Survival Strategies for Single Parents

Like all working parents, single parents must juggle many family and work responsibilities. The difference is they do it alone. Here are some of the survival strategies adopted by single mothers who are juggling their family obligations single-handedly.

Recognizing the Benefits

Raising children individually may be incredibly trying, but these women have chosen to see their situation in a more positive light. Single parents challenge themselves to develop their strengths to their fullest potential. By necessity, many single parents have learned to be stronger, more resourceful and adaptable than they ever thought possible and this has been achieved through hard working in their small businesses. Most of the single mothers (67 respondents) interviewed agreed that they only spend on necessities like paying school fees for the children rather than on luxuries like expensive dresses and perfumes.

Building Support Networks

Neighbors, friends, relatives and other parents are the key to surviving the stress of being solely responsible for a single mother’s children. This support network gives them feedback about how they are doing as parents and help them put things into perspective. In western Uganda, there are women social network groups known as “nigiina” where single mothers pool their money together in turns to support each member at a specific time. Each member is allotted a time when their chance to take the general
contribution arrives. Single mothers have learnt not to isolate themselves from other single parents in order to increase their chances of tapping into resourceful opportunities. Developing networks takes time and energy but the relationships they form add richness to their lives and help them cope with their responsibilities.

Organizing Time
Single parents have learned to operate on a higher level of organization than dual-parent families. This simplifies women’s life when they streamline systems for doing their work especially in business. The success of single mothers in their business largely depends on how organized they are. Prior planning on when and what to stock is very important. There is also need to be rational as regards spending. Most single mothers interviewed agreed that they have learnt to survive in their businesses through managing their budgets and time.

Planning for the Future
Single mothers also indicated that they have adopted the practice of taking the time to dream and plan for the future. Although most of them indicated that it was hard to take their dreams seriously by putting them in writing, of course as a result of their poor education, they agreed that they try to make simple plans on how you can make their your goals a reality. Most single parents have been able to start vocational courses which they attend on weekends so as to be able to learn some basics in accounting and entrepreneurship. As a result some have been able to purchase small pieces of land on which they have built their own premises that they use for both business and residence.

Financial Counseling
Many single parents feel the burden of heavy financial pressures as they struggle to meet the financial obligations alone. Examining their financial status with the help of a counselor and establishing a realistic budget and financial plan for the family has enabled them to be able to know what to spend on and what not to. It was observed that single mothers who had someone in whose ear they can bend when they need to talk about their emotional concerns faired better than those who did not.

Best practices for sustainability of SMES
a). Bartering: Bartering is a medium in which goods or services are directly exchanged for other goods or services without a common unit of exchange (without the use of money). This was observed to be an important factor in some of the businesses that were found to be doing very well. The owners opted to directly barter their farm produce for manufactured products from wholesalers. This ensured that even when they had no capital to invest in their businesses, they could creatively manage to get merchandise on mutually agreed terms of exchange rather than closing shop and abandoning their trade. One respondent said “I supply beans to the school where my son goes so I don’t pay fees”

b). Avoiding social isolation: Since the 1980s, social exclusion has become a broad label applied to those groups who are deemed to be resistant to, or excluded from sharing the values and advantages of “mainstream” society (Kleinman, 2000). Though identifying a coherent and robust definition of social exclusion is difficult (Atkinson et al. (2000), we looked at social isolation as the pervasive withdrawal or avoidance of social contact or communication. It can contribute toward, or be the result of, many emotional, behavioral and physical disorders including anxiety, panic attacks, addictions, substance abuse, violence and overall disease. As such this can seriously hamper the chances of successful growth of a family business.

c). Conflict avoidance: Avoidance is one of the methods of dealing with conflict through avoiding direct confrontation. This in most cases has been a successful tool for the poor people who are struggling to make it in a dissimilar class society. This enables a start up business to thrive in peace without necessarily having to spend the little money on legal issues. Conflict avoidance can be used as a
temporary measure to buy time or as permanent means of disposing of a matter. The latter may be indistinguishable from simple acquiescence to the other party until such a point that one is in position to legally fight for their rights.

d). Self-reliance: This is the capacity to manage one’s own affairs, make one's own judgments, and provide for oneself independently, self-determinedly and self-sufficiently. Most single mother founded small businesses that were struggling were found to have been weighed down by a debt or loan that was used extravagantly or carelessly such that it did not generate business profits yet had to be paid back. Businesses, whether start-ups or established over a long period of time will thrive better through creative self-reliance whereby the available resources are exhaustively put to use before looking for outward sources of investment capital.

e). Professional Intervention: Successfully balancing the differing interests of family members and/or the interests of one or more family members on the one hand and the interests of the business on the other hand require the people involved to have the competencies, character and commitment to do this work. Often family members can benefit from involving more than one professional advisor, each having the particular skill set needed by the family. Some of the skill sets that might be needed include communication, conflict resolution, family systems, finance, legal, accounting, insurance, investing, leadership development, management development, and strategic planning (Tutelman and Hause 2008).

Conclusion.
From the discussion of the paper, it has been observed that single mothers experience a variety of problems. This however has not deterred them from operating small businesses that have championed social economic development like being able to pay tuition for their children in Schools who have in turn graduated into powerful persons.

Implication.
Single mothers should not be stigmatized. They should be looked at individuals who can play a significant role in the economic development of an Economy. There should be a mechanism put in place to help single mothers get out of their plight and they should as well be consulted on development issues.

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The sociolinguistics of gender and the search for a standard accent in Nigerian English: The role of ‘contact’ in the speech of educated Hausa woman speaker of English.

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Significant changes are currently taking place within Hausa English (Jibril :1982) that are indicating that its accent is in transition, This paper, examines the role gender plays in the search for a standard Nigerian English accent. The study restricts itself to the examination of the Educated Hausa Native Speaker of English’s realization of nine linguistic variables, in order to correlate the same to six socio-economic variables, The study has shown that the young speakers, especially the women, as users of the northern accent generally, have taken the lead in the transition of the northern accent towards the southern accent.

INTRODUCTION

The history of the educated Hausa woman speaker of English (EHWSE) in the northern part of Nigeria has been an uneven one; from nil in the thirties to early sixties, through a negligible number in the late sixties and early seventies, to a less than appreciable number from the late seventies to date. To many parents, it was unthinkable to even contemplate sending their female children to such schools. Somehow, this type resistance to the girl child education seems to have even come also from some parents who were non Muslims in the north. This may not have been unconnected from the influence of contact with their Muslims counterparts. On the whole, the non cooperative attitude exhibited by the majority if the northern parents in the free sixties up to the early seventies, against western education generally and particularly against the girl child education, probably had everything to do with a world view which encourage strict demarcation of style of leaving between male and female; the former belong to the outside world which was perceived then to be full of hazards and there for demands masculinity while the later belonged to the inside-the-house world which was passive the to be delicate and best left in the capable hands of women who were most cases considered as delicate beings.

Gender has been shown to affect speech. Table (i) below shows that there are eleven (11) female respondents representing only 17% as opposed to fifty-three or 83% male respondents. The proportion of female respondents to their male counterpart may seem to be great; however, the reality is that the proportion of ‘educated’ females to those of the ‘educated’ males may be greater than one to four as indicated by the statistics in table 1. In addition, small may be their number, yet, as we shall see later, the majority of the female respondents are at the fore front of this new trend of proximity of the northern accent to the southern accent.

Table 1: Showing the number of both female and male

<table>
<thead>
<tr>
<th>GENDER</th>
<th>NO. OF RESPONDENTS</th>
<th>% PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMALE</td>
<td>11</td>
<td>17.1875%</td>
</tr>
<tr>
<td>MALE</td>
<td>53</td>
<td>82.8125%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>64</td>
<td>100</td>
</tr>
</tbody>
</table>
GENDER AND RESIDENCE

Many things may be changing in the north yet one aspect of life continues to remain largely unchanged especially in the far north. This is the fact that western education is largely an important affair in the cities and even for males to pursue to any great extent. This fact is replicated in the table 2.

Table 2: Showing residence for the both the female and the male

<table>
<thead>
<tr>
<th>AREA</th>
<th>MALE</th>
<th>FEMALE</th>
<th>% PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>RURAL</td>
<td>28</td>
<td>1</td>
<td>45.3125%</td>
</tr>
<tr>
<td>URBAN</td>
<td>25</td>
<td>10</td>
<td>54.6875%</td>
</tr>
</tbody>
</table>

From table 2, one can notice that there is one female respondent from the rural area as against twenty-eight (28) male respondents. Hence, the ratio is one to twenty-eight. Nevertheless, there are ten (10) female respondents to twenty-five (25) male respondents living in the urban area. This means that there are more female respondents from the urban than the one from the rural.

GENDER AND EDUCATION

The last two decades have witnessed an explosion of schools’ enrolment. This explosion was for both the public and the private schools. The private schools -especially the nursery and the primary sections- have witnessed an unprecedented proliferation which forced some governments in the north to try to intervene in the matter by putting in place machineries to ensure that standards are kept. With time, this boost in the number of primary schools necessitated an increase in the number of private secondary schools. However, many a parent cannot afford to send his/her child only to nursery and primary schools without taking the burden to send such a child to the same or a different private secondary school. This fact is reflected in table 3.

Table3: Showing the type of primary & secondary schools attended by the respondents

<table>
<thead>
<tr>
<th>NO OF FEMALE RESPONDENTS</th>
<th>TYPE OF PRIMARY SCHOOL</th>
<th>TYPE OF SECONDARY SCHOOL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NO. in public schools</td>
<td>NO. in private schools</td>
</tr>
<tr>
<td>11</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From table 3 one can notice that in the primary school more female respondents have attended the private primary schools – nine in number or 82% - than the ones that attended the public schools. These numbered only two (2) respondents or 18%. This may not be unconnected to with fact that the parents cannot afford or can just manage to afford the ever increasing school fees. The above pattern for the primary school notwithstanding, the reverse is the case for the secondary schools. From the table above there are seven or 64% of the respondents have attended the public secondary schools; while only 4 or 36% of the respondents have attended the private secondary schools. This may not be unconnected to with fact that such a parent or parents cannot afford the ever increasing school fees or there are many children to send. It is important to note that there are some female respondents that have attended Federal Government Colleges as well as Unity Schools. These are schools that bring the two accents – north and south – together. In terms of Highest Qualification, the female respondents have their fair share as can be seen in table 4.
Table 4: Showing the qualifications for the respondents

<table>
<thead>
<tr>
<th>S/N</th>
<th>Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>43</td>
<td>2</td>
</tr>
<tr>
<td>45</td>
<td>2</td>
</tr>
<tr>
<td>46</td>
<td>2</td>
</tr>
<tr>
<td>47</td>
<td>2</td>
</tr>
<tr>
<td>49</td>
<td>2</td>
</tr>
<tr>
<td>51</td>
<td>8</td>
</tr>
<tr>
<td>53</td>
<td>4</td>
</tr>
<tr>
<td>55</td>
<td>2</td>
</tr>
</tbody>
</table>

From the table above, one can notice that there are eight (8) respondents with the highest qualification of West African School Certificate (W.A.S.C.); one respondent with a National Diploma (ND); one with a Bachelor’s Degree; and one respondent with a Master’s Degree. As with their male counterpart, there is no female respondent with a PhD. However, two respondents No.24 and No.39 appeared to have undergone training in speech skills. This is because their pronunciation of words was RP-like. One of the respondents -No. 24- was born in Birkenhead, in Liverpool.

**GENDER AND AGE**

The ages of the female respondents are distributed well; from the very young – eighteen (18) years- to the ripe middle age of thirty-eight years (38). This can be seen from table 5.

Table 5: Showing age for the respondents

<table>
<thead>
<tr>
<th>S/N</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>38</td>
</tr>
<tr>
<td>14</td>
<td>43</td>
</tr>
<tr>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>45</td>
<td>18</td>
</tr>
<tr>
<td>46</td>
<td>29</td>
</tr>
<tr>
<td>47</td>
<td>21</td>
</tr>
<tr>
<td>49</td>
<td>18</td>
</tr>
<tr>
<td>51</td>
<td>38</td>
</tr>
<tr>
<td>53</td>
<td>37</td>
</tr>
<tr>
<td>55</td>
<td>25</td>
</tr>
</tbody>
</table>

From the above table, one can see that there are two respondents with the minimum age of eighteen years. In addition, there are five respondents whose age range falls between nineteen (19) to thirty-five years (35). The rest of the four respondents have the age range of between thirty-seven (37) to forty five (45) years. The general age-range of between eighteen (18) to forty five years has captured adequately the change in pronunciation due to the age factor. This is because respondent No.16 whose age is 38 years, has virtually no southern accent in her speech despite travelling for 208 weeks. However, respondent No. 29 whose age is 20 years has not travelled to any place but she has virtually a southern accent. But then the majority of her neighbours, friends and colleagues are not Hausa Native Speakers.
GENDER AND ‘CONTACT’

The female respondents have exhibited the most unique density of relationship. For instance it is only a female respondent that has all her teachers as non Hausa Native Speakers. This and other unique features can be seen in table 6.

Table 6: showing some unique density of relationship for some of the respondents.

<table>
<thead>
<tr>
<th>S/N</th>
<th>TRAV. IN WKS</th>
<th>COMP. OF NIEGHBOURS</th>
<th>COMP. OF FRIENDS</th>
<th>COMP. OF TEACHER</th>
<th>COMP. OF COLLEAGUES</th>
<th>AGE</th>
<th>QUALIF. NO.</th>
<th>DEVIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>208</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>38</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>728</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>43</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>29</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>20</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>43</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>19</td>
<td>2</td>
<td>9</td>
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<tr>
<td>45</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>18</td>
<td>2</td>
<td>9</td>
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<td>46</td>
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<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td>47</td>
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<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>21</td>
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<td>9</td>
</tr>
<tr>
<td>49</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>18</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>51</td>
<td>104</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>38</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>53</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>37</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>55</td>
<td>20</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>25</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

From table 6, one can notice that respondent No. 16 has the maximum age and the majority of her neighbours, friends, teachers, and colleagues are not Hausa Native Speakers, yet she retains her conservative northern norm. This means that the southern speakers that form part of her ‘contact’ do not exert any visible influence on her accent. There are many reasons for this trend. It is possible that the southern accent does not ‘entice’ the respondent enough for her to make the effort to learn it, may be due to the fact that she is contented with the way she speaks. Similarly, it is possible that the members of her group that speak with the southern accent in her within her ‘circle’ are not ‘powerful’ enough to ‘force’ her to speak the way they speak. In the same vein, respondent No 51 has the same characteristic with the above respondent with an addition of having travelled to the south for three weeks, and shows a minimum influence from the southern accent.

Nevertheless, respondents number 29 and number 55 deserve to be mentioned. This is because they exhibited a very special pattern of ‘contact’. The two respondents have majority of their neighbours, friends, teachers, and colleagues as non Hausa Native Speakers. This unique trend resulted in respondent number 29 having an accent that is virtually southern; while respondent number 55 has almost a southern accent. This can be attributed to their high degree of association with the southern speakers of English.

At the same time the case of respondent number 51 needs to be mentioned also for a good reason. In spite of her fairly high age (that is 38 years) she has virtually a southern accent. This is so despite the fact that all her neighbours are Hausa Native Speakers and only the majority of her friends, teachers, and colleagues are non Hausa Native Speakers. This is probably because she aspires to speak in a way and manner that will attract praise from her friends and those around her such as her teachers and colleagues.

Similarly, respondent number 14 is also worth mentioning. This is because of the fact that if age alone is to be considered, then one will assume that a respondent –a female one for that matter – who is forty three years old will automatically have a conservative northern norm, however, this respondent has almost completely a southern accent. The reason may not be unconnected with the fact she has spent the highest
number of weeks in the south; that is seven hundred and twenty eight weeks (729). This is coupled with the fact that majority of her teachers are non Hausa Native Speakers.

CONCLUSION

From the above analysis one can notice that the female respondents are by far out-numbered when compared to the number of the male respondents; the ratio is almost 1:6. However, their speeches contain more southernisms than twice the number of the male respondents. In fact, most of the female respondents talk with the southern accents completely. This is of course indicating the fact women are not left behind in being influenced by the southern accent.

REFERENCES

Gender, poverty and the environment in Nigeria

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Gender inequalities in economic life has become a causal factor in the chronic poverty of all household members, not just of women in poor households and the intergenerational reproduction of poverty. Gender inequality is strongly associated with human poverty. While poverty means not having enough to eat, a high rate of infant mortality, a low life expectancy, low educational opportunities, poor drinking water, inadequate health care, unfit housing and a lack of active participation in decision-making processes. The effects of all these are the consequences that poverty and gender inequality impose on the environment. When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the city. And when there are inadequate and unfit homelessness, there will be the disaster of uncontrolled sprawl nature of city growth. These issues and many others are the basic consideration of this paper.

Introduction

The rapid environmental degradation taking place in Nigeria is increasingly becoming a major threat and it is gradually changing the landscape destroying the sources of livelihood. That is why the problem of pollution is getting more serious and complex in towns that in villages, and more in densely populated areas than in regions of sparse settlements.

Also alarming is the fact that the poverty level in Nigeria has been extremely high, with about two thirds of the population below the poverty line in 1996 (FOS, 1999) and 75.5 per cent in 2004 (FOS, 2006), which disaggregated into 70.7 per cent for urban areas, and 79.2 per cent for rural areas. The situation would have been worse but for the damping effect the period 1985 to 1992 had on poverty, when the rising trend of the earlier period was reversed, before the upward movement resumed again. Specifically, poverty level went up 50% between 1980 and 1985, going from 28.1% to 46.3%. Between 1985 and 1992, there was a drop of about 4 percentage points to 42.7%. However, by 1996, the level jumped to 65% an increase of more than 50% of the 1992 figures.

Gender inequalities in economic life has become a causal factor in the chronic poverty of all household members, not just of women in poor households and the intergenerational reproduction of poverty. Male-headed households were more likely to be in poverty. The trend results showed for male-headed households that relative incidence of poverty varied from 29.2 per cent to 58.2 per cent from 1996 to 2004. The results for the female-headed households also varied increasingly from 26.9 per cent to 43.5 per cent from 1998 to 2004 (FOS, 2006). Norms about child marriage of girls, gender biases against girls’ education, women’s limited mobility, women’s lack of control over fertility decisions, gender gaps in wages all contribute to difficulties of escaping poverty intergenerationally through vicious cycles between poverty and gender inequalities.

Gender inequality is strongly associated with human poverty. While poverty means not having enough to eat, a high rate of infant mortality, a low life expectancy, low educational opportunities, poor drinking water, inadequate health care, unfit housing and a lack of active participation in decision-making processes. The effects of all these are the consequences that poverty and gender inequality impose on the environment. When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the city. And when there are inadequate and unfit housing, the condition of the
environment often result to slums and ghettos, there will be the disaster of homelessness, unplanned and sprawl nature of city growth. These issues and many others are the basic consideration of this paper.

The Gender Issue

Concern for gender issues has a relatively longer history and dates back to the women’s movement. Like the environment, the ideas were nurtured in the North, but overtime came into the international area with emphasis on the experiences of women from different parts of the world (Levy, 1992). There was a paradigm shift in both areas, from women in development (WID) to gender and development (GAD) to reflect emphasis on social relations between men and women rather than biological differences.

The 1997 Human Development Report argued that across countries there are systematic relationships between gender inequality, as measured by the Gender Development Index (GDI), and the general level of human poverty, as measured by the PHI.

“Gender inequality is strongly associated with human poverty. The four countries ranking lowest in the GDI Sierra Leone, Niger, Burkina Faso and Mail - also rank lowest in the human poverty index (HPI). Similarly of the four developing countries ranking highest in the PHI, three - Costa Rica, Singapore and Trinidad and Tobago - also rank among the highest in GDI” (UNDP 1997, p.39).

The report also suggested that HPI and the Gender Empowerment Measure (GEM), an index that measures the extent of gender inequality in political and economic participation and decision-making are correlated.

The relationship between gender disadvantage and poverty appears to be quite straightforward. Women or female-headed households, it is very often argued, suffer more from poverty than men or male-headed households in numbers and/or in intensity. The particular approach has been prominent in aid agency writings on “gender and poverty”, which have used social and/or economic indicators to capture poverty outcomes. Such a perception underpins development agency arguments about the “feminization of poverty” and the frequent references to women as “the poverty of the poor”.

In these policy discourses, three strands of thinking stand out. First, the equation of female headship with poverty (Jazairy et al., 1992). Second, assumptions about anti-female discrimination within the household and consequent female disadvantage in well-being (UNDP, 1995), and third, synergistic arguments positing a positive relationship between “investing in women” and meeting developmental objectives such as poverty reduction or fertility decline (World Bank, 1994). But at a deeper level, the gender analysis of poverty is not so much about whether women suffer more from poverty than men in numbers and/or in intensity, but rather about how gender differentiates the social processes leading to poverty.

Poverty and Environment Concepts

A glance at the relevant literature rapidly shows that there is no general consensus on any meaningful definition of poverty (NISER, 2003; Schubert, 1994). In fact, there are perhaps as many definitions as there are researchers. A generally worded, and therefore interpretable, definition is relatively quickly found. The “Ninth Report on the Development Policy of the Federal German Government, for instance, states that people affected by poverty are unable “to lead a decent life” (BMZ 1992, 13). In this report, the following aspects are listed: “poverty means not having enough to eat, a high rate of infant mortality, a low life expectancy, low educational opportunities, poor drinking water, inadequate health care, unfit housing and a lack of active participation in decision-making processes”. Virtually everybody who writes on the topic of poverty can surely agree with this formulation. However, the way in which a “decent life” is to be translated into reality is a matter on which opinions will diverge, depending on culture, religion and value systems.
According to United Nations Development Programme (1990), an analysis of poverty typically differentiates between absolute and relative poverty. Relative poverty exists when the subjects under consideration are “poor” in relation to “others” - who remain, of course, to be more closely specified. Absolute poverty, on the other hand, refers exclusively to the situation of particular individuals without any comparison being made between them and others. Absolute poverty is considered to exist when the lives of those concerned are impaired by physical or socio-cultural deficiencies (Hemmer and Kotter, 1990, 29). If physical human subsistence (expressed in terms of nutrition, clothing and housing) is not guaranteed, this is termed primary (absolute) poverty. “Exclusion from participation in normal social life” (Schauble, 1984) or, in other terms, the non-attainment of a minimum level of conventional social and cultural existence is, by contrast, described as secondary (absolute) poverty. Obviously, this way of classifying poverty is linked to the concept of “basic needs”. People whose minimum or basic material or immaterial needs are not satisfied are regarded as “poor”.

In Nigeria context, at the Nigeria Economic Society conference of “Poverty in Nigeria” in 1975, many of the papers conceived of poverty as existing when incomes or disposable resources are inadequate to support a minimum standard of decent living. Some elements of this minimum standard approach are contained in Mabogunje (1975) and Onimode (1975) papers. In the same vein, Ogwumike (1991) defines poverty as a household’s inability to provide sufficient income to satisfy its need for food, shelter, education, clothing and transportation. He noted that minimum standards for food are based on nutritional requirements in terms of calories and proteins, consumption habits and customs. As for non-food items such as shelter and education, standards such as number of persons per room and number of children receiving education/level of education attained respectively are frequency used. His line of argument is based on the adoption of absolute or relative standards in the determination of minimum incomes or disposable resources.

According to Aigbokhan (1999), poverty is defined as a state or long-term deprivation of well being, a situation considered inadequate for a decent life. Poverty is thus synonymous with lack. Poverty is also a long-term phenomenon, it does not generally describe individuals in temporary difficulty. Beyond this broad definition, on which there is broad consensus, there are many debates on how well-being should be measured and what indicators should be used. What has emerged from the debate is that there are two broad approaches to defining and measuring poverty. The various definitions adopted in the literature are variants of either of these two broad approaches. These are the ‘welfarist’ approach and the ‘non-welfarist’ approach. The welfarist approach defines well-being in terms of the level of utility attained by an individual. The approach attaches great importance to the individual’s perception of what is useful to him or her. This approach therefore favours ‘neutral indicators, that is, those which do not favour one good over another, in which the individual decides.

The non-welfarist approach defines well-being independently of individual’s perceptions of it. The approach relies on what planners consider desirable from a social point of view. For measurement of well-being, the approach uses selective indicators to distinguish certain goods considered to be socially useful. Examples are adequate food, access to education, health care and housing. Since the 1980s this has been expanded to include capabilities and other indicators of human development.

Since the mid 1980s reducing poverty has become a major concern for an increasing number of governments and donor agencies. This concern emerged from observed considerable effects of certain economic reform programmes. However, while recognizing the renewed interest in the subject, it must be appreciated that concern about poverty and the need to reduce it have existed throughout history.

On the environment, just as there are various approaches to defining poverty, so the word ‘environment’ has emerged to means several things. Environment is defined as the outer physical and biological system
in which man and other organisms live is whole, albeit a complicated one with many interacting components. The focus on the environment was popularized by the 1987 Brundtland Report which identified key environmental issues and their consequences for human development, and also defined sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their needs’. The 1987 Brundtland Commission asserted that poverty alleviation is an essential part of avoiding environmental problems.

Gender and Poverty Indicators

Most of the ways in which poverty have been defined gave rise to poverty indicators and how they could be measured, these in essence are the components of what make up good or bad planning. According to Sen (1981), there are two essential questions regarding poverty: who are the poor? And at what level is poverty defined? Conventional definitions of poverty refer to a notional poverty line (Greenley, 1994). This is measured either as a minimum flow of real income per capital, or as a bundle of 'basic needs', which may be quantified. Often this approach is also related to an indicator of 'quality of life'.

Income has been the most consistent factor to be included in measurements of poverty, yet approaches to this are consistently under review. One key question is the assessment of income in terms of flows (such as sales from agricultural crops) or stocks (such as agricultural land that may be rented to others or used as collateral on loans) (FOS, 2006, 1999; NISER, 2003; Lipton, 1977, 1991, Dasgupta, 1998; Baulch 1996 a and b; Ravaillion, 1992, Reardon and Vosti, 1995). Income-based definitions of poverty have been widely criticized as being too narrow, especially in the developing country context. The Human Development Index (HDI) is an important attempt to broaden the range of indicators while retaining the advantages of quantification and international comparability. It draws on a bundle of indicators referring to general standards of health, education, and wealth which may be used to indicate general levels of development (Ravaillion, 1992; Reardon and Vosti, 1995). Figure 1 indicates the so-called 'pyramid' of poverty concepts, which may be adopted to indicate deprivation. The simplest and crudest definition is private consumption (PC) at the top of the pyramid. Below this comes concepts of common property resources (CPR) and state provided commodities (SPC), and then afterwards personal assets and the subjective assessments of 'dignity' and 'autonomy' (Baulch, 1996a).

However, recent research has pointed to weaknesses in approaches based on aggregate indices. Aggregating may therefore not provide policy makers with sufficient guidance for specific local problems. A related argument concerns the need to disaggregate definitions and indices of poverty in order to reveal ways in which it may be socially or geographically concentrated. As the environmental entitlement approach emphasizes, poverty is experienced differently according to social, gender, age and occupational groups. Processes of impoverishment need to be disaggregated to show such differences (World Bank, 1995a), as well as those linked to particular ecological conditions or diminished to key environmental goods or services. Also, discussions have emphasized that poverty as so defined is just one aspect of deprivation. Other factors include vulnerability, physical weakness and powerlessness, which may be interlinked and mutually enforcing.

Gender and Poverty in Nigeria

It is a known fact that the relationship between gender and poverty is a complex and controversial topic. This relationship exists even though there is extensive literature on gender and poverty but how best to deal with two concepts remains controversial. Although much policy making has been informed by the idea of feminization of poverty, the precise nature of the nexus between gender and poverty needs to be better understood and operationalized in policy making (Beneria and Bisnath,. 1997). The difficulty originates from the different shades and forms gender inequalities and poverty take depending on
the economic, social and ideological context. Yet another difficulty involves the scarcity of gender disaggregated data for a number of countries.

Over the 26 year period 1980 to 1996 and 2002-2004, female-headed households were slightly better off poverty wise than their male counterparts. The trend results showed for male-headed households that relative incidence of poverty varied increasingly from 29.2 per cent to 58.2 per cent from 1996 to 2004. The results for the female-headed households also varied increasingly from 26.9 per cent to 43.5 per cent from 1998 to 2004 (FOS, 2006). In 1980 the poverty levels were 26.9% and 29.2% respectively, a gap of 2 percentage points. In 1985, the gap had increased to 9 percentage points but came down slightly to 5 percent in 1992. However, the gap widened again to 8 percentage points in 1996. According to the Federal Office of Statistics (1999, 2006), the analysis showed that the major factor leading to this result is the fact that the average size of female headed households is generally smaller than that of their male counterparts. Consequently, the per capita consumption (PCC), (which is the basis of poverty computation) in female-headed households is higher than that of female headed households. However, the comparison here is in respect of the gender of heads of household and not the gender of all persons in general.

On the issue of poverty and gender in Nigeria, previous figures present poverty indicators by gender of households' head in four survey years. In 1996, poverty incidence in male-headed households was 66.5%. The corresponding figures for 1992, 1985 and 1980 were 43.1%, 47.3% and 29.2% respectively. Thus, there was a 23 - percentage point increase in the four years between 1992 and 1996. Similarly, there was a 20 - percentage point increase between 1980 and 1985, whereas over the seven-year period 1985 to 1992, the earlier upward trend was reversed and a 4-percentage point decrease was recorded.

In the female-headed households, the incidence of poverty was 58.5% in 1996, double the 27.0% in 1980. The figure for 1992 was 39.9%, while that for 1985 was 38 6%. Unlike the male headed households, the upward trend in poverty was not fully arrested in the second period; rather a marginal increase of 1- percentage point was recorded in the period. Thus, for this group, poverty was on a continuous increase over the sixteen year period.

Implications on the Environment

Poverty and environment are often seen as inextricably linked, with the need to eradicate poverty as an initial step to protecting environment. In all the various definitions of poverty, some of the most notable features are the consequences that it imposes on the environment, which the physical planners have to combat. The condition of life so degrading as to insult human dignity often result to slums and ghettos. When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the part of the city. And when there are inadequate and unfit housing, there will be the disaster of homelessness, unplanned and sprawl nature of city growth.

In physical planning, when we talk of development control, one of the most notable features of many Nigerian cities is the very disorderly nature of the cities. There has been a phenomenal growth of urbanization resulting in our major cities growing and expanding in an unplanned manner. The central parts or core areas of most cities are decaying while the sections are increasingly becoming slums. Many buildings have been and are being constructed without approved layouts, illegal structures springing up arbitrarily, open spaces are disappearing fast and many parts of Nigerian cities lack access. Some of these acts are the consequences of poverty. For it is a well know idea in planning that the well laid out areas occupied by the high income people are the best maintained and well kept parts of the cities. The high cost of land, rent and property enjoyed by the neighbourhood is due to the nature of the environment. So we can easily discern the relationship between environment and poverty.

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Compounding the problems especially in our urban areas is the alarming rate at which urban sprawl has been developing haphazardly. The household's inability to provide sufficient income to satisfy its needs for food, shelter, education, clothing and transportation as poverty is defined often result in cities continued growth at a rate faster than the types of facilities initially installed. In essence some of the problems of the environment is as a result of poverty. The rapid population growth and physical expansion of cities have been accompanied unplanned urban sprawl, environmental pollution, deterioration, deficiencies in modern basic facilities such as water, electricity, hospitals, sewage municipal and community facilities, and general urban decay As increased poverty and urbanization exert more pressures on urban facilities, most Nigerian cities tend to have lost their original dignity, social cohesion and administrative efficiency.

Also, we have the damaging impact of capital intensive technologies, hydro electric energy and green revolution projects, uncontrolled pollutants from industries, deforestation, and degradation from mineral extraction. There are indeed greater challenges in sub-Saharan Africa than elsewhere. According to World Bank (1996), the environment in Africa is at risk for the following reasons:

i. Heavy reliance on natural capital leading to land degradation, deforestation, lack of access to safe water and loss of bio-diversity compounded by climatic variation;

ii. Extreme poverty along with very fast population growth; average income of $520, and a growth rate of about 3 percent;

iii. Problems of physical infrastructure and services, health consequences of crowding, increased exposure to concentrated waste, unsustainable consumption of resources and increasing settlement on ecologically sensitive areas due to rapid urbanization and migration;

iv. Evolution of market economies unsupported by environmental policies and regulations and

v. Political transition in an extremely fragmented continent.

Conclusion

This paper has tried to review the poverty level in Nigeria by examining the issues of gender, poverty and the environment. It discussed extensively on the measurement of poverty indicators and gender bias. It also examined the implications on the environment. Gender inequalities in economic life has become a causal factor in the chronic poverty of all household members, not just of women in poor households and the intergenerational reproduction of poverty. Gender inequality is strongly associated with human poverty. While poverty means not having enough to eat, a high rate of infant mortality, a low life expectancy, low educational opportunities, poor drinking water, inadequate health care, unfit housing and a lack of active participation in decision-making processes. The effects of all these are the consequences that poverty and gender inequality impose on the environment. When people affected by poverty are unable to lead a decent life, there is no doubt that there will be a decay of the city. And when there are inadequate and unfit housing, the condition of the environment often result to slums and ghettos, there will be the disaster of homelessness, unplanned and sprawl nature of city growth.

References


Federal Office of Statistics (FOS) 2006


Gender and Economic Development Nigeria as a case study

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Gender, simply put is the established socio-cultural dichotomy drawn upon biological categorization of “male” and “female”. This biological deference has a far reaching effect on these established categories male and female in relation to status, roles, power and privileges. It has for a long time, been the determining factor for socio-economic activities in the society. Using some secondary data. The researcher took time to look at this categorization and see how it has affected the female input in socio-economic activities. It was discovered that the ratio of women participation in economic pursuit is very slim because of the great disparity in the employment ratio, access to facilities i.e.(bank loan).and access to land and property. The researcher then recommended that for a balanced economic development to be achieved, the gap between male and female should be closed and equal opportunity given to both sexes in educational pursuit and career choices ,those obnoxious laws that denies the women access to land and property should be reviewed and barriers to access bank facilities should also be removed.

Introduction

Sen (1999) stated that there is danger to confuse gender with women, he posited that the concept of gender is not limited to the male or female species, but goes further to asses the relationship between them. when we say that a certain type of behaviour or certain activities are unmanly, we are basing this on our expectation as to how a real woman of our culture would behave in a given situation. Gender, therefore is a concept that refers to system of roles and relationship between women and men that are determined not by biology but the social, political economic context. One’s biological sex is naturally given, gender is constructed. Just as women and men have different biological sex, they have also been assigned by society roles based on idea i.e. ways of being and interacting as women and men that are shaped by history, ideology, culture, religion and economic development, Gender roles are learned. They differ from one society to another, from place to place and over times. The term “gender” refers to economic, social and cultural attributes and opportunities associated with being male or female. UN-Habitat(2003).In almost all societies, women and men differ in their activities and undertakings, regarding access to and control over resources, and participating in decision making. Eweama (2009) identified gender as a social institution, cultural construct and power tool. Sexual characteristics are determined in the household, it is frequently viewed as the primary arena for gender relations. Gender therefore, in a simple term is the established socio-cultural dichotomy drawn upon biological categorization of male and female. This singular biological difference has far reaching effects on these established categories: male and female in relation to status, roles, power and priviledge. It has for a long time, been the determinant factor for social relations and economic activities in our society. Chikwe (2003).

Canada-UkraineGender Fund (2004) states that gender equality means that women and men enjoy the same status and have equal opportunities for realizing their full human rights and potentials to contribute to national, political, social, cultural development and to benefit from the result.

Theoretical and Conceptual Framework

The historic Mexico Conference of the International Women’s Year was held in June 1975. The World Population Conference of the previous year, 1974, held at Bucharest, Romania, had earlier emphasized the need to train women to take their places as the equals of men, otherwise economic development would be held back. Taking a cue from that World Population Conference, the IWY Mexico Conference of 1975 fired the first volley and, until Beijing 1995, the loudest in the series that had been fired ever since.
Focusing primarily on women’s rights to equal employment and pay and equal educational opportunities, the Conference outlined, in what it called a “World Plan of Action,” the following among others as “minimum objectives” that the World Plan of Action,” the following among others as “minimum objectives” that the World’s governments should achieve in the five years beginning 1975.

Finally, the Conference called on the United Nations to declare 1975 – 1985 a Development Decade for Women, a declaration which was eventually made by the United Nations. Commonwealth Youth News, (1975).

On the 4th to 15th of September, 1995 history was made in Beijing, when the United Nations held the fourth world conference on women. The theme was: Action For Equality, Development And Peace. Now known as the Platform for Action/Beijing Declaration. This declaration took some giant strides in recognizing the contributions and enhancing the status of women in the society. It identified twelve critical areas of concern as follows:

i. The persistent and increasing burden of poverty on women.
ii. Inequalities and inadequacies in and unequal access to education and training.
iii. Inequalities and inadequacies in and unequal to healthcare and related services.
v. Violence against women.
vi. The effects of armed or any kind of conflict on women, including those living under foreign occupation.
vii. Inequality in economic structures and policies in all forms of productive activities and in access to resources.
viii. Inequality between men and women in the sharing of power and decision-making at all levels.
ix. Insufficient mechanism at all levels to promote the advancement of women.
x. Lack of respect for and inadequate promotion and protection of human rights of women.
xi. Stereotyping of women and inequality in women’s access to and participation in all communication systems especially in the media.

xii. Gender inequalities in the management of natural resources and in the safeguarding of the environment.


The Food and Agricultural Organization (2001), listed the benefits of taking gender concerns into consideration in the design, implementation and review of development programmes as:

a. Enhanced social and economic impact.
b. Increasing possibilities for successful action.
c. More efficient use of resources.
d. Tapping local knowledge.

Enhanced social and economic impact: Sustainable development depends on integrating environmental, technical and economic consideration with social and cultural aspects. The active participation of men and women in gathering information differentiated by gender, and the analysis of this information will lead to a more positive social impact. Economic impacts will also be reinforced because the possibilities for consolidating and increasing income related to natural resources will take into account income generating activities carried out by both women and men.

Increasing possibilities for successful action: Sustainable rural development should take into account gender based division of labour and gender-based access to resources and control of resources will result in development initiatives based on more complete information. Furthermore, rural development based on the full range of social, economic, technical and environmental issues opens up the opportunity for greater exchange of ideas and approaches among the different sectors.

More efficient use of resources: Taking into account social, environmental, technical and economic considerations will ensure that development activities make better use of often increasingly diminishing resources available.
Tapping local knowledge: Tapping the respective knowledge of women and men regarding the management and conservation of natural resources and biological diversity increases the possibilities of successful programmes. Thanks to the collection of gender inequality data for planning and management, it is possible to guarantee that this invaluable source of local technical knowledge is fully utilized.

**Economic Development**

Some economists emphasis capital as the most important factor of development, and it has been argued that if any scarce resource associated with underdevelopment should be singled out, it would be under capitalization. Hence Rostow specified a rise in the rate of productive investment in excess of 10% percent of national income as a necessary requirement for a country’s take-off. W. Arthur Lewis opined that “the central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing a small proportion of its National in come converts itself into an economy where voluntary saving is large. This is the central problem because the central fact of economic development is rapid capital accumulation”. Abah (2000).

Granted that capital can not work on its own, and as such capital accumulation is not the only factor of development, we must however note that the contribution of other factors are dependent upon the availability and increases in the stock of capital. It is not enough to assume that once capital is accumulated there will be development. Capital accumulation can only be possible through saving and investment, for any one who consumes everything he earns can not expect returns on those earnings. As we have noted earlier, domestic saving is the most reliable source of investment. In the less developed countries, particularly in Nigeria of the last three decades, it would therefore appear a miracle that there had been any growth at all considering the income saving ratio in an economy where an overwhelming majority of the people barely subsist and can scarcely save any thing of their income of this overwhelming majority are the women. Women account for over 70% of the world’s absolute poor, United Nations (1996).

Development is human being’s bases of existence it implies increased agricultural production (food) improved healthcare, better nutrition and all the other essentials for improving the quality of life of the citizen. The situation of women all over the world has continued to change since, the 21st century especially in the developing nations of the world as more responsibilities are trust on the woman such as health care provider, generator of wealth, community leader etc, there is urgent need for new paradigms of development that will examine women productive and community management roles.

Women are directly involved in the areas mentioned above because they are largely responsible for the food consumed by families, for the health mutation and education needs of every member of the family. The woman stand as the life blood of the family.

Hence, the level of civilization and development in a country depends largely on the status of and the respect accorded to the woman folk. In Nigeria women multi-task both in the traditional and all human endeavors such as subsistence food production food processing, transportation of food water, housecraft, trade, domestic chores, child bearing and child rearing. Women account for over 70% of the world’s absolute poor, United Nations (1996). Women are responsible, in addition to seeking livelihoods for keeping their homes and providing for their children, and so bear a disproportionate burden attempting to manage household consumption and production under conditions of increasing scarcity.

**Women Capacity**

Nigerian women have recorded proven integrity, right from mythology, through history, creative literature and reality. Chikwe (2003). Women have made great impact in the society. They have
demonstrated enough capacity to contribute to economic development. The only problem is gross under utilization of women’s capacity in economic development. This question of capacity utilization of womenfolk needs to be addressed for a successful economic development to take place.

In a recent publication Federal office of statistics,(1998/99) by the federal bureau of statistics reflect the containing gaps between women and men in policy, investment and employment. What is needed to reduce the gaps i.e. equal opportunity for women in health, in education, in work and in decision making at all levels. To achieve these, there is going to require extensive changes in policy, in government, in business and in the house hold with women and men reworking the conductional assumptions about politics, economics and family life. It is also going to require explicit initiative to advance women’s interest, initiative informed by the analysis of numbers and grounded in the argument that advancing the interests of women benefit every one.

Women earn less that men do. Statistics show that world wide, women earn 30-40% less than men. Though, women do over 67% of the world’s work, they earn only 5% of the world’s income and own less than 1% of the world’s real estate. Buvinic (1997).

Much of women’s work goes unpaid. In fact, women perform 67% of all unpaid work; particularly care giving, which is priceless. Women face job discrimination and segregation. They consistently find themselves in a low-paying – jobs with few opportunities for advancement. Tables 1 and 2 gives a clear view of the disparity in employment between men and women.

### TABLE 1: SUMMARY OF EMPLOYMENT BY YEAR AND GENDER (2001-2005)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WOMEN</th>
<th>MEN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>19.28</td>
<td>80.72</td>
<td>100</td>
</tr>
<tr>
<td>2002</td>
<td>20.05</td>
<td>79.75</td>
<td>100</td>
</tr>
<tr>
<td>2003</td>
<td>20.78</td>
<td>79.22</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>20.95</td>
<td>79.05</td>
<td>100</td>
</tr>
<tr>
<td>2005</td>
<td>21.06</td>
<td>78.94</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>19.95</td>
<td>80.05</td>
<td>100</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>20.42</td>
<td>78.58</td>
<td>100</td>
</tr>
</tbody>
</table>

*SOURCE: NBS QUICK NATIONAL EMPLOYMENT GENERATION (QNEGS), 2006*

### TABLE 2: PERCENTAGE OF WOMEN AND MEN IN FEDERAL CIVIL SERVICE

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WOMEN</th>
<th>MEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>28.5</td>
<td>71.5</td>
</tr>
<tr>
<td>2002</td>
<td>28.7</td>
<td>71.3</td>
</tr>
<tr>
<td>2003</td>
<td>30.7</td>
<td>69.3</td>
</tr>
<tr>
<td>2004</td>
<td>29.5</td>
<td>70.5</td>
</tr>
<tr>
<td>2006</td>
<td>39</td>
<td>61</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>31.28</td>
<td>68.72</td>
</tr>
</tbody>
</table>

*SOURCE: OFFICE OF HEAD OF SERVICE*

### TABLES 3: SUMMARY OF SEATS HELD BY WOMEN AND MEN IN NATIONAL ASSEMBLY BY YEAR AND GENDER
LEGISLATORS | 1999 | 2003 | 2007
---|---|---|---
Senate | | | |
Male | 106 | 97.25 | 105 | 96.33 | 100 | 91.74 |
Female | 3 | 2.75 | 4 | 3.67 | 9 | 8.26 |
Total | 109 | 100.0 | 109 | 100.0 | 109 | 100.0 |
House of Reps. | | | |
Male | 348 | 96.67 | 339 | 94.17 | 334 | 92.78 |
Female | 12 | 3.33 | 21 | 5.83 | 26 | 7.22 |
Both Houses | | | |
Male | 454 | 96.8 | 444 | 94.7 | 434 | 92.5 |
Female | 15 | 3.2 | 25 | 5.3 | 35 | 7.5 |
Total | 469 | 100.0 | 469 | 100.0 | 469 | 100.0 |

SOURCE: INDEPENDENT NATIONAL ELECTORAL COMMISSION

Women play a very minor role in high political and economic decision-making in Nigeria. Women have the right to vote, they make up more than half of the electorate and many more women work in the private sector taking low-paid jobs. While their male counterparts work in the public sector. Table 3 shows in clear terms the gaps between men and women in policy making.

Recommendations

Men and women need to work in partnership for a better future. Every person must therefore be given equal opportunity for development irrespective of sex, in order to achieve a sustainable economic development.

Government and other agencies should encourage and assist women to develop economic power and assert their social, political and legal rights since this will be for the good of everyone. Politics being an art of power management and allocation, women should be united in their pursuit for political participation.

Women should be encouraged to participate at policy-making levels because they are seen to represent the interest of the women and children that form a greater percentage of our population. Economic empowerment of our women is a sin qua non to sustainable development. Therefore, Government and non-governmental organizations should encourage and assist the women to achieve economic stability. Those obnoxious laws that prevent the women from getting their rights and asserting them must be reviewed.

Conclusion

For the gender gap to be ignored and for development to take place holistically women must have access to education Access to health care. Law on stations of women must be reviewed i.e. land, loan and technology. Women must have the well with all to participate in politics.

Improvements in these areas which in turn improve family income and quality of lifting are indicators of development and nation building improvement of women so that they can perform their multiple tasks more effectively and efficiently. Women hold a key position in the family and they greatly influence decisions related to family and the rearing of their children. They take care of the health, hygiene physical and moral development of their children who will be the future leaders of tomorrow their influence on their children can never be over emphasized. Women are therefore a force to be reckoned
with in development, without the women no meaningful development will take place considering the role they play in the entire population considering their number. Studies has shown that the reason why many of the rural development efforts failed was because of non-involvement of the women institutions. There institution can be harnessed for a successful and effective socio-economic development efforts. Granted that the family is the basic, social institution from which other institution have grown. Women still remain an indispensable tool for national development. Unfortunately tradition and culture have relegated the women to an inferior status and to a subordinate position in society. Hence their contributions are generally neglected disregarded and unrecognized in development plan.

This has been the bane of many developing countries. Nigeria should not lose sight of the fact that it has been acknowledged in many studies and in developed countries that there is a close relationship between the status of women and the state of economic development in any given country. It is the level of development of women that serve as an indicator of the rate of the entire national development. It is common knowledge that Nigeria is endowed with mineral and human resources, agricultural potentials and more. In the area of human resources the potentials of women are not adequately exploited, this willful ignoring of the contribution of the womenfolk is a great catastrophe to economic development, against the notion of the fact that by population, women constitute about 50% of the entire nation.

References

China – Africa Trade: Trends, Changes and Continuity.

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China-Africa two-way trade has significantly expanded since 2000. China’s global expansion was predicated on its post 1990s foreign policy based on the soft power paradigm which is propagated through different vehicles, including trade. Expansion in trade was necessitated by several factors and conditions in China and Africa: domestic policy changes in China, rising demand for energy resources by China; and enabling developments in Africa. This paper examined the trends, changes and continuities in China-Africa trade.

Introduction

Although China’s trade relation with Africa is deep-rooted in history and go back to many centuries, contemporary trade relations began with the establishment of diplomatic ties and trade relations with African states during the 1950s. In the 1950s Chinese trade missions were created to encourage reciprocal exchange agreements between China and some African states. Although there is a paucity of data on trade between China and Africa since 1950s, modest trade continued to exist between China and Africa. As the Cold War petered out, developed countries began to reconfigure relations with Africa and other parts of the world. The United States and the West for example, rearticulated their strategies and polices of dealing with developing countries – the Washington consensus. Similarly, China rearticulated its policies and strategies based on soft power paradigm. Soft power as defined by Nye (1990 and 2004) is the ability to get what you want through attraction rather than coercion or payments. It arises from the attractiveness of a country’s culture, political ideals, and policies. Developing and expanding trade with African countries was a key weapon in China’s soft power strategy.

Subsequently, by the turn of the twenty-first century China’s trade with Africa began to blossom, reaching enviable heights. Indeed, China has significantly altered Africa’s direction of trade which has since been dominated by Europe. While Europe as a group still maintains the largest market share of (Sub-Saharan) Africa’s trade, China by 2006 was the largest individual country exporter to SSA. China is the second largest trading partner with Africa behind the US. China – Africa trade has risen up to 24 percent from 1995 to 2007 (Africa News Network 2008; Wenping 2008) and has surpassed the $100 billion 2010 target set during the November 2006 Forum on China-Africa Cooperation (FOCAC) summit. Certain propitious factors help to explain this phenomenon: the globalization process; increasing desire to secure viable sources of energy needed for China’s expanding economy; the policy of zhuda fangxiao and zouchuqu to expand the horizon of China’s economic and commercial networks; and the rising Multilateral Trade/ Regional Trade arrangements which in Africa manifested in the formation of the FOCAC; and improving trading environment in Africa.

China’s economic muscle and expansionism is not limited to Africa. Indeed, by 2008, China was the most attractive destination for foreign direct investment (FDI), ahead of Eastern Europe and Western Europe (Ying 2008; Global View Points 2008). In terms of global trade, China ranks second after Germany, with the highest amount of export. Its total global trade (Export plus imports) was $2.5 trillion after Germany ($2.7 trillion) and the United States ($4.4 trillion) (CIA 2009).

It is therefore within the context of an expanding global power, that this paper attempts to examine and explain the trends, changes and continuities in China – Africa trade relations.
Trends and Patterns in China – Africa Trade

The trends and patterns in China’s Africa trade from the late 1950s through 1970s were largely driven by ideology and pragmatism (Hutchison 1995, 196). Trade was however narrowly limited to the newly independent countries and those territories involved in liberation struggles against imperialist regimes. Trade was also limited to countries that had diplomatic ties with Peoples Republic of China. For example, of the 26 independent countries in Africa by 1960, only seven states had recognized PRC, and of the 42 independent states in 1970, only 16 recognized Peoples Republic of China (PRC) and established diplomatic ties (Ogunsanwo 1974, 274). Both tables 1 and 2 show the limited nature of trade as well as the dwindling of trade from the 1980s. These trends are also captured in figures 1 and 2.

Table 1: China-Africa Trade 1958 – 1971 (in £ millions)

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<tr>
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<td>Imports</td>
<td>14.7</td>
<td>15.2</td>
<td>25.3</td>
<td>12.6</td>
<td>11.5</td>
<td>21.1</td>
<td>19.6</td>
<td>36.7</td>
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<td>18.7</td>
<td>17.1</td>
<td>22.8</td>
<td>21.7</td>
<td>35.2</td>
</tr>
<tr>
<td>Exports</td>
<td>16.6</td>
<td>13.7</td>
<td>12.6</td>
<td>14</td>
<td>13.3</td>
<td>18</td>
<td>29.9</td>
<td>40</td>
<td>33.7</td>
<td>30.8</td>
<td>36.1</td>
<td>47.1</td>
<td>67.2</td>
<td></td>
</tr>
<tr>
<td>Total trade</td>
<td>31.3</td>
<td>28.9</td>
<td>37.9</td>
<td>26.6</td>
<td>24.8</td>
<td>34.4</td>
<td>37.6</td>
<td>66.6</td>
<td>64.3</td>
<td>52.4</td>
<td>47.9</td>
<td>58.9</td>
<td>68.8</td>
<td>102.4</td>
</tr>
</tbody>
</table>

Sources: Ogunsanwo (1974, 272-3); Hutchison (1975, 193)

Figure 1. China-Africa Trade 1958 – 1971 (in £ millions)

Table 2: China Trade with Africa 1980 – 1987 (in 10,000 U.S. dollars)

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>74,703</td>
<td>79,809</td>
<td>97,844</td>
<td>67,576</td>
<td>62373</td>
<td>41,844</td>
<td>63,845</td>
<td>85,428</td>
</tr>
<tr>
<td>Imports</td>
<td>38,400</td>
<td>29,940</td>
<td>21,225</td>
<td>24,498</td>
<td>25,235</td>
<td>20,793</td>
<td>21,602</td>
<td>15,455</td>
</tr>
<tr>
<td>Total Trade</td>
<td>113,103</td>
<td>109,099</td>
<td>119,099</td>
<td>92,074</td>
<td>87,608</td>
<td>62,677</td>
<td>85,447</td>
<td>100,883</td>
</tr>
</tbody>
</table>

Source: Anshan (2007, 7).
The 1980s saw a shrinkage in China – Africa trade due to changes in China in the aftermath of the Cultural Revolution and China’s reengagement with developed countries for access to technology and recognition in international politics.

Table 3: China trade with Africa 1997 – 2006 (in Millions of US Dollars)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>2640</td>
<td>3381</td>
<td>3296</td>
<td>4150</td>
<td>5058</td>
<td>6007</td>
<td>9012</td>
<td>12083</td>
<td>19961</td>
<td>22888</td>
</tr>
<tr>
<td>Imports</td>
<td>2390</td>
<td>1425</td>
<td>2324</td>
<td>4630</td>
<td>4522</td>
<td>5429</td>
<td>8168</td>
<td>15041</td>
<td>19961</td>
<td>26856</td>
</tr>
<tr>
<td>Total trade</td>
<td>5030</td>
<td>4806</td>
<td>5620</td>
<td>8780</td>
<td>9580</td>
<td>11436</td>
<td>17180</td>
<td>27124</td>
<td>36269</td>
<td>49744</td>
</tr>
</tbody>
</table>

IMF (2004 and 2007) Direction of trade Statistics yearbook
The table 3 and figure 3 show that trade between China and Africa began to surge from 2000. During the FOCAC meeting in November 2006, China projected trade to significantly increase to $100 billion by 2010 (Guijin 2006; China Daily 2006). This projection as show in table 4 and figure 4 was met in 2008 when China-Africa two-way trade surged to $106.84 billion. What is also noticeable in the 2008 trade figures is that China’s export was worth $50.8 billion while its imports rose to $56 billion shifting the balance of trade in favor of Africa: China now has a trade deficit of $5.16 billion in 2008 from the $940 million trade surplus in 2007 (China Daily 2009; George 2009; Wand and Bio-Tchané 2008).

Table 4: Current China – Africa trade 2007 – 2008
(in billions of US Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade</td>
<td>73.31</td>
<td>106.84</td>
</tr>
</tbody>
</table>

A further important trend in China-Africa trade is the domination of trade by a few African countries because of advantages of resource location, level of economic development and leverage of strategic importance in the African continent. Table 5 shows the major Chinese trading partners in Africa. These countries are endowed with different natural resources that are in great demand by China.

Table 5: Major Chinese trading Partners in Africa 2006 – 2008

<table>
<thead>
<tr>
<th>Ranking</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Angola</td>
<td>Angola</td>
<td>Angola</td>
</tr>
<tr>
<td>2</td>
<td>South Africa</td>
<td>South Africa</td>
<td>South Africa</td>
</tr>
<tr>
<td>3</td>
<td>Sudan</td>
<td>Sudan</td>
<td>Sudan</td>
</tr>
<tr>
<td>4</td>
<td>Egypt</td>
<td>Egypt</td>
<td>Nigeria</td>
</tr>
<tr>
<td>5</td>
<td>Nigeria</td>
<td>Nigeria</td>
<td>Egypt</td>
</tr>
<tr>
<td>6</td>
<td>Congo Brazzaville</td>
<td>Algeria</td>
<td>Congo Brazzaville</td>
</tr>
<tr>
<td>7</td>
<td>Equatorial Guinea</td>
<td>Congo Brazzaville</td>
<td>Libya</td>
</tr>
<tr>
<td>8</td>
<td>Libya</td>
<td>Morocco</td>
<td>Algeria</td>
</tr>
<tr>
<td>9</td>
<td>Algeria</td>
<td>Libya</td>
<td>Morocco</td>
</tr>
<tr>
<td>10</td>
<td>Morocco</td>
<td>Benin</td>
<td>Equatorial Guinea</td>
</tr>
</tbody>
</table>

Source: George (2009, 5).

These countries dominate trade between Africa and China. As shown in figure 5, in 2008 for example, Angola accounted for 24 percent, South Africa 17 percent, Sudan 8 percent, Nigeria 7 percent and Egypt 6 percent of the two-way trade between China and Africa (tralac, 2009, 3). This dominance or concentration of trade in a few African prosperous countries is creating disparities with less developed or ‘net-loser’ countries in Africa. As Holslag et al (2007, 80) pointed out ‘between 1996 and 2005, the total deficit of thirty net-loser countries increased from $1 billion to nearly $6 billion, whereas the surplus of the net-winner countries rose from $210 million to $11.7 billion’.
A few Africa countries have also dominated exports to China. For example, the dominant countries have been: Angola, South Africa, Sudan, Congo-Brazzaville, Libya, Equatorial Guinea, Gabon, Democratic Republic of Congo, Mauritania and Algeria. Similarly, a few African countries also dominate imports from China. These are South Africa, Nigeria, Egypt, Algeria, Angola, Morocco, Benin, Sudan, Ghana, and Libya.

The pattern of China’s trade with Africa underscores and reinforces the existing dichotomy in growth and development between the resources endowed African states and those countries that do not have natural resources. Furthermore, table 6 indicates that for China the main exports from Africa are raw materials which included oil, natural gas and other minerals, precious stones and metals, auto parts, wood products, and base metals. Africa’s imports from China were mainly machinery, clothing and textile, transportation equipment, plastic products and footwear (Broadman 2007, 80; tralac 2009, 1).

### Table 6: Leading Items of trade

<table>
<thead>
<tr>
<th>Leading Africa’s imports from China</th>
<th>Leading Africa’s exports to China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery (10%)</td>
<td>Minerals (crude oil and natural gas)(84%)</td>
</tr>
<tr>
<td>Clothing and textile (4%)</td>
<td>precious stones and metals (3%)</td>
</tr>
<tr>
<td>Transportation equipment (4%)</td>
<td>Auto parts (3%)</td>
</tr>
<tr>
<td>Plastic products (2%)</td>
<td>Wood products (2%)</td>
</tr>
<tr>
<td>Footwear (2%)</td>
<td>Base metals (1%)</td>
</tr>
</tbody>
</table>

tralac (2009).

### Why the increase in trade between China and Africa?

To understand the changing patterns of trade and increase in trade between China and Africa, this paper looks at certain policy changes made in China and enabling conditions in both China and Africa that provided the auspicious conditions. During the November 2006 FOCAC meeting, the Chinese president, Hu Jintao (2006) among other things promised that China would continue to support and strengthen a new type of China-Africa strategic partnership by:
doubling its 2006 assistance to $1 billion to Africa by 2009; providing $3 billion of preferential loans and $2 billion of preferential buyer’s credits to Africa in the next three years; establishing a $5 billion China-Africa development fund to encourage Chinese companies to invest in Africa; building a conference center for the African Union (AU) to support African countries in their stride for unity and integration; canceling debt in the form of all interest-free government loans that matured at the end of 2005 owed by heavily indebted and least developed countries in Africa; opening up China’s market to Africa by increasing from 190 to over 440 the number of export items to China receiving zero-tariff from least developed countries in Africa, establishing three to five trade and economic cooperation zones in the next three years; training 15,000 African professional, doubling the number of Chinese government scholarship given to Africans, sending 100 senior agriculture experts and 300 youth volunteer to Africa over the next three years and building 30 hospital, 30 malaria treatment centers and 100 rural schools.

This promise did not emerge from a vacuum. In deed, China had laid the necessary foundations for a surge to occur in trade relations with Africa.

Policy Changes in China

The Chinese government actively began to support and encourage enterprises of various proprietorships with comparative advantages to invest overseas from the 1980s. China began to initiate policies which would enable it to address not only the domestic economic conditions, but more importantly policy changes that would enable it to expand overseas to provide for its growing insatiable demands for energy resources. Significant shifts occurred in Chinese policy in 1984-1985, 1988, 1994 and 1997. In 1984 China relaxed its emigration policies to among other things encourage small scale entrepreneurs to venture into trade and investments in Africa. It also announced that foreign aid would take a variety of forms including aid for joint venture partnerships between Chinese companies and African companies. In 1988, Beijing created a state parastatal, the Chinese National Petroleum Corporation (CNPC) from the ministerial production department to provide leadership in securing cooperative agreements with foreign companies as well as exploration concessions overseas. In 1994, Beijing established the China Eximbank to provide funds for concessional loans to support industrial, infrastructure, and social welfare projects by Chinese enterprises. The final push came in 1997, when the fifteenth Party Congress declared the policy of zhuada fangxiao (‘privatization of grasping the large and releasing the small) and zouchuqu (‘going out’). Privatization and overseas expansion were further boosted by the launch of the policy of picking corporate champions across the range of economic sectors and providing them with generous incentives in order to join the ranks of the Fortune 500 (Hong and Sun 2006). In fact, by the late 1990s, China’s large firms had begun to expand their exploration investment opportunities to many parts of Africa. By 2007, there were over 800 Chinese companies, including private individuals, medium and large state-owned enterprises (SOEs) doing meaningful business in Africa. This was a significant increase from 230 Chinese investments between 1979 and 2001 (Brautigam 2007).

Resources security was the kingpin of China’s reengagement in Africa and great fillip was given to the emerging multinational corporations (MNCs), especially in the oil and gas and related infrastructure sectors. In order to gain greater inroad into Africa and compete with MNCs from western countries that had established links, the Chinese government according to Alden (2007,42) developed a three-prong strategy based on the following: competitive political advantage (in which China was willing to invest in any African states regardless of its international standing on human rights and rule of law); comparative economic advantage (in which China aggressively employed low cost bidding based on the use of low skilled labor and management); and diplomacy and development assistance (in which China used aggressive and intensive diplomacy and lavished African states with projects and low interest development assistance. The result of this strategy was that over the past decade, more that 800 Chinese
enterprises operated in parts of Africa, and more than $1.6 billion FDI in Africa in 2005 and numerous infrastructure projects dotted in parts of the continent.

China’s policy on FDI, especially from the late 1990s encouraged outward investment. In addition to policies of *zhudada fangxiao* and *zouchuqu*, the Chinese government promulgated a series of measures to regulate and promote foreign investment by Chinese firms. These included regulations on The Interim Measures for the Administration of Overseas State-owned Assets 1999; Interim Measures for Joint Annual Inspection of Overseas Investment 2002; the System of Advance Reporting on Overseas Mergers and Acquisitions (M&As) 2005; the Supportive Credit Policy on Key Overseas Investment Projects 2003, and the Provisions on the Examination and Approval of Investment to run Enterprises Abroad 2004 (UN/UNCTAD 2007, 54). China also transformed, created, and expanded the powers and functions of some of its bureaucracy to achieve its policies. To sustain its companies overseas, China in 1994 established Eximbank and the China Construction Bank (CCB) to provide cash flow for Chinese companies needed to expand their foreign operations. Furthermore, China created a number of incentive regimes such as tax incentives, loans and credit, foreign exchange, and import and export incentives to encourage its enterprises to undertake FDI activities overseas and compete in the global marketplace. For example, Chinese construction firms operating in Africa received export credit for feasibility studies, government guarantees for bank loans, export credits to fund operational costs of projects, and lines of credit for machinery and equipment (Gill and Reilly 2007, 39).

In addition to these policies, the Chinese government made serious concrete efforts to create the enabling and facilitating environment for both bilateral and multilateral cooperation to thrive between China and Africa. These efforts included:

a) The creation from the late 1990s by China of several bilateral investment treaties (BITs) with African countries covering broad and specific areas such as movable and immovable property, real estate, corporate shares, stocks, copyright, intellectual property rights, principles of national treatment, rules on investor-State dispute settlement and royalties. In fact at the end of 2005 China had twenty-eight BITs with different Africa countries (UN/UNCTAD 2007, 56).

b) The creation of international cooperation schemes such as the FOCAC in 2000, the creation of economic cooperation zones, the establishment of zero-tariff treatment and cancellation of debts owed to China by African States; and the intensification of the exchange diplomatic visits by high-ranking officials on both sides to boost trust, integrity and confidence between the states. By the late 1990s China had placed high premium on public diplomacy as part of its soft power arsenal, hunting for energy resources in Africa. For examples, from 2003 – 2006 twenty-nine African leaders visited China (Holslag *et al* 2007, 57) and in 2006 the Chinese President, Hu Jintao and Premier Wen visited sixteen African states (Bezlova 2006; Dixon 2007).

c) Through the creation of intergovernmental joint committees for trade and economic cooperation to discuss business and other related issues (such as settlement of disputes, and investment activities).

d) Strengthening of ministries and creation of agencies responsible for the provision of foreign aid. The main agencies are the Ministry of Commerce (MOFCOM), the Ministry of Foreign Affairs (MOFA), the Eixambank, and the China Development Bank. These agencies have been responsible for the disbursement of $5.7 assistance to Africa from 1998 – 2006 (Brautigam 2008, 20).

e) The lack of high benchmark standards. Like western investment in Africa which require high benchmark standards in the areas of human right violations, environmental and labor standards, China do not insist on the these standards. In fact, China’s low standard is encapsulated in the observation by the Sierra Leonean ambassador to Beijing, Sahr Johnny who was hosting some Chinese planning investors in hydroelectric power:

  the Chinese are doing more than the G8 to make poverty history . . . If a G8 country had wanted to rebuild the stadium, we’d still be holding meetings! The Chinese just come and
do it. They don’t hold meetings about environmental impact assessment, human rights, bad governance. I’m not saying it’s right, just that Chinese investment is succeeding because they don’t set high benchmarks (http://forum.atimes.com/topic.asp?TOPIC_ID=12249).

**Policies by African Governments to promote trade and investment in Africa**

There is an inseparable link between foreign direct investment (FDI) and trade. In this section, the paper will identify and examine some of the policies pursued by the governments of various African states to promote FDI in general and Chinese trade and investment in particular. These policies have significantly changed the trade relations between China and Africa. The conventional explanation for the capacity of African countries to attract FDI is the availability of natural resources and existence of large domestic market. For China, Africa offers abundant natural energy resources and markets. This is why over the years South Africa, Nigeria, Angola, Equatorial Guinea, and Sudan have attracted more Chinese FDI. However, in addition to the above factors, many African states have taken pro-active steps to implement measures that can attract investments from China and other countries. These measures include:

Incentive regime: Over the years many African countries have improved the incentive regimes on FDI. For example, most African countries have concluded bilateral treaties and signed multilateral agreements with international organizations dealing with FDI. For instance, as of January 2006 China had concluded 28 BITs with 28 African countries, and seven African countries had signed double taxation treaties (DTTs) with China (UN/UNDP 2007, 26 and 27; Pigato 2000). Other incentive regimes introduced by some African states include the harmonization of investment laws such as the Cross Border Initiative (CBI) among the Eastern and Southern African countries, the investment protocols of West African Economic and Monetary Union (WAEMU), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC) (Pigato 2000). Also as members of the World Trade Organization (WTO), many Africa states have signed the Agreement on Trade and Related Investment Measures (ATRIM), which among others prohibits governments to require that foreign investors use locally produced inputs (SOMO 2006).

Simplification of FDI regulations and establishment of more transparent investment liberalization policies: Although there are still deficiencies in the investment policies of African states, some considerable improvements have been made by African states since the era of the structural adjustment programs in which a number of liberalization reforms were made in areas such as reducing restriction in sectors open to foreign investors, tax incentives and low tax rates as in Ghana; depreciation allowance and withholding taxes; work permits and the creation of export processing zones (EPZs). The improvement in the liberalization polices in some African state have made countries such as Mali, Mozambique, Zambia, Chad and Senegal attractive to investments not only from China but from other countries (Morisset 1999; Broadman 2007, 94).

The establishment of Investment Promotion Agencies (IPAs): IPAs are either quasi government organizations or private organizations that offer a wide range of services to facilitate and promote investment. In Africa most of the IPAs are government organizations that operate one-stop facilitator frameworks to reform and improve the investment climate. IPAs have helped to boost the image of Africa, thereby making it attractive to FDI from China and other places.

Finally, the increase in the number of international agreements between African countries and the rest of the world, including China have significantly facilitated trade and FDI flows and changed the FDI compositions in Africa (Broadman 2007, 95). For instance, the creation of AGOA and the Multifibre Arrangement (MFA) has attracted FDI and trade from China into the textile sector.
Conclusion and Implications

This paper examined China-Africa two-way trade. The paper noted that China-Africa trade has significantly expanded since 2000. China’s global expansionism was predicated on its post 1990s foreign policy based on the soft power paradigm which is propagated through different vehicles, including trade. Expansion in trade was necessitated by several factors and conditions in China and Africa: domestic policy changes in China, rising demand for energy resources by China; and enabling developments in Africa. This paper examined the trends, changes and continuities in China-Africa trade. Although significant changes have occurred not only in the direction of trade, items of trade and the ideological underpinning, trade asymmetry still exist between China and the prosperous and less developed countries in Africa. In other words, there is gap between net loser countries and net-winner countries.

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   [www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/The_FDI_Environment_in_Africa.pdf/$FILE/FDI_In_Africa_by_Miria_Pigato.pdf](www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/The_FDI_Environment_in_Africa.pdf/$FILE/FDI_In_Africa_by_Miria_Pigato.pdf)
SOMO. 2006. EPA negotiations do not promote the right investment policies.
The Effects of Globalization on the Construction Industry in Nigeria

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The impact of technological improvement as a feature of globalization has resulted into reduction of barrier of space, time, national boundaries and sovereignty. But the developing countries that have little competitive income generating resources and depend on a limited number of sub-standard and low quality resources cannot share the enthusiasm for the eulogized benefits of globalization. This is because most of the giants in the construction industry in Nigeria import virtually all their equipment. Many of the building materials are imported from abroad. Then the question is where the idea of globalization lies in contemporary usage, which refers to the interdependency, and interpenetration taking place among the multi-facet people with divert cultures due to the technological innovations? Since part of our own idea of globalization in developing countries means liberalisation, deregulation and privatisation policies and the establishment of trade agreements with many countries which invariably will lead to a more coherent world economic order in which the stronger nations will continue to dominate and the weaker marginalized. This paper therefore tries to examine the effects of globalization on the indigenous construction industry in Nigeria.

Introduction

One of the major problems facing the construction industry in Nigeria is the provision of adequate housing both in quantitative and qualitative terms, for the increasing population of the country and particularly for the increasing urban population. In facing this challenge, the construction industry in the country still operates at a backward level as most of the simplest mechanical aids are not in use by many building contractors except the large expatriate/foreign ones. On the other hand the idea of the globalization in contemporary usage refers to the interdependency and interpretation taking place among the multi-facet people with divert cultures due to the technological innovations which render the barriers of space, time, national barriers and sovereignty ineffective in reducing the intermingling of ideas and peoples in such a way that a sort of uniformity can be identified among the divert groups that occupy the global space. Can we now say that there is any relationship between globalization and local development? That is, can the basic features of globalization help in the development of economies of the developing nations? Since, globalization with unrelated and unequal component cannot be said to be global effort to unite or foster even development, this and other issues of universalization and efforts to integrate the world society is what we will be considering in this paper.

Construction Industry in Nigeria

In the government White Paper on the report of the Presidential Committee on Urban Development and Housing released in 2002 and reviewed recently, it was observed that the building materials sub-sector cannot be left to develop haphazardly since it is intimately connected with the process of national industrial development and in any case, the expansion of local capabilities is one major way to stem indiscriminate importation of foreign building materials. It is, therefore, necessary that Nigeria should gradually and systematically develop appropriate capabilities to achieve self-sufficiency in the production of basic building materials and components from local resources by the year 2015.

The government realizing the poor state of construction industry in Nigeria tried to review their policies. But what will be the consequences of these policies in connection with the nature of globalization. The
A visit to the major estates in our cities like Abuja, Lagos, Port-Harcourt, Kano and Enugu will convince anybody that we do not have any flare for the consumption of local materials. Most of the finishing materials are imported at exorbitant high rates while the low-income builders only use the local materials.

Building material industries are poorly developed and in most cases non-existent so that the major component of materials used for building are imported with consequent shortage and uncertainly of supplies. Compiling the list of building materials and their various changing prices these days have only amounted to academic exercise, as the rate of changes is alarming. You cannot predict the amount you will buy any building material until you get to the market, since everything is now being controlled by demand and supply. The market forces are so strong that that supplier cannot predict the cost, which is also based on other factors. So you can only buy at the prevailing prices, which is not static and therefore difficult to predict.

Even though the housing stock in the country particularly in the urban centres is grossly insufficient, there has been little or no systematic planning or incentive on the part of the various governments in the federation to develop the construction industry. In 1991, eight million housing units were said to be needed in Nigeria, with five million in urban areas and three million in rural areas. How the figures were arrived at could not be explained till today since by then Nigeria population was over 80 million. In 2002, another policy of 40,000 housing units per annum nationwide with at least 1,000 units in each state was recommended. However, the programme will be private sector led with government encouragement. In the policy, 1,000 units will be built in each state of the Federation except Lagos, Kano, and Rivers State; 1,500 units in Kano and River State; 2,000 units in Lagos Sate; and 3,000 units in Abuja. As of 2009 these recommendation have not been achieved. With the monetisation programme of the government, only God knows how the government encouragement will be achieved.

The importance of housing in the Nigerian economy cannot be over emphasized especially when it is realized that between the period of 1960 and 1970, the building industry accounted for an average of 35% of total gross fixed capital formation at current purchasers value and also for about 30% of total registered employment in the country (Adeniyi, 2005). Today, 2009 with high level of unemployment, poverty and hunger; it has over 60% with other informal sector in the construction industry. In spite of this importance, housing continues to be regarded as an economically ‘non-productive’ investment. Most private sector builders and individuals see housing as property to be acquired for future investment. Its long-term recovery nature does not make it an area of immediate investment in business circle. But the shortage being experienced in our cities are now making the shylock landlords, builders and agents to concentrate in its production as a means of exploiting the low income earners.

Adequate housing we should know, contributes to the attainment of physical and moral health of a nation and it is the most important for the physical survival of man after the provision of food. Housing stimulates the social stability, work efficiency, development of the individual, the family and the community and increases the socio-economic standards of the people.

With regards to the construction industries, it should be noted that an efficient housing construction policy can help in initiating and developing the building industry and construction enterprises, and in employing both skilled and unskilled labour workers. With the urban population of Nigeria currently estimated at about 45%, the capacity of the construction industry in Nigeria and probably one of the major problems facing the construction industry is the fast rate at which the urban population is growing and the inability of the industry to construct enough houses to meet existing needs.

A major problem facing the housing industry as already identified is shortage of materials, which is countrywide. This shortage has at least three dimensions - poor development of the building materials
industries, inadequate and lack of prompt supply of materials at places and times when needed; and the lack of the use of local materials for house building. In most of the materials required for the different components of house building industry, only cement, nails, paints and wood are mostly locally produced, and even then certain percentages of them are still imported. The output of our factories is grossly inadequate to cope with the requirements of the construction industry in Nigeria.

Most of the highly rated construction companies in Nigeria are not indigenous companies. Most of the heavy equipment is therefore not locally available. This has resulted in another problem facing the construction industry in Nigeria as shortage of executive capacity. Most of our contracting firms do not have adequate trained personnel to plan and execute the contracts awarded them. Where they do, corruption will not allow them to do a good job. Maximization of profits and settlement of powers that be will result in poor jobs. Their artisans and workers have limited skills and because labour is cheap and easily recruited, there is a large turnover of artisans and labourers with the result that artisans and labourers in the employment of contracting firms do not consistently develop skills. Many contractors prefer to hire new hands from time to time rather than pay adequate wages for artisans and labourers whose skills have improved on the job.

Related to the problem of lack of executive capacity is the problem of wastage and pilfering resulting from lack of skills and lack of security of tenure by workers. The lack of skills often leads to poor workmanship and waste in the use of building materials. Non-delivery in full of materials and diversion to other purposes other than the project meant for are very common in Nigeria. Therefore, wastefulness, poor workmanship and pilfering among others explain the high cost of materials relative to labour.

Problems of land tenure also make acquisition of land and investment in real estate a risky undertaking in urban areas. Institutional arrangements for financing house building and purchase are not functioning properly. The National Housing Fund and the Mortgage Institutions have varied and diverse problems, which hinder smooth operations. After over 15 years of the existence of the NHF, the beneficiaries are little and that is why most people are calling for its scrapping because of its stringent conditions.

In order to enhance building materials production, housing design and construction methods, which will result in the reduction of costs, the government in the white paper has decided to pursue rigorously the following strategies:

(i) Adopt design standards that facilitate cost reduction, affordability and acceptability by adopting standard functional plans that will respond to the cultural and regional peculiarities of potential users.
(ii) Expand manufacturing base for building materials production from all available local raw materials and evolve a more efficient distribution system.
   (a) Encouraging the expansion of existing industries producing building materials from local sources, such as clay, bricks, concrete products, timber, etc.
   (b) Encouraging the identification of new local materials available for the manufacturing of required building components.
   (c) Collaborating with other developing countries in the development of technical know how for building materials manufacture.
   (d) Encouraging regional spread of building materials industries to stabilize cost and widen distribution.
(iii) Encourage the use of locally manufactured building materials and lead by example by:
   (a) Providing incentives to and creating the enabling environment for the private sector in order to encourage rapid flow of funds into the building materials manufacture through tax relief, accelerated depreciation and generous capital allowances.
   (b) Providing matching grants for investments into research in the use of local materials for building materials manufacturers.
(c) Providing loans at reduced rate of interest to manufacturers who will in turn supply self-built housing co-operatives and developers of low income housing with their products at reasonable prices and
(d) Attracting foreign participation into the building materials industry.
(iv) Restructure and adequately fund the Nigerian Building and Road Research Institute and create more regional centers under it.
(v) Encourage construction companies to promote research and development of appropriate technology.
(vi) Facilitate the use of local building materials through the development of appropriate technology and
(vii) Development of effective manpower training programme to raise the output of the building industry by:
(a) Restricting the Apprenticeship System and expanding vocational training centers for the training of site personnel such as masons, plumbers, carpenters, electricians, welders, bricklayers and other artisans in the building industry.
(b) Upgrade and provide structured training of indigenous contractors through short term programmes in project management, construction management, building methods, etc.

The Globalization Concept

The last few decades have witnessed the growing impact of two distinct global trends which have had profound implications for the world, economically, socially and politically: rapid growth of information technology, and the increased global integration of trade and capital flows. These trends are resulting in a significant shift in the world economy such that, increasingly, global competitive pressures drive major decisions around the world.

Literally, globalization can be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (Giddens, 1990: 64). Globalization also refers to all those processes, which the peoples of the world are incorporated into a single society, global society (Albrow 1990:9).

Globalization can also be seen as a process of integrating economic decision-making such as the consumption, investment, and saving process all across the world. It is a process of creating a global market place in which, increasingly, all nations are forced to participate (Roben. et al, 2000: 24). Key elements of this process are: the interconnection of sovereign nations through trade and capital flows, harmonization of the economic rules that govern relationships between these sovereign nations, creating structure to support and facilitate dependence and interconnection and creation of a global market place (McGrew, 1992: 206)

Another perspective of globalization goes beyond the economic sphere. The opening, which the information technology has created, impact on almost all aspect of human life (culture, religion and values are all affected as people all over the world are exposed, more than ever before, to different and alternative views). Some would add the harmonization of political systems and the enthronement of a western style common culture. The fear of cultural imperialism underscores a point that globalization of different cultures and believes (Baldwin, 2004). The more immediate and concrete impact of the technological advancement in communication has been the creation of a global market place in which countries are increasingly been forced to participate (Kolawole, 2007:6-8). Countries operating in separate, sovereign, autonomous environments take decisions, which have bearing on others. With the creation of a common global market place these autonomous units are increasingly sucked in. Globalization can also be defined as the process of shifting autonomous economies into the global market.
– the systematic integration of autonomous economies into a global system of production and distribution. This process creates a global market place, which, with the development in communications technology, can be accessed by virtually anyone from any location.

With the collapse of the Soviet Union and an apparent domination of the world economic system by the western capitalist economies, the logic of capitalist expansion leads to the creation of a global market in which western capital plays a pivotal role. Western capital seeking more profitable outlets needs the integration of the world economy and access to all parts of the world. Ironically, the first step towards the present trend of globalization led by the developed countries of the world started with regionalization. The intention of regionalization was to provide a common market to the exclusion of others. It was to protect the interest of domestic capital within the region and confer on it advantages that would make it strong to compete around the world (World Bank, 1994; 1995; 2008).

**Merits and Demerits of Globalization**

The advances in information and telecommunication technologies, trends towards the building of trade blocs, the liberal economic philosophy embodied in the world-wide structural adjustment programmes sweeping both the developed and developing economies have resulted in the increasing globalization of world production processes as well as financial institutions and markets. In this section of this paper, efforts would be made to analyze the merits and the demerits of globalization. On the merits of Globalization, globalization of the world economy can bring immense benefits to countries that are able to harness the resulting opportunities to the proper development of their material and human resource endowments. In general, it brings about a gain in efficiency in the utilization of world productive resources, greater specialization, increase in cultural flows, the removal or reduction of trade barriers. It increases the tendency to establish more competitive production structures, which tend to be more efficient and thus result in productivity gains.

Simultaneously with the offer of greater opportunities for increasing economic growth and development, globalization also imposes important challenges, which may be seen as the demerits of the growing global village especially from the point of view of the developing countries. globalization leaves the African economies in a very weak competitive position owing to: lack of the required degree of sophistication on the part of the managers of emerging financial markets to match those of their counterpart in the developed countries; inferior levels of technological development as reflected in the low level of or absence of computerization; and poor infrastructural facilities for banking (financial) operation compared to what obtains in the industrial economies and even in the emerging or transitional financial markets in developing Asian and Latin American countries (World Bank, 1992; 1993; 1994; 2008). Risk of marginalization, reduction of the sovereignty of states with the weakest and the smallest being the biggest losers (Muller and Muller, 1999: 43).

**The Effects of Globalization on the Construction Industry**

The views of undeveloped/developing states on globalization according to the statements of Heads of State and Government of Foreign Ministers during the political debate in the United Nations General Assembly were extracted by Dumitriu Petru (2000) as a Director of the United Nations and specialist in Institutions Department in the Ministry of Foreign Affairs in Romania. In the extensive debate on the concept of globalization, he asserted that one could hardly describe the views of small states as positive. The few most optimistic of them can at best acknowledge the opportunities globalization offers to the majority of countries in the world. However, most small states believe that the boot is on the other land and that globalization is a new name for the old game of all-encompassing domination by the developed countries.
The anxiety of small developing states (the voice of unintegrated components in global network) can be translated into the following most common seven (7) vices associated with globalization. **They are called the seven sins of globalization, which invariably are the mitigating factors that could affect the growth and development of construction industry in developing countries.** They are alienation, selective action, marginalization, colonial flavour, imposition, assault on sovereignty; and loss of identity.

**Alienation**

In a prestigious academic definition, there are three main meanings ascribed to alienation. These meanings can be attached to the notion of globalization as seen by the leaders of the Third World. “Powerlessness” would be the feeling that the destiny of those countries is not under their control, but determined by the distant forces of globalization. Then “meaninglessness” comes from the fact that besides some overused clichés there persists a lack of comprehensibility or consistent meaning of a wider acceptance. In addition, there seems to be a worrying “normlessness” in the absence of formal and tangible commitments shared by the whole international community that could protect the most vulnerable against abuse and excess. Moreover, normlessness seems to many to take an even more aggressive form of pressure that makes traditional norms shake.

Among other experiences the African one appears to be the most frustrating. This conflict form continent is facing in full the difficulties of the entire developing world, though the case of Africa is unique. “Whether it is in the area of economic co-operation or with respect of peace and security our continent continues to be a region of the world, which is the least favoured for effective and meaningful cooperation. The ‘we the peoples of the United Nations’ mentioned in the preamble to the charter and the lofty aspirations contained therein continue to be distant dreams for Africa” (Wriston, W. B. 1997:178).

**Selective Action**

Globalization can be defined in many ways. Many definitions really take on board its multiple dimensions. Others, however, emphasize the economic interdependencies whose effects make the phenomenon manifest in the growth in trade technology and financial flows. One of the vehicles of globalization is the liberalization of trade exchanges. Here is where developing countries see its most disturbing discriminating effects and raise their protests against: ‘we say no to selective globalization when it comes to liberation, in as much as we are being called on to liberalized our trade investments and financial flows at an accelerated pace, while this impulse to liberalize has not been nearly so strong in the case of products of to our countries or in the promotion of access to know-how and technologies.

The developing countries that have few income-generating resources and depend on a limited number of crops cannot share the enthusiasm for the eulogized benefits of trade over the Internet. They resent a more hostile climate and bring testimony; “under the banner of liberalization and free competition globalization has had the effect of eroding or even eliminating preferences providing our commodities with access to the markets of the North” (Rasmussen, J. L, 1997:420…The rules of the WTO and its dispute settlement mechanisms put the interests of the strong ahead of the interests of the weak.)

**Marginalization**

Less developed countries are almost unanimous in considering that the only palpable and overwhelming consequences of globalization are their own marginalization. In most cases this assertion can be illustrated by facts and figures. “If there is any demonstration of the inequality that exist and most human beings have been marginalized as we approach the end of the twentieth century the following is a striking example: the asserts of the three richest people are more than the combined GNP of all of the least
developed countries, the asserts of the 200 richest people are more than the combined income of 41 percent of the world’s people” (Boyle, James and Shamans, 1996).

Marginalization becomes a sort of invented language to describe in political terms the situation of countries left out of the mainstream. Among those that are not able to cope with the rapid pace of integration in that mainstream the least developed countries implore special attention “so that they do not slip further into the abyss of poverty and disintegration” (Nye and Joseph 1997: 26)

**Colonial flavour**

Small countries experience an irreparable disillusionment; international cooperation among abruptly unequal entities is no long credible. “We have loss our innocence: this is the surest legacy that globalization has visited upon us. We cannot be swayed by the rhetoric of partnership when the relentless logic of globalization is geared to decimate, the marginalize and to eliminate” (Barnet, Richard J. and Cavanagh, J. 1994)

After decades of post-colonial rhetoric and an exhaustive battle between two world economic systems…we find ourselves obliged to discuss the same problems and the same disputes that we have been facing for over half century” (Gilpin, Robert, 1981:41-43)

The most militant of the developing countries whose interests are struck by a series of international sanctions and various manifestations of globalization perceive a surreptitious return of colonialism. “Colonialism is coming back in the guide of the IMF, the World Bank, other economic institutions, economic cartels and when necessary military alliances. It is coming back in the guide international conventions imposed through so called international legitimacy which is really nothing more than a statement of higher policies dictated through temptation or coercion. Colonialism is coming back in the guide of globalization”

**Imposition**

What was once ideologically hostility takes new shapes if looked through the prism of those unfortunate nations globalization has left behind. The perception is that the era of multiple choices is over. Globalization brings with it its unique dogma in a one size-fits-all format. “Everything will continue to be cooked in the west just as communism and socialism came from the west; liberal democracy, globalization, a borderless world, deregulation unfettered free flow of capital and their flights to quality, the disciplining of government by the market and by currency traders and a most of other ideas all come from the west (www.wiredcom/news/business).

**Assault on Sovereignty**

May be this is seen as the capital sin. Sovereignty is affected directly as a state-to state relation: “Globalization leads to the reduction of the sovereignty of states with the weakest and the smallest being the biggest losers.” (Mueller and Mueller, 1999:43-53)

That expresses the unequal relationship between states. However, there is also a threat from another direction. “We are seeing the very sovereignty of countries being eroded by the power of multinational companies. True economic power is being held in the fewer hands and the developing countries are becoming further marginalized. Social problems increase as people lose jobs and capital and currency values are controlled elsewhere.” (www.svtc.org/letters/letter12a.htm)
The erosion of sovereignty comes with other perils of globalization; it not only produces consequences for economic welfare, but also for the viability of painfully built institutions and social stability. One high official describes the “…more insidious dimensions of globalization, especially those which impinge on the security of states… The specter of transnational crime has grown to significant proportions, especially in the illicit trade in narcotics and small arms. Together, these instruments of death and destruction represent a significant danger to the internal security of many countries, fostering criminal activities, which serve to destabilize and corrupt the social order to undermine democratic institutions and to increase lawlessness (cnn.com/2000TECH/computing?01/credit.card.crack.2/index.html)

**Loss of identity**

Globalization is doubtfully able to serve the entire human race or to improve the equality of education, cultural and world wide intercultural exchange. The new cultural values whose vehicle is globalization come from an economic system based on the irrational consumption patterns of the rich countries which are later exported to our own countries through the mass media.

Globalization appears to have made cultural diversity obsolete. Cultural sub-cultural products included those on digital support on the Internet dirty shops, have become the real merchandize. They come from the same cardinal point. What is from west is universal. Other values and cultures are superfluous and unnecessary. If they remain there will be a clash of civilizations. To avoid this clash there should be only one civilization in the world. Everything should be standardized according to western best practices. They may change if the west changes. Thus the globalize world will be totally uniform.

**Conclusion**

The construction industry of developing economies in relation to globalization has been a field in which little interest has been generated among scholars of building and construction experts in the country, and the theme of this first international conference on globalization and capacity building is a welcome realization of the importance of this important aspect of the Nigerian economy. This paper has therefore examine the importance of the construction industry in the Nigerian economy, the role of housing in economic and social development as a component of the construction industry, the problem facing the construction industry as well as the possible ways and means of responding to the challenges of globalization in the provision of housing in Nigeria by the construction industry. It seems that globalization will inevitably lead to a more coherent world economic order in which the stronger nations will continue to dominate and the weaker marginalized. Other papers would no doubt discuss and give figures and data on the production and distribution of the building materials and their various changing prices.

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This paper leverages multi-criteria decision support system (MCDSS) such as the Analytical Hierarchical Process (AHP) methodology to model contractor selection problem in a government procurement supply chain. The proposed methodology employs a set of criteria for the selection and evaluation of the best contractor. A case study of a government Ministry in Ghana is used to illustrate contractor selection problem. The AHP is used for contractor selection because it allows different types of contractor capabilities to be examined. The result findings indicate that contractors’ experience is the most important followed by manpower resources, financial stability, and relevant equipment for contractors’ selection in Ghana.

Introduction

The motivation for this case study is because the procurement department of a government Ministry in Ghana often performs its contractor selection process arbitrarily. Selecting the most appropriate contractor or core of contractors is imperative to the success of any government construction projects. Thus, because contractors can perform an important role in any construction project, contractor selection constitutes a major decision for public authorities (Anagnostopoulos and Vavatsikos, 2006). In developing countries the imperative in selecting the most appropriate contractor is often taken for granted in construction procurement supply chain. Indeed, selection of contractors in developing countries such as in Ghana is often based on the criterion of least bid amount or cost. This myopic mindset of selecting contractors often in the long run can lead to poor construction performance, cost overruns, project completion delays, abandonment of projects, among others. For example, Anvuur and Kumaraswamy (2006) noted that “the performance of construction in Ghana is poor and many reports have decried the public sector’s lack of commercial edge in the exercise of its procurement function.” In the developing countries, some of the problems associated with construction industry are cost overruns and repeated delays (e.g., Okpala and Aniekwu, 1988; Werna, 1993; Mansfield et al., 1994). Ogunsemi and Aje (2006) assert that “construction projects in Nigeria are generally characterized by cost and time overrun, substandard work, disputes and abandonment; emanating from several factors of which the wrong choice of contractors is a key factor.”

Contractor selection problem represents a typical multi-criteria decision making (MCDM) problem that encompasses both quantitative and qualitative criteria (Sonmez et al., 2002). According to Sonmez et al (2002), when confronted with MCDM problems, “a decision maker may need to provide uncertain,
incomplete, or imprecise assessments due to a lack of information, time pressure and/or shortcomings in expertise.” Arguably, one way a decision maker can handle the preceding is to use AHP methodology to a contractor prequalification problem. According to Hutush and Skitmore, “there is a need for a contractor selection technique that is capable of considering multiple criteria.” The AHP is one such technique that permits the treatment of both quantitative and qualitative criteria. Singh and Tiong (2006) contend that contractor selection problem is a complex multi-criteria decision making process which are mostly subjective in nature and difficult to quantify. Saaty’s (1994) AHP is one of the methods based on the initial qualitative assessments that later assumes a quantitative form. However, the AHP is used in this case study because of its simplicity, practicality and appropriateness in selection problems. Meredith and Mantel (2000) noted AHP as a reliable tool for project selection. Thus, the use of AHP methodology is appropriate to construction project contractor selection for the purchasing and procurement supply chain managers in a Ghanaian government Ministry. AHP has been used contractor selection (e.g., Ibrahim et al 2002; Al-Harbi, 2001; Mian and Christine, 1999).

The rest of the paper is organized as follows. Section 2 briefly reviews the contractor selection literature. Section 3 presents the research methodology. Section 4 describes the data collection and analysis. Section 5 discusses the research findings. Finally, section 6 presents the conclusions and managerial implications.

Contractor Selection

Successful completion of either a private sector or government projects depends on the proper selection of the most appropriate contractor or set of core contractors. However, to achieve the right prequalification and bid evaluation process purchasing or procurement supply chain managers must determine the requisite attributes. Hutush and Skitmore (1997) suggest that “prequalification and bid evaluation processes requires the development of necessary and sufficient criteria.” Success of any government projects depends on the selection of core contractors. Contractor prequalification process which entails array of decision attributes has been discussed in the literature (e.g., Zedan and Skitmore 1994; Moselhi and Martinelli, 1993; Ng, 1992; Merna and Smith, 1990; Russell, 1988; Hutush and Skitmore, 1997). For example, some of the criteria considered in contractor selection problem are bid amount, managerial capability, organizational structure, technical competence, relevancy of experience, depth of organization, financial stability, current workload, health and safety records, reputation, past performance, key personnel availability, and relevant experience on comparable construction (Holt et al., 1994; Russell et al., 1990; Hutush and Skitmore, 1998, 1997; Hunt et al., 1996; Moselhi and Martimelli, 1993; Merna and Smith, 1990; Anagnostopoulos and Vavatsikos, 2006).

Research Methodology

A decision-making environment entails multiple criteria called MCDM. Contractor selection problem represents a typical MCDM problem that entails multiple criteria that can be both qualitative and quantitative. An example of MCDM selected to model contractor selection is AHP developed by Saaty (1980). It is chosen because it allows decision-makers to model a complex problem in a hierarchical structure showing the relationships of the overall goal, objectives, and alternatives. Following Saaty (1980), the hierarchy structure of contractor selection for a government construction procurement project is shown in Figure 1.

1. Define an unstructured problem and determine the overall goal. The overall goal is to select the best contractor.
2. Build the hierarchy from the top through the intermediate levels to the lowest level which usually contains the list of alternatives. The major decision criteria occupy the second level of the hierarchy. The decision maker defines the criteria that will be used to judge the alternative options. The defined decision criteria are contractor’s experience, availability of manpower (key personnel), relevant equipment, and

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financial stability. The alternative contractors considered by the procurement supply chain managers are contractors A, B, C, D, E, and F.

3. Construction of pairwise comparison matrix. Build a set of pairwise comparison matrices for each level of the hierarchy and then conduct all the pairwise comparisons. The pairwise comparison matrix $A$, where element $a_{ij}$ of the matrix is the relative importance of $i^{th}$ factor with respect to $j^{th}$ factor, can be determined as follows:

$$A = \begin{bmatrix} a_{ij} \end{bmatrix}$$  \hspace{1cm} (1)

Where the entry in row $i$ and column $j$ of $A$ ($a_{ij}$) indicates how much more important objective (criteria) $i$ is than objective $j$. Each entry in matrix $A$ is positive ($a_{ij} > 0$) and reciprocal ($a_{ij} = 1/a_{ji}$ for all $i, j = 1, 2, 3, \ldots n$). “Importance” is measured on an integer-valued 1-9 scale for pairwise comparisons. It allows the transformation of qualitative judgments and/or intangible attributes into preference weights (level of importance) or numerical values. The pairwise comparisons are accomplished in terms of which element dominates or influences the order. According to Saaty, a value of 1 between two criteria indicates that both equally influence the affected node, while a value of 9 indicates that the influence of one criterion is extremely more important than the other.

4. $n(n - 1)/2$ judgments are needed to develop a set of matrices in step #3. Reciprocals are assigned in each pairwise comparison automatically.

5. Utilizing the hierarchical synthesis to weight the eigenvectors according to the weights of the criteria. The total is for all weighted eigenvectors corresponding to those in the next lower level of the hierarchy.

6. After completing all the pair-wise comparisons, the consistency can be evaluated using the eigenvalue ($\lambda_{\text{max}}$), to derive the consistent index (CI). Specifically, Saaty (1990) recommended that the maximum eigenvalue, $\lambda_{\text{max}}$, can be determined as

$$\lambda_{\text{max}} = \sum_{j=1}^{n} a_{ij} W_j/W_i,$$  \hspace{1cm} (2)

Where $\lambda_{\text{max}}$ is the principal or maximum eigenvalue of positive real values in judgment matrix, $W_j$ is the weight of $j^{th}$ factor, and $W_i$ is the weight of $i^{th}$ factor.

7. Consistency Test. Each pairwise comparison which has several decision elements for CI measures the entire consistency judgment for each comparison matrix and the hierarchy structure. Thus, CI and
Consistency ratio (CR) are used to determine the consistency of the comparison matrix. A matrix is assumed to be consistent if and only if $a_{ij} \cdot a_{jk} = a_{ik}$ for all $i, j, and k$. Specifically, CI for each matrix order $n$ is determined by using (3).

\[ CI = \frac{(\lambda_{\text{max}} - n)}{n - 1} \]  \hspace{1cm} (3)

Where $n$ is the matrix size or the number of items that are being compared in the matrix. Based on (2), the consistency ratio (CR) in (4) can be determined as below:

\[ CR = \frac{CI}{RI} = \frac{\left[ (\lambda_{\text{max}} - n) \right]/n - 1}{RI} \]  \hspace{1cm} (4)

CR is acceptable, if its value is less than or equal to 0.10. However, if it is greater than 0.10, the judgment matrix will be considered inconsistent. To rectify the judgment matrix that is inconsistent, decision-makers’ judgments should be reviewed and improved.

Data Collection and Analysis

Relational data were derived with the aid of questionnaire administered on purchasing and procurement managers within a Ghanaian Ministry to determine the order of importance of the contractor selection criteria. Prequalification evaluation scores for six contractors were obtained based on past experience, financial soundness, relevant equipment, and manpower resources criteria. Essentially, from the hierarchy tree, a questionnaire was developed to enable pairwise comparisons between all the criteria at each level in the hierarchy. The pairwise comparison process elicits qualitative judgments that indicate the strength of the purchasing and procurement purchasing managers’ preference in a specific comparison according to Saaty’s 1-9 scale. Indeed, they were requested to respond to several pairwise comparisons where two categories at a time were compared with respect to the goal. The result of the survey questionnaire technique was then used as input for the AHP. The matrix of pairwise comparisons of the criteria or attributes given by the chemical firm in the case study is shown in Table 1. The judgments are entered utilizing the Saaty’s pairwise comparison preference scale explained in no. 3. The data collected were analyzed with the aid of AHP using Expert Choice Software 11.5.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Past Experience</th>
<th>Manpower Resources</th>
<th>Relevant Equipment</th>
<th>Financial Stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past Experience</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Manpower Resources</td>
<td>1/3</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Relevant Equipment</td>
<td>1/5</td>
<td>1/3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Financial Stability</td>
<td>1/6</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Empirical Results

The pairwise comparison of the major criteria priority shown in Figure 1 indicate that experience is the most preferred criterion for selecting a contractor with a priority of 0.582 followed by manpower (availability key personnel (0.1954), financial stability/soundness (0.125), and relevant equipment (0.098).
Figure 2. Major Criteria Priority with respect to Goal

Goal: Selecting the Best Contractor for a Government Construction Project
- Experience (L: .58215)
- Manpower (L: .19544)
- Relevant Equipment (L: .09778)
- Financial Stability (L: .12462)

Composite Priority with respect to Alternative Contractor

Table 2 reports the composite priority with respect to alternative contractors. According the result findings, the most appropriate contractor to select is contractor C followed by A and B contractors.

Table 5. Overall Priority with respect to Alternative Contractor

<table>
<thead>
<tr>
<th>Alternative Contractor</th>
<th>Experience (CR: 0.05 &lt; 0.10)</th>
<th>Manpower</th>
<th>Relevant Equipment</th>
<th>Financial Stability</th>
<th>Overall Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor A</td>
<td>0.05837</td>
<td>0.35509</td>
<td>0.32269</td>
<td>0.15053</td>
<td>0.18156</td>
</tr>
<tr>
<td>Contractor B</td>
<td>0.18145</td>
<td>0.22726</td>
<td>0.09820</td>
<td>0.05534</td>
<td>0.16679</td>
</tr>
<tr>
<td>Contractor C</td>
<td>0.55222</td>
<td>0.06413</td>
<td>0.13904</td>
<td>0.12175</td>
<td>0.31920</td>
</tr>
<tr>
<td>Contractor D</td>
<td>0.11761</td>
<td>0.11851</td>
<td>0.09820</td>
<td>0.08316</td>
<td>0.11110</td>
</tr>
<tr>
<td>Contractor E</td>
<td>0.03861</td>
<td>0.11851</td>
<td>0.21012</td>
<td>0.49341</td>
<td>0.13618</td>
</tr>
<tr>
<td>Contractor F</td>
<td>0.05174</td>
<td>0.11851</td>
<td>0.13176</td>
<td>0.09581</td>
<td>0.08518</td>
</tr>
<tr>
<td>CR</td>
<td>0.06&lt;0.10</td>
<td>0.01&lt;0.10</td>
<td>0.03&lt;0.10</td>
<td>0.02&lt;0.10</td>
<td></td>
</tr>
</tbody>
</table>

Sensitivity Analysis on the Priority Weights of Criteria

Saaty’s AHP method provides an opportunity to investigate the sensitivity of decision criteria with the aid of Expert Choice Software. If group of decision makers believe that a criterion might be more or less important than originally indicated, they can drag that criterion's bar to the right (increase) or left (decrease) and then observe the impact on alternatives. The objective of sensitivity (SA) of contractor in a government Ministry is to determine how the small changes (perturbation) in input parameters will impact the ranking of the alternative suppliers. Because of limitation of space we investigated few sensitivity analysis of the impact of changing priority of the criteria on the alternative contractors’ ranking. For performance sensitivity analysis (Figure 3), the alternative contractor ranking is as follows: contractor C, contractor A, Contractor B, contractor E, contractor D, and contractor F.
Increasing (decreasing) relevance equipment priority from 0.10 (Figure 3) to 0.25 (0.05) (Figure 4 scenario 1) did not change the contractors’ ranking (insensitive or stable). For financial stability, increasing the priority from 0.15 (Figure 3) to 0.25 (Figure 4) changed contractors’ ranking (sensitive), while decreasing the priority from 0.15 to 0.5 did not change contractors’ ranking (insensitive). Similarly, increasing manpower resources from 0.20 (Figure 3) to 0.30 (Figure 5) remained stable. Even when it was decreased from 0.20 to 0.10, contractors’ ranking remained stable.
Conclusions and Managerial Implications

This paper discusses a multi-criteria decision support system for the selection of the most suitable contractor. Essentially, it examines the criteria used by the purchasing and Procurement Department of a government Ministry in Ghana to prequalify contractors. For this case study, contractor selection criteria considered include experience, financial stability/soundness, available manpower resources, and relevant equipment criteria. Contractor selection represents one of the premier functions of purchasing and procurement supply chain managers within any government. The proposed multi-criteria decision making such as AHP is an important approach for contractor selection. For construction procurement supply chain managers in both private and public sectors, selecting the right contractor is imperative in the successful deliver of construction projects. However, selecting the most appropriate contractor for construction project can be a daunting challenge for any private or public client. Contractor Selection represents a crucial decision which can affect the progress and success of any government construction project.

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Comparing the perceived quality of private and public health services in Nigeria

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In several countries services offered by private hospitals are considered to be superior to those of public hospitals. Research on the service quality in hospitals in developing countries is scarce, as is comparison of the customer-perceived quality of the two types of healthcare systems. The present study compares the perceived quality of private and public health services in Nigeria focusing on the capital Lagos. The results show distinctly positive perceptions of the service quality provided by both healthcare systems. However, when high-level hospitals were excluded, the scores for the private hospitals were higher. These findings are in line with earlier studies on hospitals in developed countries, but differ from previous findings on healthcare in developing countries.

Introduction

The aim of a healthcare system is to employ healthcare, social and other resources to meet people’s needs within a given region (Kerleau and Pelletier-Fleury 2002). Ideally, a healthcare system should encompass everyone, from the individual who is ill and in need of care to the paramedic who brings the individual to a hospital, from the nurses who tend to the sick person to the doctors who diagnose the patient, from the pharmacist who dispenses drugs for the patients’ use to the surgeon who performs surgery on the patient (Wei et al. 2007). In many countries, the healthcare system also includes the insurance agencies (social or private) that take decisions based on the type and extent of care to be administered.

Large differences in healthcare systems exist between countries. These variations are even more evident between developed and developing countries. Numerous developed countries see the providing of healthcare as a social responsibility and provide universal coverage for its citizens, usually financed by the tax or social security system. For most less-developed countries, however, universal healthcare coverage is still more or less a dream. Consequently, many such countries have turned to the private sector for its healthcare needs, basic healthcare as well as health insurance. In low-income countries, private services are popular because they ‘... are often cheap ... (and) are adjusted to the purchasing power of the clients, as when partial doses of drugs are sold’ (Mills et al. 2002: 326). However, one of the problems with the private services has been the fact that the poor quality of these private sector actors has been reported in many studies on developing countries (Uplekar 2000, Chabikuli et al. 2002, Lönnroth 2000, Tuan et al. 2006). According to Huseyin et al. (2008) there is still a considerable lack of research on service quality in public and private hospitals in developing countries. The purpose of this study is to increase knowledge in this area by investigating service quality in public and private hospitals in Nigeria. The access to public healthcare is especially restricted in rural areas, so in rural areas the private sector as well as traditional healing play a dominant role. This is in line with the study by Jerve et al. (2001), which concluded that the poor quality of curative services at the community level directly contributes to the phenomenon of high levels of self-medication and over-utilization of tertiary healthcare facilities.

The paper begins by reviewing studies on healthcare quality in Nigeria, followed by a discussion of the concept of healthcare quality and the measurement of healthcare quality. Next, the geographical context
of the study is described, and the results of the study are presented. The paper concludes with a discussion of the results of the study.

Studies on healthcare quality in Nigeria

Early research discovered that making decisions on location in healthcare facilities in developing nations is parochial and politically biased (Lonsdale and Enyedi 1984). The locations generate geographical and socio-cultural distances and barriers that hinder optimum accessibility, agglomeration and benefits (Gaebler, 1992). According to Iyun (1989) however, services provision is more fundamental in Nigeria. Hence, very low correlation coefficients were found in instances of primary hospitals of local importance and good quality and also higher level hospitals around Ibadan. To de Jong and Marshall (2007), this pattern will remain as long as traditional medicine can only treat a limited number of illnesses. Meanwhile, in a survey of some 250 respondents, Popoola (2000) established a significant relationship between sources of information to health consumers, their levels of literacy, and patronage. He concluded that distance factors could be reduced drastically by improving access to information on service availability through advertisements in handbills, books, reports, films and the mass media and by offering data on services location and quality. A more recent multinomial logit model assessment by Amaghionyeodiwe (2008) on the determinants of choice of facilities by households in Nigeria revealed that the cost factor is stronger than distance in the accessibility to modern healthcare but that the price of services is the least important factor in the providers’ choice of location. The study established that the stronger factor accounts for why low income households opt for self-care options and older people patronize hospitals more.

Focusing on the attitudinal behaviors of Nigerian healthcare personnel, PloS (2005) examined the treatment of patients with HIV/AIDS in a survey on 1,021 professionals in 111 urban hospitals over 4 states of the federation. It was found that only a few members of staff comply with professional ethics but that the majority showed discriminatory attitudes to patients, in addition to many other forms of stigmata, discrimination, and unfair treatment of the patients face in their families, communities, and places of work. Among reasons suggested for the behavior were inadequate education, decay of infrastructure, decay and scarcity of protection materials. The study called for enforcement of ethical obligations and anti-discrimination policies. Similar studies on the training of health workers in childhood illness (Uzochukwu et al 2007) and middle level workers in adult physiotherapy at Nigerian hospitals (Obembe et al 2008) show strong correlations between training and performance.

In summary, the literature review indicates that academic research on healthcare qualities, and the healthcare workers’ attitudes and behavior as perceived by users is at its infancy in Nigeria. Rather, the majority of studies are on facility location and accessibility, government spending on healthcare, service provision, and disease prevalence.

Healthcare service quality measurements

In the present study we make a distinction between healthcare quality and healthcare service quality. While healthcare quality comprises outcomes, processes, and structures (Browers and Kielfe, 2002; Donabedian, 1980, 1982, 1985), healthcare service quality refers solely to the process of healthcare delivery. Thus, rather than assessing their health after a treatment, patients are evaluating the way they perceive the service they obtained from a healthcare provider.

We assessed the traditional dimensions of service quality; tangibility, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1985, 1988; Vandamme and Leunis, 1993). In the context of hospital service quality, tangibility refers to the physical environment of the hospital as well as the functional quality of diagnoses, and efficient communication. Although patients often are unable to assess
the technical quality of the care they receive, they are able to evaluate the tangible elements of the care such as physical environment, communication with nurses and doctors, and the understandability of the diagnosis. Reliability refers to the trustworthiness of service delivery. Trustworthiness means keeping promises and time, being sympathetic and reassuring, and keeping records accurately. Here again patients are less capable of assessing how reliable diagnoses, are but they can judge reliability from a service delivery point of view by evaluating reliability in terms of time or accurate storage of records. Responsiveness in hospitals is defined as the exact delivery of services, willingness to help, and efficient allocation of time. In line with the other service dimensions, the technical quality of assurance is difficult for patients to evaluate but assurance of the delivery of hospital services is here referred to as safeness of diagnoses, politeness, and good and relevantly specialized knowledge. Finally, empathy in our study is characterized as the personnel’s ability to reflect the perceived needs of the patients.

The study used the refined scale of SERVQUAL developed by Parasuraman et al. (1985, 1988). Original measures were adapted to fit the service quality in hospital settings. Ryan et al. 2009 suggest that SERVQUAL appears to be a potentially useful technique and that its application should be researched in healthcare settings. A number of studies have done so (see for example, Naidu, 2009; Ryan et al., 2009; Rohini and Mahadevappa, 2006; Wisniewski and Wisniewski, 2005; Carman, 1990; Headley and Miller, 1993; Lytle and Mokwa, 1992; Reidenbach and Sandifer-Smallwood, 1990) and thus the reliability of the measurement tool is well tested. The present study used a 7-point scale.

An introduction to the health system in Nigeria and the study area, Lagos

The health system in Nigeria is structured along the universal three levels of primary, secondary and tertiary care. The Federal, state and Lowest Governing Authorities (LGAs) comparable to municipalities, respectively, are responsible for each level of the system in the public administrative domain. Primary healthcare in Nigeria is the responsibility of the LGAs. The authorities are the lowest governing authority in the country and are comparable to municipalities and regions in other parts of the world. In addition to the provision and maintenance of basic primary education and maintenance of basic infrastructures, the LGAs are responsible for providing healthcare to the population at the most basic levels and institutions, including primary health care and child vaccination centers as well as local and community health clinics.

Secondary healthcare services include institutions such as state general hospitals and private specialist hospitals. This level of healthcare provides healthcare services at a level higher than that obtained from the primary healthcare facilities. Healthcare at this level is provided by the state government (i.e. they are operated by the state ministry of health) and basically provide specialized services to patients referred from the primary healthcare level through out-patient and in-patient services for general medical, surgical and community health needs. Support services such as laboratories, diagnostics, and blood banks are provided.

Tertiary healthcare services comprise healthcare services that are provided by highly specialized institutions and thus represent the highest level of healthcare services in the country. This level of healthcare provides highly specialized healthcare services in many areas including orthopedic, psychiatric, maternity, and pediatric specialties. Institutions at this level include university teaching hospitals, federal medical centers, and other national specialist hospitals.

The public healthcare facilities at the primary, secondary and tertiary levels in Nigeria are scanty, maldistributed politically. They lack facilities and personnel, more grossly at the LGA level and in rural areas (Asuzu, 2004). The private sector fills the vacuum and makes most impacts in the primary healthcare system using both modern western and traditional hospitals and clinics. Usually, areas of jurisdiction are local but of wide range and multiple services.
The old traditional healthcare system is dominated by 'medicine-men' who are knowledgeable in specific uses of herbs and roots, the ailments they cure, and how to prepare and administer the herbal medication. However, the fact that the long-term side effects of many of the medications are hardly known affects their level of acceptance beyond low-income earners and rural areas in Nigeria, more so where there are other alternatives present.

**Data analysis**

Six of the 20 LGAs of Lagos and one of the FCT were selected for the study (Table 1).

<table>
<thead>
<tr>
<th>State</th>
<th>LGA</th>
<th>Population</th>
<th>Density</th>
<th>Categorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagos</td>
<td>Ikeja</td>
<td>313,196</td>
<td>6,779</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>Somolu</td>
<td>402,673</td>
<td>35,015</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>Mainland</td>
<td>3 17,720</td>
<td>16,293</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>Surulere</td>
<td>503,975</td>
<td>21,912</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>Kosofe</td>
<td>665,393</td>
<td>8,174</td>
<td>Urban</td>
</tr>
<tr>
<td></td>
<td>Badagry</td>
<td>241,093</td>
<td>547</td>
<td>Semi-urban</td>
</tr>
<tr>
<td>FCT</td>
<td>Abuja Municipal Area</td>
<td>778,567</td>
<td>228</td>
<td>Semi-urban</td>
</tr>
</tbody>
</table>

Of the 220 questionnaires administered among the hospital patients, 141 were on the primary, 54 on the secondary, and 25 on the tertiary level. There were 23 hospitals altogether, including 12 primary, 9 secondary, and 2 tertiary hospitals. The questionnaires were personally handed to and collected from the patients. The gender distribution was 43.2% males and 56.8% females. Most of the respondents were students (38.2%) while 22.3% of the sample consisted of businessmen, 19.5% of civil servants, and 10.9% were teachers. A small share (8.6%) of the respondents classified themselves as ‘other’. Our respondents were fairly highly educated: 36.4% of them were graduates (i.e. B.A. B.Sc./HND) and 33.6% were above graduate level. 17.3% had a high school education (i.e. GSCE ) while the rest of the respondents had a technical education (i.e. SSCE, 5.8%), lower than high school education (3.6%) or were at junior college (i.e. OND/NCE, 2.7%).

**Results**

Our results indicated that there is very little if any difference in how people perceive service quality in private and public hospitals. Table 2 shows that only two questions statistically significantly differentiated between private and public hospitals. The patients perceived private hospitals ($M = 5.5/SD = 1.43$) to be more dependable than public hospitals ($M = 5.06/SD = 1.49$). In addition, the respondents trusted employees of private hospitals more ($M = 5.05/SD = 1.56$) than they trusted staff of public hospitals ($M = 4.57/SD = 1.39$).

<table>
<thead>
<tr>
<th>Item</th>
<th>Private Mean</th>
<th>Std.De v</th>
<th>Public Mean</th>
<th>Std.De v</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital has up-to-date environment for diagnosis</td>
<td>5.2</td>
<td>1.621</td>
<td>4.82</td>
<td>1.465</td>
<td>-1.9</td>
<td>.06</td>
</tr>
<tr>
<td>Hospital’s physical facilities are visually appealing</td>
<td>5.2</td>
<td>1.706</td>
<td>4.81</td>
<td>1.588</td>
<td>-1.4</td>
<td>.15</td>
</tr>
<tr>
<td>Hospital employees are well dressed and appear neat</td>
<td>5.8</td>
<td>1.418</td>
<td>5.45</td>
<td>1.438</td>
<td>-1.4</td>
<td>.15</td>
</tr>
<tr>
<td>Hospital has some materials to communicate with the patients (For example: booklets)</td>
<td>5.2</td>
<td>1.714</td>
<td>4.80</td>
<td>1.918</td>
<td>-1.4</td>
<td>.17</td>
</tr>
<tr>
<td>When hospital makes a promise, it keeps the promise</td>
<td>5.3</td>
<td>1.407</td>
<td>5.01</td>
<td>1.598</td>
<td>-1.1</td>
<td>.27</td>
</tr>
<tr>
<td>When patients have problems, hospital is sympathetic and reassuring</td>
<td>5.4</td>
<td>1.522</td>
<td>5.27</td>
<td>1.563</td>
<td>-0.4</td>
<td>.66</td>
</tr>
</tbody>
</table>

**The hospital is dependable**

<table>
<thead>
<tr>
<th>Item</th>
<th>Private Mean</th>
<th>Std.De v</th>
<th>Public Mean</th>
<th>Std.De v</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hospital provides its services at the time it promises to do so</td>
<td>5.5</td>
<td>1.43</td>
<td>5.06</td>
<td>1.495</td>
<td>-2.13</td>
<td>.03</td>
</tr>
<tr>
<td>The hospital keeps its records accurately</td>
<td>5.7</td>
<td>1.350</td>
<td>5.62</td>
<td>1.293</td>
<td>-0.59</td>
<td>.56</td>
</tr>
<tr>
<td>The hospital tells their patients exactly when services will be performed</td>
<td>5.5</td>
<td>1.399</td>
<td>5.21</td>
<td>1.598</td>
<td>-1.45</td>
<td>.15</td>
</tr>
<tr>
<td>It is realistic for patients to expect prompt service from employees of the hospital</td>
<td>5.3</td>
<td>1.639</td>
<td>5.19</td>
<td>1.530</td>
<td>-0.36</td>
<td>.72</td>
</tr>
</tbody>
</table>
Based on our results it can be concluded that the patients of our sample perceive service quality of Nigerian hospitals as good or very good. All the means in Table 2 are above average in the scale from one to seven, indicating a good quality of the healthcare service.

Because private hospitals make their largest contribution at primary and secondary level (see Table 1), we ran t-test only on those levels. The results are displayed in Table 3 where the analysis was run for both primary and secondary levels together.

Table 3. Mean differences between private and public hospitals at the primary and secondary levels

<table>
<thead>
<tr>
<th>Item</th>
<th>Private Mean</th>
<th>Private Std.Dev</th>
<th>Public Mean</th>
<th>Public Std.Dev</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital has up-to-date environment for diagnosis</td>
<td>5.51</td>
<td>1.638</td>
<td>4.82</td>
<td>1.465</td>
<td>-2.74</td>
<td>.007</td>
</tr>
<tr>
<td>Hospital’s physical facilities are visually appealing</td>
<td>5.34</td>
<td>1.781</td>
<td>5.18</td>
<td>1.588</td>
<td>-1.99</td>
<td>.050</td>
</tr>
<tr>
<td>Hospital employees are well dressed and appear neat</td>
<td>6.19</td>
<td>1.176</td>
<td>5.45</td>
<td>1.438</td>
<td>-3.55</td>
<td>.001</td>
</tr>
<tr>
<td>Hospital has some materials to communicate with the patients (For example: booklets)</td>
<td>5.33</td>
<td>1.842</td>
<td>4.80</td>
<td>1.918</td>
<td>-1.76</td>
<td>.079</td>
</tr>
<tr>
<td>When hospital makes a promise, it keeps to the promise</td>
<td>5.48</td>
<td>1.454</td>
<td>5.01</td>
<td>1.598</td>
<td>-1.90</td>
<td>.059</td>
</tr>
<tr>
<td>When patients have problems, hospital is sympathetic and reassuring</td>
<td>5.61</td>
<td>1.482</td>
<td>5.27</td>
<td>1.563</td>
<td>-1.40</td>
<td>.164</td>
</tr>
<tr>
<td>The hospital is dependable</td>
<td>5.88</td>
<td>1.380</td>
<td>5.06</td>
<td>1.495</td>
<td>-3.53</td>
<td>.001</td>
</tr>
<tr>
<td>The hospital provides its services at the time it promises to do so</td>
<td>5.48</td>
<td>1.693</td>
<td>5.18</td>
<td>1.545</td>
<td>-1.17</td>
<td>.245</td>
</tr>
<tr>
<td>The hospital keeps its records accurately</td>
<td>6.27</td>
<td>1.031</td>
<td>5.62</td>
<td>1.293</td>
<td>-3.51</td>
<td>.001</td>
</tr>
<tr>
<td>The hospital tells their patients exactly when services will be performed</td>
<td>5.84</td>
<td>1.381</td>
<td>5.21</td>
<td>1.598</td>
<td>-2.67</td>
<td>.008</td>
</tr>
<tr>
<td>It is realistic for patients to expect prompt service from employees of the hospital</td>
<td>5.45</td>
<td>1.755</td>
<td>5.19</td>
<td>1.530</td>
<td>-9.8</td>
<td>.326</td>
</tr>
<tr>
<td>The hospital’s employees are always willing to help patients</td>
<td>5.60</td>
<td>1.402</td>
<td>5.17</td>
<td>1.452</td>
<td>-1.88</td>
<td>.062</td>
</tr>
<tr>
<td>Even when they are too busy, they respond to patient requests promptly</td>
<td>4.91</td>
<td>1.772</td>
<td>5.01</td>
<td>1.610</td>
<td>.383</td>
<td>.70</td>
</tr>
<tr>
<td>You can trust the employees of the hospital</td>
<td>5.21</td>
<td>1.624</td>
<td>4.57</td>
<td>1.386</td>
<td>-2.64</td>
<td>.009</td>
</tr>
<tr>
<td>You can feel safe when being diagnosed by the hospital’s employees</td>
<td>5.86</td>
<td>1.473</td>
<td>5.59</td>
<td>1.317</td>
<td>-1.20</td>
<td>.232</td>
</tr>
<tr>
<td>Employees of the hospital are polite</td>
<td>5.73</td>
<td>1.436</td>
<td>5.22</td>
<td>1.603</td>
<td>-2.07</td>
<td>.040</td>
</tr>
<tr>
<td>The employees have adequate specialization</td>
<td>6.01</td>
<td>1.176</td>
<td>5.33</td>
<td>1.45</td>
<td>-3.19</td>
<td>.002</td>
</tr>
<tr>
<td>The hospital gives you individual attention</td>
<td>5.72</td>
<td>1.438</td>
<td>5.19</td>
<td>1.595</td>
<td>-2.17</td>
<td>.031</td>
</tr>
<tr>
<td>Employees of the hospital give you personal attention</td>
<td>5.32</td>
<td>1.543</td>
<td>5.18</td>
<td>1.623</td>
<td>-1.54</td>
<td>.588</td>
</tr>
<tr>
<td>Employees of the hospital know what your needs are</td>
<td>5.19</td>
<td>1.578</td>
<td>5.23</td>
<td>1.444</td>
<td>-1.19</td>
<td>.850</td>
</tr>
<tr>
<td>The hospital has their patients’ best interests at heart</td>
<td>6.00</td>
<td>1.141</td>
<td>5.40</td>
<td>1.498</td>
<td>-2.84</td>
<td>.005</td>
</tr>
<tr>
<td>The hospital has operating hours convenient to all their patients</td>
<td>5.56</td>
<td>1.647</td>
<td>5.44</td>
<td>1.490</td>
<td>-4.83</td>
<td>.630</td>
</tr>
</tbody>
</table>

The results in Table 3 show that when the tertiary level of the Nigerian hospitals was excluded from the analysis, there appeared more statistically significant differences between private and public hospitals. In all the questions on service quality where differences in perceptions occur, the private hospitals scored far better mean values. Private hospitals were considered as having a more up to date environment for diagnosis (M=5.51/SD=1.64 vs. M=4.82/SD=1.46) and employees were judged to be neater (M=6.19/SD=1.18 vs. M=5.45/SD=1.44). Private hospitals were also seen as more dependable than public ones (M=5.88/SD=1.38 vs. M=5.06/SD=1.49). These results are interesting in the sense that they corroborate earlier studies on hospitals in developed countries, but are not in line with the literature on developing countries indicating problems with the quality of private hospitals. (Uplekar 2000, Chabikuli et al. 2002, Lönnroth 2000, Tuan et al. 2006).
Summary and discussion

This study set out to investigate a scarcely researched area, consumer perceptions of private versus public hospitals in a developing country. Earlier research in the field has indicated problems with the quality of private hospitals, an issue that this study also set out to examine. Based on results of the present study it can be seen that the patients of the sample perceived the service quality of Nigerian hospitals as good or very good. All the means were above average in a scale from one to seven, indicating a good healthcare service quality. However, the results showed that when the tertiary level of the Nigerian hospitals was excluded from the analysis, there appeared more statistically significant differences between private and public hospitals. In all the questions on service quality where differences in perceptions occurred, the private hospitals scored far better mean values.

The private sector will always take advantage of the market mechanisms within the public control of the provision of essential services such as healthcare. In developing countries where there are no strong controls (such as for example Nigeria), governments should be more responsive to improve the quality of life for all strata of the society not only through the direct provision of services but also by enabling private medical institutions to offer services, by putting in place sustainable policies, institutional and legal arrangements. Our findings indicated that most of the service quality statements (12 out of 22) showed equally high scores in both the private and the public sector. Thus there is support for developing both sectors. However, the private hospitals of the sample appeared to be better in 10 out of 22 service quality statements, which provides information for policy makers which service points need to be improved in the service quality of public hospitals.

References


Financing Public Healthcare Institutions in Ghana

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This study examines how public hospitals in Ghana are financed and the challenges facing the financing modes adopted. We focused on one major public healthcare institution in Ghana. The findings of the study revealed that the main sources of financing the public healthcare institution are government subvention, internally generated funds and donor pooled funds. Of these sources, the internally generated fund was regarded as the most reliable, and the least reliable was the donor pooled funds. Several challenges associated with the various financing sources were identified. These include delay in receipt of government subvention, delay in the reimbursement of services provided to subscribers of health insurance scheme, influence of government in setting user fees, and the specifications to which donor funds are put to. The findings of this study have important implications for improving the financing of public healthcare institutions in Ghana.

Introduction

The economic development of any nation is said to be closely related to the health status of its population. Healthcare financing has a major role to play in ensuring effective delivery of the healthcare system. Health financing involves the basic functions of revenue collection, pooling of resources, and purchase of interventions (Abekah-Nkrumah et al., 2009). In sub-Saharan Africa, the problem of financing has been a major setback to the delivery of basic health services. The financing problem has been attributed to poor economic performance of African economies and the very high population growth rates over the last quarter-century (Mwabu, 1990). In Ghana, the sources of finance available to public healthcare institutions have reduced and this budgetary constraint is affecting the capacity of public hospitals to provide quality healthcare. It is argued that the expectations of quality care, efficiency, responsive service, ready access, fairness, and provider morale are essential in healthcare institutions, given that health service activities contribute to the socio-economic development of the country (Quigley and Scott, 2004; Abor et al., 2008).

The above situation has motivated this study and we hope to gain some insights into the financing situation in public healthcare institutions in Ghana. Literature on healthcare financing in Ghana is very scanty and the few studies have tended to focus on cost recovery and a review of the budgetary process in the health sector in Ghana (see Asenso-Okyere et al., 1998; Abekah-Nkrumah et al., 2009). The objective of this study is to understand how public hospitals are financed in Ghana, with particular reference to one major public healthcare institution in Ghana. For the sake of confidentiality, the healthcare institution would be referred to as The BB Hospital. Specifically, the study seeks to identify the sources of financing healthcare delivery at The BB Hospital. We also examine the challenges facing The BB Hospital in financing healthcare delivery. Finally, the study seeks to ascertain how the National Health Insurance Scheme (NHIS) has affected the financing of healthcare delivery at The BB Hospital.

The rest of the paper is organised as follows: Section two provides an overview of healthcare financing in Ghana. Section three discusses the extant literature on healthcare financing. Section four discusses the
method employed for this study. Section five covers the discussion of the research findings. Finally, section six concludes the study with some recommendations.

**Review of Literature on Healthcare Financing**

There are several ways by which healthcare costs are financed in any country and these may take the form of public and private funding. Public funding include, tax revenue, social health insurance and user fee/out-of-pocket. Private sources of funds for healthcare services include private health insurance schemes, employer financed services, charitable and voluntary donations, community self-help and fund raising and private household expenditures (WHO, 1978; Mossialos and Dixon, 2002). These are discussed in turn.

**Public Funding**

Public funding of healthcare services includes all governmental sources of finance for healthcare services. In countries where majority of healthcare institutions include government owned hospitals, government provides a substantial amount of resources to this effect. Government funding of healthcare services and hospitals for that matter comes from budgetary allocations (Ackon, 2003). The source of government funds for healthcare is tax revenue; general tax revenues, earmarked taxes and local tax revenues (WHO, 1978). This is most common in Western countries that have developed, sustained and well administered government bureaus that collect and manage tax revenues (Fried and Gaydos, 2002). Lee and Mills (1984) suggest that, in developing countries however, the tax revenue base is often narrow and consists largely of indirect taxes such as trade-based taxes. However, some governments earmark tax revenues for health (Green, 2007).

User fees or cost recovery is another source of financing public healthcare institutions. Some African countries have a relatively long tradition of charging user fees, but most introduced fees in the late 1980s and early 1990s, partly in response to pressure from international organisation such as the World Bank and International Monetary Fund (Makinen et al, 2000). Schieber et al., (2006) suggest that out-of-pocket spending of low-income countries accounts for 60% of total health spending, whereas in high-income countries, out-of-pocket spending accounts for 20% of total health spending. Therefore generally, at least some form of fee is paid before healthcare is received, particularly for in-and-outpatient services. The fee may be either an all inclusive flat rate or a fee for each service received. Yates (2006) confirms that the introduction of user fees charge in Africa at a time of widespread downward pressure on public expenditure and dwindling aid flows during the late 1980s, suited both donors and governments to shift some responsibility for healthcare financing to the population through “cost sharing”. White et al. (2006) argue that one of the more controversial approaches to health resource mobilization is user fees (or cost recovery) at public health sector. These fees pose the risk of inequality in access to the use of health services.

Another type of public funding is social insurance. According to Wagstaff and Doorslaer, (1992), social health insurance is a form of financing and managing healthcare based on risk pooling. Vogel (1988) explains that, it is a prepayment mechanism where funds are pooled into a basket to cater for the losses of the few. Social health insurance pools both the health risk and the people on one hand and the contributions of individuals, households’ enterprises and the government on the other hand. Where the state is in charge of such an arrangement, it is known as social insurance (Lee and Mills, 1984). Social health insurance financing represent about 2% of total health in low-income countries, 15% in lower-middle income countries, and 30% in upper-middle -income and high-income countries. In sub-Saharan Africa, only 2% of all public spending on health is through social health insurance and in South Asia, this represent 8% of total health spending (White et al, 2006). Carrin et al (2005) suggest that health financing systems through general taxation or through the development of social health insurance are generally
recognised to be powerful methods to achieve universal coverage with adequate financial protection for all against healthcare costs.

**Private Funding**

One main source of private funding for healthcare services is private health insurance schemes and these are voluntary health insurance schemes that individuals subscribe to. Private health insurance attempts to spread the risk of illness over all the insured and funding of the scheme is based on premiums paid by members. The benefit package under this scheme is determined by the amount of premium paid, which is also dependent on the health risk (Green, 2007). Sekhiri and Savedoff (2005) explain that, private health insurance gives households an opportunity to avoid large out-of-pocket expenditure; it can provide access to financial protection that is otherwise lacking in out-of-pocket spending on health services. Private health insurance premiums are paid by an individual shared between the employees and the employer or paid wholly by the employer and the insurance agents, manage the premiums fund. Government may subsidize the cost of private health insurance using tax credits or tax relief (Mossialos and Dixon, 2002).

Another source of private funding is health partners such as multinationals, bilateral and multilateral donors. Donations could be in the form of money, equipment, building or healthcare supplies. The problem with this form of donor funds is that if the priority of the government is not health, then funding for health would be reduced. Scheiber et al. (2006) are of the view that, the external assistance accounts for some 7% of all health spending in low-income countries and is not a significant source of health financing for other country income groups. However, in some African countries external assistance plays an important role in health sector financing. For instance, charitable donations accounted for 40% of Ugandan finance for health in 1993 and about 84% of Gambia’s health finance in 1994 (WHO, 2000).

**Other Sources of Finance**

Public health institutions also raise financing from undertaking other activities such as operating a cafeteria, gift shop sales, parking garage fees, space or equipment rentals and research grants. Research grants tend to constitute a significant source of funds for a hospital particularly if it is a teaching hospital. Hospitals also receive funding from pharmaceutical companies to test new drugs and products (Lane and Nixon, 2001). Different hospitals have different investment strategies: some hospitals invest in stocks or other securities that provide higher returns at greater risk, while other hospitals invest more in conservative fixed rate return instruments such as bonds and money market funds. It may be difficult to get a sense of hospitals’ investments from their financial statements, although the general mix of stocks, bonds and cash are often disclosed in the footnotes of the audited financial statements. Since investment income can be a “black box” because you cannot tell what a hospital is investing in or what the level of risk involved is, it is important to ask management about its investment strategy (Lane and Nixon, 2001).

**Research Design and Methodology**

This study is a case study of a public hospital in Ghana. The hospital used in this research is a public hospital in Ghana, which for the sake of confidentiality would be referred to as The BB Hospital. The BB Hospital is an autonomous entity, although in certain areas that concern financial decision-making and other policy issues, it is under the guidance of the Ministry of Health. The management structure of the Hospital has at its apex a board of directors, then a chief executive officer and under the chief executive officer are the various directors of units in the facility. These directors include; medical director, director of nursing, director of pharmacy, director of general services, director of administration and director of finance. The study relied on both primary and secondary data. The primary data was collected through personal interview with Director of Finance, Deputy Director and Coordinator of NHIS, Head of Revenue, Head of Salaries, The Chief Internal Auditor, Director of Medical Affairs, Administrators and Accountants. Secondary data included information from 2003-2007 annual reports of the Hospital and the strategic. This is purely a case study and analysis is essentially descriptive.
Analysis and Discussion of Results

This section presents the analysis and discusses the findings in the light of the objectives of the study. It provides findings relating to the sources of financing the Hospital’s operations, challenges confronting the Hospital in financing its operations, and the effect of the newly introduced NHIS on the financing of the Hospital.

Sources of Healthcare Financing

The various sources of financing public healthcare institutions in Ghana include government subvention, donor pooled funds (DPF) and internally generated funds (IGF). Table 1 shows the amounts generated from the various sources of finance for the Hospital. It also shows each finance source as a percentage of the total revenue the Hospital generates per year for a five year period, 2003 - 2007. The results, as indicated in Table 1, show that GoG accounts for the highest percentage of total funding, ranging between 59 – 76% over the five-year period. This is followed by IGF, ranging between 21 – 29% over the same period. DPF constitutes the lowest financing source, representing less than 14% of total funding for the Hospital.

Table 1: Sources of Financing, 2003-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Source</th>
<th>Amount GH¢’m</th>
<th>%</th>
<th>Amount GH¢’m</th>
<th>%</th>
<th>Amount GH¢’m</th>
<th>%</th>
<th>Amount GH¢’m</th>
<th>%</th>
<th>Amount GH¢’m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>DPF</td>
<td>1.334</td>
<td>8</td>
<td>2.743</td>
<td>13</td>
<td>3.228</td>
<td>12</td>
<td>1.205</td>
<td>3</td>
<td>1.983</td>
<td>5</td>
</tr>
<tr>
<td>2005</td>
<td>IGF</td>
<td>4.342</td>
<td>28</td>
<td>5.653</td>
<td>26</td>
<td>7.147</td>
<td>29</td>
<td>7.147</td>
<td>21</td>
<td>10.196</td>
<td>26</td>
</tr>
<tr>
<td>2006</td>
<td>TOTAL</td>
<td>15.959</td>
<td>100</td>
<td>21.351</td>
<td>100</td>
<td>25.059</td>
<td>100</td>
<td>34.115</td>
<td>100</td>
<td>38.941</td>
<td>100</td>
</tr>
</tbody>
</table>

NB: Amount in millions of Ghana Cedis; GOG – Government of Ghana Subvention; DPF - Donor Pooled Funds; IGF – Internally Generated Funds

Government Subvention

The subvention from government is used for paying salaries for healthcare staff on government payroll. The BB Hospital is however, responsible for paying the salaries of workers it has contracted. The government subvention also covers administrative cost and services, including stationery and other items for the smooth running of the Hospital. General investments and Highly Indebted Poor Counties (HIPC) funds considered as investment also form part of subvention to the healthcare facility. The results of the study showed that, the chunk of government subvention is used for paying salaries of staff on its payroll. The contribution of government to investments in general, such as the rehabilitation of old buildings and the purchase of equipment is so infinitesimal.

Internally Generated Funds

IGF include fees charged at the Hospital. These are revenues generated from drug fees and other patient fees raised by the Hospital. These funds could be from the payment of services by health insurance organizations that contracted the Hospital and individuals who use the facility. Other activities that generate such funds are fees for the use of cafeteria services provided by the facility, the use of parking space and other such activities. The IGF was found to be a very reliable source of funding the Hospital. The IGF is used on personal emoluments of contract workers, administrative expenses, services and investments. The use of IGF for administrative expenses, investments and personal emoluments confirm

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3 HIPC is a debt forgiveness initiative where interests to be paid on debt from the World Bank and IMF are used for developmental projects in the owing country
the fact that government subvention, although may appear to be the highest financing source is actually inadequate in running the health facility.

**Donor Pooled Funds**
Donor pooled funds are contributions of donors who are usually countries or development partners, particularly those concerned with health. There are also some non-governmental organisations, private/public corporations, institutions and individuals who contribute either in cash or in material form to the running of the health facility. It is important to note that these funds could be geared towards specific projects. Donor pooled funds usually cover investment items and service delivery of the Hospital. All the interviewees reported that DPF is the least reliable of all the other sources of funds.

**Challenges Facing the Hospital**
A number of challenges were identified during the study and these are discussed accordingly. The challenge that arises from government subvention is the irregular flow of funds. All the respondents mentioned delays in the payment of the subvention as a major challenge confronting the Hospital. At other times, the subvention for some periods does not even come. Respondents also reported that there is a gradual reduction in the amount of subventions received. Another challenge noted is in respect of the fact that the monies received from government are meant for only health workers’ salaries and administrative expenses. There is no component of the subvention for investments and service delivery. This implies that the Hospital must rely on the other sources of finance for running the healthcare facility.

With respect to IGF, the challenges could be looked at in terms of internal and external problems. The internal problems include lapses in the collection of the revenue. Respondents reported leakages in the collection channel. Another problem respondents complained about was that, doctors spend more time in private practice and less time generating revenue for the Hospital. The inability of patients to pay fees and charges is another problem. Some patients offered service on credit often default in settling their hospital bills. The external problems include government’s influence in determining the fees to be charged. The government is responsible for fixing the fees for the various services charged at public healthcare institutions. These fees are usually at the floor of fees charged, resulting in operational losses for the Hospital. Another external problem is the delay in the payment for services provided to people considered in the exemption categories, such as children under-five years of age, people over seventy-five years of age, pregnant women, people with HIV/AIDS and those with Tuberculosis. Respondents also pointed to delays in the reimbursement of NHIS funds for services rendered to subscribers.

In terms of DPF, donors often earmark their resources for specific projects. Considering that such funds are used for specific projects, this may have implications for the priority of the Hospital. For instance, the area in which a donor may request that donation be applied may not be of immediate importance to the Hospital. Funds from donors, especially international donors usually come through government. This means that the money is either given to the Ministry of Health or to the Ministry of Finance and Economic Planning for onward transmission to the Ministry of Health. In such a situation, the Ministry of Health allocates part of the funds to Ghana Health Service, its implementing agency. The proportion that eventually gets to the Hospital tends to decrease. According to respondents, DPF as a financing source is often unreliable. This is because donors are under no obligation to donate funds for the running of the Hospital. They do so at their own volition.

**The Effect of the National Health Insurance Scheme**
One of the objectives of the NHIS is to be able to provide funds to healthcare providers in bulk for planning purposes to ensure efficient and effective delivery of healthcare service, thus, solving the problem of inability of patients to pay for the cost of healthcare. However, the findings of the study
revealed the problem of delays in the payment for healthcare services used by subscribers. Our interviews indicate that since the inception of the scheme at the Hospital, DMHIS that have contracted the services of the Hospital have only paid approximately 54% of total claims owed the Hospital. Respondents maintain that the NHIS is not a reliable source of financing, although the policy is a good one. They lamented that there are delays in the payment of reimbursements. They explained that reimbursements from the use of the scheme are supposed to take a maximum of four weeks. However, payments for services rendered to subscribers could take as long as twelve months. It was found that, the delays tend to affect the ability of the Hospital to pay suppliers of drugs and also impede the smooth running of the Hospital.

Conclusion and Implications

This study sought to examine the financing of hospitals in Ghana focusing on one public hospital in Ghana. The findings from the study revealed that, the main sources of finance for the Hospital are Government subventions, IGF and DPF. Financing of the Hospital is plagued with many challenges such as irregular flow of government subvention and very little subvention allocated for the actual running of the Hospital. Other challenges are the allocation of donor funds to specific projects which may not be priority areas of the Hospital, and the influence of government in the determination of user fees. The NHIS, although a good policy, has a problem of delay in the reimbursement for health services provided by The BB Hospital. This delay adversely affects the smooth running of the Hospital. The challenges confronting The BB Hospital in financing its operations have implications for the performance of its activities in term of healthcare delivery. In the light of the key findings of this study, some recommendations are provided with the aim of improving the financing situation of the Hospital. The timely release of funds meant for the Hospital is crucial in order to ensure that laid plans could be undertaken. An increase in the subvention for administrative purposes and allocation of some of the funds for investment and services should also be seriously considered. The remuneration of staff who are not on government payroll should be absorbed on government payroll so that the pressure on the IGF would be reduced for other operational activities of the Hospital. The leakages identified in the system of revenue collection could be curtailed by introducing the ‘e-zwich’ system of payment at the healthcare facility. Proper internal control systems are also necessary to ensure the efficient use of the IGF. It would be useful for government to allow the Hospital to charge economic fees and prompt payment by the insurance schemes is essential.

References


**Zinc and Selenium levels in smokers exposed to lead in coal camp, Enugu, South Eastern Nigeria**

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This work was designed to determine the zinc and selenium levels in smokers exposed to lead in Coal Camp, Enugu State, South Eastern Nigeria. 100 exposed subjects were used for the study. Their mean age was 32.03±1.01. The control subjects consisted of 100 apparently healthy non-smoker’s age matched individuals, all males. The participants were educated on the benefits of the study and their informed consent obtained before commencement of the study. Blood lead, zinc and selenium levels were determined in both exposed and control subjects. Results: The result shows that there was a significant increase in blood lead level of smokers (22.00μg/dL±1.70, P< 0.05 and decrease in zinc 103.13μg/dL ±1.79, P< 0.5 ) and selenium 61.69μg/dL ±1.01 P< 0.05) when compared with the controls, lead (10.68μg/dL ±29, P< 0.05), zinc (130.68μg/dL ±1.24, P< 0.05) and selenium (99.13μg/dL ±1.09 P< 0.05). The above findings suggest that smokers in Coal Camp, Enugu have reduced serum zinc and selenium, as well as increased blood lead. This might predispose them to cancer, hypertension and cardiac disease. Since there is no health benefit in smoking, we suggest that smokers should help themselves by modifying their habit.

**INTRODUCTION**

Cigarette smoking has been known to be dangerous to health. Manufacturers add this slogan to their advertisements. People still smoke as a matter of habit, despite the warnings. Recent reports from this environment indicate serious environmental lead pollution and markedly elevated blood lead level in occupational cohorts; smokers are equally affected by lead pollution (Boffetta, 2008).

Lead does not break down to be eliminated as a waste product. It accumulates in the body’s bone and tissues (Anetor, 2002). It is a foreign substance with no useful role in human physiology, toxic even in minute quantities (Levender, 1996). Tobacco use leads most commonly to diseases affecting the heart, the kidney and the lungs, with smoking being a major risk factor for heart attacks, strokes, chronic obstructive pulmonary disease (COPD) and cancer (particularly lung cancer, cancers of the larynx and mouth, kidney and pancreatic cancer) (Iodice et al, 2008). It also causes myocardial infarctions, peripheral vascular disease and hypertension, all developed due to the exposure time and level of dosage of tobacco (Hecht, 1999).

However, the earlier and the higher level of tar content in the tobacco-filled cigarettes causes the greater risk of the diseases (Kuper et al, 2002). Due to higher levels of tar content in the third world countries, people who smoke in the third world countries are more vulnerable to diseases. Poorer nations also lack the inclusion of filters that richer nations have. However, the mortality rate does not show a significant decrease due to filters, as many people, filter or no filter, die due to the main reason being their addiction and intake of tobacco (Nich, 1991).
The World Health Organization, WHO, (2008) estimates that tobacco caused 5.4 million deaths in 2004 and 100 million deaths over the course of the 20th century. Similarly, the United States Centers for Disease Control and Prevention, CDCP (2006) describes tobacco use as “the single most important preventable risk to human health in developed countries and an important cause of premature death worldwide.”

Smoke contains several carcinogenic pyrolytic products that bind to DNA and cause many genetic mutations (Peate, 2005). There are over 19 known chemical carcinogens in cigarette smoke (Feng et al., 2000). These include Polynuclear aromatic hydrocarbons, acrolein and nitrosamines (Hecht, 1997). Tobacco also contains nicotine, which is a high addictive psychoactive chemical. When tobacco use is smoked, nicotine causes physical and psychological dependency (Talhout et al., 2007).

Tobacco use is a significant factor in miscarriages among pregnant smokers. It contributes to a number of other threats to the health of the foetus, such as premature births and low birth weight, and increases by 1.4 to 3 times the chance for Sudden Infant Death Syndrome (SIDS) (Peto et al., 2006).

Nicotine does play a role in acute episodes of some diseases (including stroke, impotence and heart disease) by its stimulation of adrenaline release, which raises blood pressure (Narkiewiez et al., 2005). Trace elements are inorganic molecules found in human and animal tissues in milligram-per-kilogramme amounts or less. Trace elements with a recognized role include selenium, manganese, molybdenum, chromium, cobalt (as a component of vitamin B12), zinc and fluoride. Human milk, meats, shellfish, legumes, nuts, and whole-grain cereals are good sources of trace elements.

Fish are a good source of selenium (Se), which is an essential element for humans and is a constituent of glutathione peroxidase and iodothyronine deiodinases. Selenomethionine cannot be synthesized in the body and must be supplied by the diet (Underwood, 1971).

Zinc is a component of many enzymes and plays important role in gene transcription, nucleic acid metabolism, protein synthesis, and membrane structure and function. Zinc is an integral component of nearly 300 enzymes in different species of all phyla. Important zinc containing metalloenzymes in humans include carbonic anhydrase, alkaline phosphastase, RNA and DNA polymerases, thymidinekinase, carboxypeptidases and alcohol dehydrogenase. Zinc plays a major role in protein synthesis and has an important function in gene expression. The involvement in gene expression is both a structural and an enzymatic role. In addition to its roles in catalysis and gene expression, zinc stabilizes the structures of proteins and nucleic acids, preserves the integrity of sub cellular organelles, participates in transport processes and has important roles in viral and immune phenomena (Hetch, 1999).

The term “smoker” is used to mean a person who habitually smokes tobacco on a daily basis. This category has been the focus of vast majority of the study group. Epidemiological studies have related low selenium status and intake with increased incidences of cancer and cardiomyopathies. However, more research is necessary to clarify any role that selenium may play in either cancer or heart disease. This work was designed to determine the zinc and selenium levels in smokers exposed to lead in Coal Camp, Enugu State, South Eastern Nigeria.

**METHODODOLOGY**

**Study subjects**
The exposed groups used in this study were 100 Smokers with mean age 32.03±1.01. The control subjects consisted of 100 apparently healthy non-smokers age-matched individuals.
Analytical Determinations

Sample collection
Ten (10) millilitres (ml) of blood was collected from each subject. Five (5) ml of this was dispensed into trace metal-free tubes containing EDTA for lead analysis. The rest was dispensed into plain tubes for biochemical analyses.

Analytical procedures
Lead was determined by the method of Hessel (1968), using atomic absorption spectrophotometry (AAS). Zinc and selenium were also determined in serum by the method of Smith, Butrimovitz and Burdy (1979).

Analysis of data
The data were analysed using the student t-test and Pearson’s correlation coefficient.

RESULTS
The results of this study are shown in tables 1 and 2. The mean blood lead level of the exposed subjects was higher than that of the controls (p<0.05). The Selenium and Zinc levels were significantly lower in the exposed subjects than in the controls (p<0.05), (table 1).

The long term exposure (>10 years) to lead shows that the Selenium and Zinc levels were significantly lower when compared with the short term exposure (<10 years) to lead (table 2).

Table 1: Effect of Lead Exposure on Zinc and Selenium

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Lead (µg/dL)</th>
<th>Zinc (µg/dL)</th>
<th>Selenium (µg/dL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposed</td>
<td>22.00±1.70</td>
<td>103.13±1.79</td>
<td>61.69±1.01</td>
</tr>
<tr>
<td>Control</td>
<td>10.68±1.29</td>
<td>130.68±1.24</td>
<td>99.13±1.09</td>
</tr>
</tbody>
</table>

(n=100) (n=100)

p < 0.05(s)

All values are means ± 1SD, s = statistically significant.

Table 2: Effect of Short-term and Long-term Exposure to Lead on Zinc and Selenium

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Lead (µg/dL)</th>
<th>Zinc (µg/dL)</th>
<th>Selenium (µg/dL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term</td>
<td>21.71±1.80</td>
<td>105.67±1.00</td>
<td>60.02±1.25</td>
</tr>
<tr>
<td>(n=45)(&lt; 10 Yrs)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Long term     | 23.04±0.76   | 101.45±1.10  | 57.33±1.36       |
| (n=55)(>10Yrs) |              |              |                  |

p< 0.05(s)

All values are means ± 1SD, s = statistically significant.
DISCUSSION

Lead levels in smokers in the Coal Camp, Enugu State are much higher than that found in the controls. This is similar to the previous findings in smokers exposed to lead (Anetor et al, 1999). Smokers are exposed to lead. Lead arsenate applied to tobacco as an insecticide may increase the lead content of the cigarette. These have been reported to increase blood lead level. Lead acts as a preservative for tobacco. Lead levels in smokers in this study are significantly higher compared with control subjects. Cigarette smokers may inhale 1.0μg/dL lead per cigarette. In addition to chemical, non radioactive carcinogens, tobacco and tobacco smoke contain small amount of lead-210 (210Pb) and polonium-210 (210Po), both of which are radioactive carcinogens (Facchinetti et al, 2007). It was observed that the subjects whose exposure periods were longer than 10 years had higher blood lead levels when compared with those whose exposure period was less than 10 years.

The mean serum zinc and in the smokers were lower than that found in control group. This agrees with previous investigators who reported that high lead level produced a relative zinc deficiency. It is probable that decrease in level of zinc as recorded in the smokers may enhance the toxicity of lead because zinc is required for optimum activity of more than 300 enzymes, including those involved in the synthesis and repair of DNA and RNA as well as tissue repair response. This may have adverse effect on their metabolism and on the immune response of the exposed group. Since zinc levels of the smokers are much lower than that of the control, this may predispose them to some infection because of depressed immune system.

The mean serum selenium level in the smokers was lower than that found in control group. This finding is in line with Whanger (1999), who examined the association between selenium as a trace element and the risk of cancer of the lung, breast, colorectum, prostate, bladder and stomach. Aboutalebi et al (2004) revealed that there was a minimum requirement for selenium which could prevent Keshan disease, a potentially fatal disease of the heart muscle caused by selenium deficiency.

The lower selenium levels of the smokers might predispose them to goiter, cancer and fatal disease of the heart muscle because of reduced antioxidant effect. The longer the exposure period to lead, the more the levels of serum zinc and selenium would be reduced.

CONCLUSION

A person’s increased risk of contracting disease is directly proportional to the length of time that a person continues to smoke as well as the amount smoked. However, if someone stops smoking, then the chances gradually decrease as the damage to the body is repaired. Smoking tobacco is known to cause cancer in humans, but not all people who smoke develop smoking-related cancer. However, with some substances or exposure circumstances, cancer may develop after even brief exposure.

RECOMMENDATION

It is recommended that Government should educate smokers on various nicotine delivery systems, such as nicotine patch or nicotine gum, that can satisfy the addictive craving by delivering nicotine without the harmful combustion by-products. This can help the heavily dependent smokers to quit gradually, while discontinuing further damage to health. Smokers are advised to improve on their nutritional status by consuming diets rich in zinc and selenium as well as fruits and vegetables.

REFERENCES


Effects of water and sanitation crisis on infants and under-five children in Africa

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Dwindling municipal water supply leads to water and sanitation crisis. For their domestic needs, people fall back on dubious water sources, many of which contain dangerous contaminants. Since, they cannot afford the high expense of water treatment; people helplessly take the contaminated water. They get sick with water-related diseases, leading to miscarriages, birth defects, and infantile deaths, as well as loss of work and school days equivalent to 3-5% GDP due to water related ailments. This review paper critically examines secondary information and data on sources of water contamination and the effects of water and sanitation crisis on infants and under-five children in Africa. Methaemoglobinemia, dehydration, malnutrition and loss of parents associated with high MMR and water and sanitation related low life expectancy afflict children, leading to high mortality rate and morbidity of infants and under-five children. Recommendations include emphasis on preventive healthcare and pro-poor health policies to ensure the quality and availability of safe water.

INTRODUCTION

The human body is 65% water. Plants - needed for human food - contain even more. For example, maize is 80% water. A person can live for weeks without food, but only a few days without water. Planet Earth is literally awash with water. About 70% of the globe is covered by water. About 0.00017% of the volume of this water is in freshwater lakes and inland seas. The most important need for water is drinking by man, followed by use for agriculture to produce man’s food, and this consumes around 70% of available fresh water. In condensing, evaporated water dissolves rocks to become saline solution, particularly rich in sodium chloride. About 100 trillion tones of rain falls every year, but geographically unevenly distributed. Even when water is available, it may be a life threatening resource because of its contamination. Every year, more than 5 million people die from water-related diseases. And, 84% of them are children aged 0-14 (Dunbar and Emsley, 2009). This grim situation is more pronounced in Africa. This review paper critically examines secondary information and data on sources of water contamination and the effects of water and sanitation crisis on infants and under-five children in Africa.

LITERATURE REVIEW

Africa is certainly not on track to meet the Millennium Development Goal for drinking water and sanitation. Rather, it is heading for a continuous, endemic water and sanitation crisis that debilitates and kills huge numbers of people, threatens the health of the workforce, stands in the way of economic growth, and limits access to education and, therefore, life opportunities. Every year, an estimated one million Africans die from diseases related to unsafe drinking water, poor sanitation and poor hygiene. Health, dignity and development are at stake – for millions of individual Africans and Africa as a whole (Willem-Alexander, 2008).

Of the nearly one billion Africans, only 602 million (60.2%) have access to improved drinking water source and 360 million (36%) have access to improved sanitation facilities. Only 15 million Africans gain annually access to improved drinking water sources, while 10 million gain annually access to improved sanitation facilities. To meet the Millennium Development Goal 7 target 10 for drinking water and sanitation, Africa will need to provide annually from 2008 to 2015 access to improved drinking water.
source for at least 33 million people and improved sanitation facilities for 45 million people. At the current rate of 15 million people that annually gain access to improved drinking water source, efforts must be more than doubled. And, at the current rate of 10 million people that annually gain access to improved sanitation facilities, five-fold increase on current rate is demanded (Earthwatch, 2008).

Too many Africans live in poverty and hunger because they have no access to water and sanitation. Africa faces food crisis, fuel crisis and water crisis. But, water is a common factor. The solution to many problems is basically a matter of good water management. Water is one of the main keys to sustainable development in Africa. About 94% of Africa’s hydropower potential is unused. Harnessing this energy will create food through enough storage capacity to multiply irrigated farmland many times over. Access to water is a prerequisite to help Africans escape dehumanizing effects of mass poverty, to give them a future and to advance the development of the African continent (Willem-Alexander, 2008).

Preventive healthcare is ten times cheaper than curative care. Sustained access to adequate sanitation is the best conceivable preventive healthcare. People suffering from illnesses related to poor sanitation occupy 50% of hospital beds in sub-Saharan Africa. And, these illnesses account for a massive 12% of the health budget. Work and schooldays are lost to these illnesses, leading to 3-5% losses in Gross Domestic Product, GDP, (Earthwatch, 2008).

Sources of water contamination
In its pure form, water, H₂O, is a compound of two hydrogen atoms and one oxygen atom. But, as a universal solvent, water dissolves many materials coming in contact with it. Thus, all sources of water contain naturally occurring microbiological and chemical contaminants arising from domestic and industrial activities amidst increasing urban population.

Human and animal faeces can contaminate underground water. The good old ‘typhi’ lives in human and animal excreta as its normal habitat. It flows through the septic tank to the suck-away, where it reproduces at millions per second. Nitrogen from fertilizers not used by plants forms soil nitrates, which may also result from seepages in groundwater, from septic tanks and from surface water run-offs. Pesticides from agricultural activities pollute underground water. Chemicals and heavy metals from industrial activities and disposal sites can pollute both ground water and surface water. Rain washes run-off water from these sites to water sources (Earthwatch, 2009).

These contaminants do not exactly pose a risk at low concentration levels. Sometimes, they improve the taste of, and add some nutritional and medicinal values to, water. However, when the concentrations of contaminants increase above the levels prescribed by the World Health Organization (WHO) and other local and global bodies, the water becomes unfit for human consumption. Table 1 shows the maximum acceptable levels of different contaminants in drinking water.

Water Treatment
In Africa, public health receives inadequate attention. The government fails to provide water purification to ensure the people’s protection from the high risks of water-borne diseases. People take water purification into their hands to protect their lives from terrorists lurking in their drinking water. Purifying drinking water has become a safety measure to preserve one and one’s family. Boiling, disinfection, filtration, and analysis of water are measures taken in this regard (Earthwatch, 2009; Eneh, 2007).

Boiling
Boiling water is a time-tested method of water purification. But, some micro-organisms can withstand heat and survive in boiling water. Protozoa, like giardia and cryptosporidium, form cyst to enable them survive harsh conditions. The cysts can also be powerful pathogens. Besides, nitrate concentration increases in boiling water. And, excessive levels of nitrates in drinking water can be fatal.
Disinfection
Disinfection kills or inactivates pathogens or disease-causing microorganisms in drinking water. Chemical disinfectants, such as chlorine, are injected into water to make it fit for drinking. However, pathogens, like giardia and cryptosporidium, may survive disinfection in sufficient numbers to cause potential health risks. Again, when injected in water, chlorine can cause eye, nose and sinus irritation and stomach problems. Chlorine gives drinking water a bad taste and can cause asthma when inhaled. Besides, chlorine byproducts are even more dangerous than chlorine itself. Chlorinated drinking water has been found to contain deadly chloroform, bromates, chlorite haloacetic acid and trihalomethanes as byproducts. Bladder, colon and rectal cancer, anaemia in infants and young children, nervous system problems, liver and kidney problems, and even spontaneous abortion problems have been related to chlorination of water. These harms to health done by chlorine as a water disinfectant must be viewed with the seriousness they deserve, especially as this disinfectant is affordable and commonly used.

Table 1: Maximum acceptable levels of different contaminants in drinking water

<table>
<thead>
<tr>
<th>S/N</th>
<th>Parameter</th>
<th>Maximum acceptable concentration level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total solids</td>
<td>1,000 mg/l</td>
</tr>
<tr>
<td>2.</td>
<td>Total alkalinity</td>
<td>100 mg/l</td>
</tr>
<tr>
<td>3.</td>
<td>Phenolphthalein alkalinity</td>
<td>100 mg/l</td>
</tr>
<tr>
<td>4.</td>
<td>Iron (Fe)</td>
<td>0.05 to 0.3 mg/l</td>
</tr>
<tr>
<td>5.</td>
<td>Sulphate (SO₄)</td>
<td>200 mg/l</td>
</tr>
<tr>
<td>6.</td>
<td>Magnesium (Mg)</td>
<td>50 mg/l</td>
</tr>
<tr>
<td>7.</td>
<td>Calcium (Ca)</td>
<td>50 mg/l</td>
</tr>
<tr>
<td>8.</td>
<td>Chloride (Cl)</td>
<td>200 mg/l</td>
</tr>
<tr>
<td>9.</td>
<td>Fluoride (F)</td>
<td>150 mg/l</td>
</tr>
<tr>
<td>10.</td>
<td>Zinc (Zn)</td>
<td>1.0 mg/l</td>
</tr>
<tr>
<td>11.</td>
<td>Copper (Cu)</td>
<td>1.0 mg/l</td>
</tr>
<tr>
<td>12.</td>
<td>Aluminum (Al)</td>
<td>0.5 mg/l</td>
</tr>
<tr>
<td>13.</td>
<td>Manganese (Mn)</td>
<td>0.5 mg/l</td>
</tr>
<tr>
<td>14.</td>
<td>Nitrate (as NO₃)</td>
<td>50 mg/l</td>
</tr>
<tr>
<td>15.</td>
<td>Nitrite (as NO₂)</td>
<td>3 mg/l</td>
</tr>
<tr>
<td>16.</td>
<td>Potassium (K)</td>
<td>1 to 2 mg/l</td>
</tr>
<tr>
<td>17.</td>
<td>Arsenic (As)</td>
<td>0.01 mg/l</td>
</tr>
<tr>
<td>18.</td>
<td>Barium (Ba)</td>
<td>0.7 mg/l</td>
</tr>
<tr>
<td>19.</td>
<td>Cadmium (Cd)</td>
<td>0.02 mg/l</td>
</tr>
<tr>
<td>20.</td>
<td>Chromium (Cr)</td>
<td>0.05 mg/l</td>
</tr>
<tr>
<td>21.</td>
<td>Cyanide (CN)</td>
<td>0.07 mg/l</td>
</tr>
<tr>
<td>22.</td>
<td>Lead (Pb)</td>
<td>0.01 mg/l</td>
</tr>
<tr>
<td>23.</td>
<td>Selenium (Se)</td>
<td>0.01 mg/l</td>
</tr>
<tr>
<td>24.</td>
<td>Silver (Ag)</td>
<td>-</td>
</tr>
<tr>
<td>25.</td>
<td>Mercury (Hg)</td>
<td>0.001 mg/l</td>
</tr>
<tr>
<td>26.</td>
<td>Silica (Si)</td>
<td>100 mg/l</td>
</tr>
<tr>
<td>27.</td>
<td>Carbon dioxide (CO₂)</td>
<td>50 mg/l</td>
</tr>
<tr>
<td>28.</td>
<td>Vinyl chloride</td>
<td>0.005 mg/l</td>
</tr>
<tr>
<td>29.</td>
<td>Endrin</td>
<td>-</td>
</tr>
<tr>
<td>30.</td>
<td>Lindane</td>
<td>0.002 mg/l</td>
</tr>
<tr>
<td>31.</td>
<td>Methoxy chloride</td>
<td>0.02 mg/l</td>
</tr>
<tr>
<td>32.</td>
<td>Toxaphene</td>
<td>-</td>
</tr>
<tr>
<td>33.</td>
<td>Chlorophenoxy</td>
<td>-</td>
</tr>
<tr>
<td>34.</td>
<td>2,4-Dichlorophenoxy</td>
<td>0.03 mg/l</td>
</tr>
<tr>
<td>35.</td>
<td>2,4,5-Trichlorophenoxy acetic acid</td>
<td>0.009 mg/l</td>
</tr>
</tbody>
</table>

**Microbiological parameters**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Parameter</th>
<th>Maximum acceptable concentration level</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.</td>
<td>Aerobic mesophylic count/ml</td>
<td>-</td>
</tr>
<tr>
<td>37.</td>
<td>Coliform count/ml</td>
<td>Must not be detectable in any 100ml per sample. Must not be present in 95% of samples taken throughout any 12 months period.</td>
</tr>
<tr>
<td>38.</td>
<td>E. coli enumeration/ml</td>
<td>Must not be detectable in any 100ml per sample.</td>
</tr>
</tbody>
</table>

Source: National Agency for Food and Drug Administration and Control (2001)
Filtration
Filtration is a physical process that removes contaminants, to make water fit for drinking. Filters help weed out things like chlorine and heavy metals. Regular tap water contains bacteria and minerals that can clog skin pores, leading to dull skin over time. Cleaner and clearer water attributes to clearer and softer skin. Heavy water can irritate the skin, even making it red. Reverse osmosis filters make water molecules smaller, enabling them to penetrate and hydrate the skin better. Being hydrated always helps the skin glow as well. Filtered water is far better for keeping a beautiful complexion. With filtered water system at home, cleansing the face in one’s own sink can have the same radiant effect on the skin. The trend of filtered water aiding skin care has been extended to water sprays, claimed to refresh and rejuvenate skin – a product that appeals to jetsetters or office workers, whose faces and skins may get dry from the cabin or cubicle air, as well as athletes needing to soothe the sun or cool perspired faces. Installing water filters in homes has been prescribed for addressing water crisis (Health Information – Water and Beautiful Skin).

Analysis
Water sources are tested periodically to find out the level of contamination and the necessary measures to take to make the water fit for drinking. Other measures to ensure safety of drinking water include ensuring the quality of packaged water before consumption. For rain water, boil, filter and store it for drinking for only the appropriate period. The harvesting should be done carefully to reduce the contamination level.

EFFECTS OF WATER AND SANITATION CRISIS ON INFANTS AND UNDER-FIVE CHILDREN
The effects of water and sanitation crisis on infants and under-five children include methaemoglobinemia (blue baby syndrome), dehydration, high infant mortality rates (IMRs), high under-five mortality rates (U-5MR), malnutrition, dull skin, and low life expectancy and loss of parents.

Methaemoglobinemia (Blue baby syndrome)
Breathing ventilates, i.e. renews the air in the lungs. Inhalation involves the diffusion of air into the lungs. Oxygen from inhaled air diffuses into the blood capillaries. Exhalation involves the removal of carbon dioxide from the lungs. Once in the blood, oxygen combines with haemoglobin of the red blood corpuscles to form oxy-haemoglobin, which is transported in the cells of the body. Oxy-haemoglobin gives up its oxygen when it reaches tissues with a low concentration of oxygen (Stone et al, 2001).

Nitrate in water is particularly dangerous to babies and children, who, in proportion to their body weights, consume much more water than adults. Until an infant reaches about 6 months of age, its digestive system secretes lower amounts of gastric acid, leading to low acid concentration or higher pH level and attendant proliferation of bacteria, which transform nitrate to nitrite. Thus, when water with excessive nitrate concentration is used for preparing baby food or as baby drinking water, the baby’s immature digestive system, with its lower concentration of gastric acid and the attendant higher concentration of bacteria, facilitates the reduction of the nitrate to nitrite. The nitrite ions (NO$_2^-$) react with haemoglobin and oxy-haemoglobin to form methaemoglobin, which cannot carry oxygen, and thereby, making oxygen transfer difficult.

\[
\text{Haemoglobin} + \text{NO}_2^- = \text{Methaemoglobin} \\
\text{Oxy-Haemoglobin} + \text{NO}_2^- = \text{Methaemoglobin}
\]

This leads to asphyxia (difficulty in breathing), which may result to death. This blood disorder is called methaemoglobinemia (blue baby syndrome). It occurs mostly in babies, pregnant women and people with weak immune system.
Babies have lower concentration (about 60% of adult’s) of the enzyme that converts methaemoglobin to haemoglobin (Roddick and Biggs, 2004). This speaks of their vulnerability to this disorder and predisposition to the attendant death.

**Dehydration**

Water crisis is responsible for dehydration in children, which leads to a reduction in both mental and physical performance. Children are at much greater risk of dehydration because the process can begin much more rapidly in them. Since they are still growing, there is all the more need to keep their bodies hydrated for proper functioning. A loss of 2% of body fluids causes 20% reduction in performance in both physical and mental activities in children. Dehydration in excess of 3% may lead to heat stroke, a condition to which children are much more prone than adults are (Water/Health information – drinking water and children-babies.htm). Dehydration causes contraction and false labour in pregnancy, as well as health risks for the newborn baby (Water/Health information – Water’s importance during pregnancy for babies.htm).

**High Infant Mortality Rates (IMRs)**

Table 2 shows 16 African countries with infant mortality rates (IMRs) above 100 per 1,000 in 2006. In the same year, nine other countries in the continent recorded IMR between 77.5 and 92.6 per 1000, ten others recorded between 57 and 72.7 per 1000, eight others recorded between 31.4 and 52.4 per 1000, and only four others recorded between 14 and 25.6 per 1,000. The average IMR was 83 per 1000 (African Development Bank, 2007a: 32).

<table>
<thead>
<tr>
<th>S/No.</th>
<th>African Country</th>
<th>Infant mortality rate per 1,000</th>
<th>S/No.</th>
<th>African Country</th>
<th>Infant mortality rate per 1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Burundi</td>
<td>100.3</td>
<td>9.</td>
<td>Cote d’Ivoire</td>
<td>114.7</td>
</tr>
<tr>
<td>2.</td>
<td>Tanzania</td>
<td>104.1</td>
<td>10.</td>
<td>Somalia</td>
<td>115.7</td>
</tr>
<tr>
<td>3.</td>
<td>Malawi</td>
<td>104.2</td>
<td>11.</td>
<td>Burkina Faso</td>
<td>116.8</td>
</tr>
<tr>
<td>4.</td>
<td>Nigeria</td>
<td>109.3</td>
<td>12.</td>
<td>Mali</td>
<td>127.4</td>
</tr>
<tr>
<td>5.</td>
<td>Tchad</td>
<td>112.4</td>
<td>13.</td>
<td>Angola</td>
<td>131.8</td>
</tr>
<tr>
<td>6.</td>
<td>Guinea Bissau</td>
<td>112.7</td>
<td>14.</td>
<td>Liberia</td>
<td>134</td>
</tr>
<tr>
<td>7.</td>
<td>Rwanda</td>
<td>113</td>
<td>15.</td>
<td>Niger</td>
<td>146.8</td>
</tr>
<tr>
<td>8.</td>
<td>Cong (DRC)</td>
<td>113.7</td>
<td>16.</td>
<td>Sierra Leone</td>
<td>160.8</td>
</tr>
</tbody>
</table>

Source: African Development Bank (2007b)

Water is a major nutrient for children. Good sanitation practices, which require good water supply, are preventive measures for diarrhoeal diseases. Therefore, these high figures are directly related to water and sanitation crisis.

According a study conducted in Nigeria, which constitutes one-fifth of Africa’s population, diarrhoeal diseases are second to malaria as the main cause of infant mortality and morbidity (National Planning Commission and United Nations Children’s Fund, 2001: 40-42).

**High Under-five Mortality Rates**

The average under-five mortality rate (U-5MR) for African countries in 2006 was 138 per 1,000 (African Development Bank, 2007a: 32). Two countries recorded 250 and above per 1000, four countries recorded between 200 and 249 per 1000, seventeen countries had between 150 and 199 per 1000, fourteen countries had between 100 and 149 per 1000, and another fourteen countries had 100 and below per 1000 (Table 3).
Table 3: Group range of Under-five Mortality Rates for African countries (2006)

<table>
<thead>
<tr>
<th>No. of African countries</th>
<th>Range of Under-five Mortality Rate per 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>≥ 250</td>
</tr>
<tr>
<td>4</td>
<td>200-249</td>
</tr>
<tr>
<td>17</td>
<td>150-199</td>
</tr>
<tr>
<td>14</td>
<td>100-149</td>
</tr>
<tr>
<td>14</td>
<td>≤ 100</td>
</tr>
</tbody>
</table>

Source: African Development Bank (2007a: 32)

As was observed for Nigeria, diarrhoeal diseases, which are direct consequences of water and sanitation crisis, are third (to malaria and vaccine preventable disease, VPD) as the main cause of under-five mortality and morbidity (National Planning Commission and United Nations Children’s Fund, 2001: 40-42).

Malnutrition
Malnutrition is responsible for high rate of stunting (33.5%), underweight (30.7%) and wasting (15.6%) among under-five children (Eneh, 2005: 12). Since, water is one of the most important nutrients for children, keeping them healthy and also helping them perform better (Water\Health information – drinking water and children-babies.htm), water crisis is chief factor of malnutrition in children.

Dull Skin
Since regular tap water contains bacteria and minerals which can clog skin pores (Water\Health information – Water and beautiful skin.htm), children face the danger of having dull skin in water crisis. Heavy water causes irritation and discolouration of the skin of children. It is also responsible for poor water penetration and hydration of the skin, which leads to poor skin glow, radiance and complexion beauty.

Low life Expectancy and Loss of Parents
Senior African citizens face higher risk of dehydration because of diminished kidney function (Water\Health information – importance of water to the elderly senior citizens.htm), especially in the water crisis situation, thereby, worsening the low life expectancy related problems in African continent, where low life expectancy accounts for early death of parents. From Table 4, only 7 African countries recorded 70-74 years for life expectancy at birth in 2006, one country recorded 64 years, 14 countries recorded 50-57 years, 21 countries recorded 40-49 years, and as high as 5 countries recorded 31-39 years (African Development Bank, 2007: 27).

Table 4: Group range of life expectancy at birth for African countries

<table>
<thead>
<tr>
<th>No. of African countries</th>
<th>Life expectancy at birth (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>70-74</td>
</tr>
<tr>
<td>1</td>
<td>64</td>
</tr>
<tr>
<td>14</td>
<td>50-57</td>
</tr>
<tr>
<td>21</td>
<td>40-49</td>
</tr>
<tr>
<td>5</td>
<td>31-39</td>
</tr>
<tr>
<td>None</td>
<td>0-30</td>
</tr>
</tbody>
</table>

Source: (African Development Bank, 2007a: 27)

The average figure was an appalling and miserable 51 years. It means that Africans above 51 years of age are living on “injury time.” Worse still, many African men marry between 35 and 45 years of age, and have very young and tender families at the average life expectancy age.

Exacerbating the low life expectancy situation is high maternal mortality rate (MMR). Table 5 shows that seventeen countries recorded 3-digit figures, 35 recorded 2-digit figures and none recorded a single-digit figure of MMR in Africa (African Development Bank, 2007a: 32). Average MMR was 84 per 1000 for African countries in 2006.
Therefore, high MMR and low life expectancy related to water and sanitation crisis affect infants and children in the following ways:

1. increase in the population of orphans and vulnerable children;
2. increase in the number of homes headed by children, and
3. the attendant perpetuation of the circle of poverty;
4. inability of children to develop to their full potential due to premature death of selves or parents;
5. inability of undeveloped children to harness the country’s resources for national development;
6. poverty-induced child labour and trafficking;
7. increase in stress-induced social conflicts and reprisals, and
8. the attendant death tolls.

Table 5: Group range of MMR for African countries in 2006

<table>
<thead>
<tr>
<th>No. of African countries</th>
<th>Range of MMR per 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>&gt; 100</td>
</tr>
<tr>
<td>35</td>
<td>11-99</td>
</tr>
<tr>
<td>None</td>
<td>&lt; 9</td>
</tr>
</tbody>
</table>

Source: African Development Bank (2007a: 32)

CONCLUSION AND RECOMMENDATIONS

The dictum, which says that “Water takes the path of least resistance and flows downwards,” is fast being disproved. Due to poor water governance, the path of water is now a bloody hard road. This most crucial substance to survival now flows upwards to the rich in the society. Worldwide, one billion people do not have any water within a 15-minute walking distance from their homes.

Preventive healthcare must be emphasized, as against curative care. Pro-poor health policies and increased health budgets are imperative. Sustained access to safe water and adequate sanitation will help decongest 50% of hospital beds in sub-Saharan Africa, save 12% of the health budget, and regain 3-5% losses in Gross Domestic Product, GDP, due to work and school days lost to water-related illnesses.

Since water is this important for the well being of infants and under-five children in Africa, the quality and availability of safe water must be assured. Emphasis should be on preventive healthcare and pro-poor health policies to ensure the quality and availability of safe water. To this end, individual, family, corporate and governmental efforts must be stepped up in urgently addressing water crisis. To do this, they must be first sensitized and enlightened, especially in Africa.

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Africa: An Absent Presence in Career Studies

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Based on the realisation that career dynamics is influenced by a given context, there has been an increase in scholarly interest on how culture and national context shapes career enactment. This paper provides a brief review of career literature and argues that despite the recognition that national contexts shape career enactment, not much attention has been given to career dynamics within the African context. The paper also discusses the two most dominant theoretical approaches (i.e. the culturalist and the institutionalist), which are often invoked in studying career dynamics within and across national contexts. Following from this, the paper calls for the institutionalist approach to be embraced more in the study of career dynamics in Africa. Overall, this paper seeks to advance career research in the African context and makes a clarion call for an increase in the study of careers in this relatively neglected but important empirical site.

Introduction

The term career is generally defined as ‘the evolving sequence of a person’s work experiences over time’ (Arthur, Hall, and Lawrence, 1989: 8). The career literature has blossomed over the past three decades. This has led to hundreds of research articles, book chapters, edited volumes and handbooks been published in this area. The progression of career literature has been documented recently (see Sullivan and Baruch, 2009); as such, it will not be rehearsed here. Suffice to say, much of the extant careers studies focus on two key perspectives. The first is the psychological perspective which suggests that “people make careers” and focuses on an individual’s subjective construal of their career situation (Derr and Laurent, 1989:454). The second is the sociological perspective, which suggests that “careers make people” and focuses on observable patterns of jobs and the choices individuals make within a set of institutional structures and occupational constraints (Barley, 1989). Although career researchers draw on a wide variety of theoretical perspectives in their research, most research and theory about careers have evolved around these two dominant views.

An emerging focus in career studies in recent years has been on a systematic study of careers from a cross-cultural or comparative perspective (Thomas and Inkson, 2007). This is partly, due to the increasing recognition that careers are embedded within a wider cultural, economical, political arrangement (Thomas and Inkson, 2007; Mayrhofer, et al. 2007; Tams and Arthur, 2007). This has lead to a proliferation of country specific and cross-national career studies. However, there remains a great unevenness in terms of attention paid to careers in non-Anglo-Saxon countries, particularly African countries. With some few notable exceptions (e.g. Ituma and Simpson, 2007; Ituma and Simpson, 2009), the majority of career studies has focused largely on the West (particularly North America and Europe). Consequently, we know comparatively little about career enactment in different countries of Africa. Specifically, we do not know...
if individuals career experiences in different countries of Africa share commonalities or if there are variations. This is an important gap in the literature given that the portability of career constructs and concepts from one national context to another particularly from the West to non-Western contexts have been increasingly questioned (Hirsch and Shanley, 1996; Inkson, 2006; Ituma and Simpson, 2007). Thus, this paper calls for more research in the African context in order to provide a more nuanced, fine grained contextually specific account of individual career reality within the African context. Probable research questions include: What is the meaning of career for individuals in different countries of Africa? How do individuals in different countries of Africa conceptualise career success? What are the inter-organisational mobility patterns, and does this reflect national institutional logic or universal pattern? What is the construct validity of Western career models in different countries of Africa? What are the factors that shape and constrain individuals’ career choices in different countries of Africa? Increasing internationalisation and globalisation necessitates empirical exploration of these research questions in Africa, a hitherto neglected but appropriate empirical site. Overall, research that systematically analyzes the African socio-economic, institutional and societal contexts and their impact on career dynamics are sorely needed because the extant career theory is inadequately nuanced to address the peculiarities of careers in African contexts where the institutional system is likely to differ from what is obtainable in the West.

Proposed analytical frameworks for the study of careers in Africa

Two main theoretical approaches -the culturalist and the institutionalist are widely invoked as an explanation for national and cross-national variations in career development. The two perspectives are discussed below. We specifically argue that culture is a subset of institutions and we advocate for scholars to embrace more the institutionalist approach rather than a purely culturalist approach in the study of career dynamics in Africa.

The culturalist approach:

The culturalist perspective is rooted in theories of national culture differences and uses culture as an explanatory variable and the sole mechanism through which context influence career development. Culture is used as an omnibus factor in this research stream, partly due to the notion that economic, legal and political factors of a given society is inextricably connected to its national culture (Thomas and Inkson, 2007). Culture has been defined as “shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences of collectivities that are transmitted across generations” (House, Hanges, Javidan, Dorfman, & Gupta 2004: 15). Most studies in this school of thought draw on the classic work of Hofstede (1980), Triandis (1972), Kluckhohn and Strodbeck (1961) and more recently the GLOBE study by House et al. (2004) to argue that cultural context influence individual career development. Review of extant literature in this area suggest that studies in this school of thought has oscillated between orientations focusing on emic approach and those aligned with etic approach.

On the one hand, the emic perspective reflects a research approach that focuses on studying career development within a particular national culture by discussing the indigenous values that shape and constrain careers. It aims to enhance our understanding of careers beyond the Western industrialised countries that have been the focus of the majority of mainstream career studies (Tams and Arthur, 2007). This is exemplified in the studies by Counsell and Popova (2000) in Bulgaria, Ituma and Simpson (2007) in Nigeria and Granrose (2007) in China. On the other hand, the etic approach adopts a universal view of culture and seeks to explore the viability of theoretical career model across cultures or their ‘culture specific interpretation’ (Tams and Arthur, 2007). Cross-cultural career studies (e.g. Yang, Stokes,
Hui; Leong et al, 1998) are good examples of this perspective. Overall, the culturalist approach tends to view culture as the most significant mechanism and have used national culture as the main level of analysis.

While the culturalist perspective has generally blossomed, it has not escaped critique. Ferner and Quintanilla (2002) for instance, argue that “the emphasis of research has all too often been on a cut-price culturalism: simplistically explaining differences in outcomes across borders by references to some abstract free-floating notion of unchanging national ‘cultural values’ . . . without inquiring further into the historically evolved institutional arrangements with which such ‘values’ might be associated” (p.244). In a related critique, Tayeb (1994) argues that “the term ‘nation’ refers not only to culture, but also to other social, economic and political institutions which have a significant bearing on the management styles of organisations located in particular countries” (p.431). This suggests that the culturalist perspective is not complex enough to explain national differences. The overly emphasis on national culture as an explanatory variable somewhat obscures the role played equally by other important broader institutional factors. This limitation has helped to direct increasing attention to an alternative approach for accounting for national differences (the institutionalist perspective) discussed below.

The institutionalist approach

Institutionalist approach is increasingly gaining attention in international management literature. Institutions are defined as “the rules of the game in a society [they] are the humanly devised constraints that shape human interaction” (North 1990: 3). Scott (2004) points out that institutional theory “considers the processes by which structures, including schemas, rules, norms and routines, become established as authoritative guideline for social behavior” (p.2). Scott argues that individuals and organisations are likely to adapt and copy ‘what is obtainable’ in a given institutional context in order to achieve legitimacy. This perspective does not view culture and institution as irreconcilable; rather culture is viewed as a sub set of institutional analysis and is fused with other institutional factor to provide for a dialectical relationship. Along similar lines, Sorge (2005) argues that “cultural orientations, such as fundamental values, and institutions are really two sides of the same theoretical coin” (p.39). In essence, culture and institutional perspectives are viewed as complementary. As such, the actions of individuals and organisational policies and practices are viewed as being contingent on particular national institutional arrangements which include culture, economic, political and historical context.

Institutional theory is dominated by two main research traditions which are premised on different analytical foci and predilection. The first tradition which is grounded in the work of early institutionalists focused on “institutional effect” and institutional isomorphism (Scott, 2004) in the sense that “cognition was thought to be channelled by values, norms and attitudes, and the individual was considered deeply socialised and committed in every action” (Grendstad and Selle, 1995, p.8). The second tradition, which is commonly refered to as neo-institutionalism focuses on the process of institutionalism and pays attention to “institutional change” in terms of accounting for the role of agency and structure in shaping organisational fields (Scott, 2008).

Although institutionalists vary in terms of their emphasis, inherent to the work of all institutionalists is a claim that organisations operating in similar environment are likely to seek legitimacy and recognition by adopting practices, processes and structure prevalent in their environment (Fogarty, 1996). This general proposition has been the foundation on which a number of institutional mechanisms have been conceptualised. DiMaggio and Powell (1983) for instance, argue that the tendency of organisation to seek homogeneity is influenced by three key mechanisms: coercive (laws and regulations used for control), mimetic (adoption of success formula) and normative (professional norms and standards) isomorphism. Building on this foundational work, more recently Scott’s (1995) has suggested that institutions consist of three key pillars -cognitive (shared perceptions), normative (norms and value systems), and regulative
These pillars shape and circumscribe individual and organisations action within a given institutional environment. Scott argues that individuals and organisations are likely to adapt and copy ‘what is obtainable’ in a given institutional context in order to achieve legitimacy.

Institutional theory is increasingly being adopted by scholars in different disciplines in making sense of contextual influences due to its explanatory value (for a more comprehensive review, see Hodgson, 1994). However, within career studies, most studies have focused overly on culturalist perspective in accounting for country-level differences in career development, with very few notable exceptions (e.g. Ituma and Simpson, 2009). This paper advocates that research on career dynamics in African should move beyond the narrow focus on a purely culturalist explanation and embrace more the institutionalist approach. The underlining rationale is that although culturalist perspective provides important insights into national differences, it obscures a wide array of potential factors that shape and constrain careers in different national context. The institutionalist approach represents a wider umbrella that can be used to accommodate and account for the divergent contextual influences on careers and can lead to stronger theory building in this area. In essence, institutionalist perspective offers a richer framework for understanding the impact of context than does a purely culturalist approach. This argument resonates with the increasing calls being made by some contemporary career scholars (e.g., Gunz and Mayrhofer, 2007; Ituma and Simpson, 2009; Tams and Arthur, 2007) for more attention to wider institutional factors in career studies. Career studies in Africa can fruitfully use Scott’s (1995) institutional pillar -cognitive (shared perceptions), normative (norms and value systems), and regulative (rules and regulation) as a useful framework in explaining cross-cultural differences in career development. This framework provides a useful heuristic for illuminating the mechanism through which institutional environment in Africa impact on individual career development in this continent.

Summary and conclusion

The last decade has witnessed the emergence of a body of literature focusing on career dynamics. The studies in this area have made important contributions to our understanding of career dynamics in different national contexts, particularly in the West. However, comparatively little attention has been given to career studies in the African context. In light of the realities of globalisation, career studies must move beyond the traditional focus on Western context and explore career dynamics in other regions of the world (particularly Africa). Such research has the potential to contribute both to our theoretical understanding of career dynamics and our understanding of approaches to the effective management of human resources in the African continent. Overall, this paper has attempted to generate insights that are anticipated to aid the development of more research on careers in the African context.

References

DiMaggio, P.J. and Powell, W.W. (1983), The iron cage revisited: Institutional isomorphism and


The moderating effects of traditionality-modernity on the effects of internal labor market beliefs on employee affective commitment and their turnover intention

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The study addresses a possible moderating effect of cultural values on the relationship between employee beliefs in human resource management practices and employee outcomes. Although employee belief regarding internal labor market operation within their firms could be positively related to employee commitment and negatively related to their turnover intention, employee cultural values may act as a contextual variable that strengthens or weakens such relationships. We test the moderating effects of two cultural values, traditionality and modernity in the context of Kenya where the blend of these cultural values is an emerging reality given the rapid pace of urbanization in recent years coupled with effects of globalization and the digital era. Our study indeed found support for the moderating effects of these cultural values. The association between ILM beliefs and employee affective commitment was found to be greater for employees with more traditional values. In contrast, the relationship was weaker for employees with more modern cultural values. These moderating patterns were also found in the relationship between ILM beliefs and turnover intention. Implications for management research, theory, and practice are discussed.

INTRODUCTION

Previous research has defined the internal labor market (ILM) as possessing the following characteristics: few ports of entry at the bottom of the hierarchy; firm-specific skills acquired on the job, a rise to skill gradients that demarcate career paths; promotion from within; seniority-based rewards; formal grievance procedures; and long-term employment relationships (Williamson 1975; Pfeffer and Cohen 1984; Baron, Davis-Blake and Bielby 1986;). As opposed to the external labor market, the ILM is advocated because it has been considered to promote firm-specific skills and knowledge, which in turn has been regarded as the basis of organizational efficiency (Williamson 1975). The ILM, in particular, is believed to be an effective mechanism where human capital becomes the main source of organizational efficiency.

Although evidence suggests that the ILM may be declining (Gottschalk and Moffit 1994; Haines, Jalette & Larose, 2010; Swinnerton and Wial 1995; Arther and Rosseau 1996; Osterman 1996;), other scholars have called for research that test implications of ILM in the modern employment era (Osterman and Burton 2004). Even in the modern era of employment, however, research suggests merits of ILM, including enhancing employee cooperation (Lee and Organ 2005) and reducing turnover (Fairris 2004).

We are currently not aware of any studies that have tested the moderating role of employee cultural variables between ILM and organizational commitment and turnover intentions. Moreover, majority of the ILM have been conducted using western samples. Thus, our study looks to contribute to previous
human resource management studies by making a novel attempt to test the possibility that employee cultural values may act as a moderator that strengthens or weakens the effects of employee ILM beliefs on their commitment and turnover intention. We believe that exploring the possibility is very meaningful given that human resource practices such as high performance work systems and ILM operation are often described as objective organizational level properties that have unique and separate effects from cultural values of an employee on his/her outcomes. However, cultural values could be a very important context for certain human resource practices to work properly. For example, some human resource practices such as lifetime employment practices are present more often in more collectivistic cultures such as Japan and South Korea rather than individualistic cultures, suggesting the possibility that certain human resource practices are more suitable to create desirable employee responses in a particular culture and may not work for all cultures. Similarly, cultural orientation within a society can moderate the association between human resource practices and employee outcomes at the individual level. Despite the possibility that cultural values may act as a moderator, to our knowledge, no existing study has specifically examined the moderating effects of cultural values on these relationships.

Specifically, we explore the moderating effects of traditionality and modernity (Yang, Yu and Yeh 1989) on the relationship between employee ILM beliefs and their commitment/turnover intention. Traditionality and modernity are two of the salient individual cultural orientations in emerging economies, where traditional values and modern values coexist. These two cultural values are not considered mutually exclusive. That is, a culture may have both traditionality and modernity (Yang et al. 1989; Farh, Earley and Lin 1997. This is particularly interesting in the Kenyan context where traditionality and modernity coexist and are rapidly growing. Past studies have generally classified Kenya as a collective society where obligation to kith and kin is common (Nyambeger, Sparrow and Daniels 2000; Walumbwa and Lawler 2003).

THEORETICAL BACKGROUND
ILM Beliefs, Affective Commitment and Turnover Intention

We identify two employee attitudes and behavioral intentions that are likely to be affected by a firm’s ILM operation. They are employee affective commitment and turnover intention. Williamson (1975) and Ouchi (1980) argue that the heart of ILM operated on the principles of commitment/trust is derived from long-term relationships between employer and employees. Even though Ouchi (1980) used the term bureaucracy instead of ILM, bureaucratization of employment relationships is considered as the nature of ILM (Adler and Borys 1996) instead of leaving it to the market. Recent research (Haines, Jalette & Larose, 2010) has also found strong support on positive role of ILM on employee work related attitudes.

Recent research supports the negative association between ILMs and employee turnover. Fairris (2004) found that establishments employing internal promotion without a commitment to seniority produced higher levels of employee turnover. In addition, Fairris (2004) discovered that the longer the job ladders and the higher the amount of pay growth from the bottom to the top level of positions, the lower the job quits at the establishment level. Thus, following previous research and ILM theories, we expect that when employees perceive ILM is operating within their firms, they will be prone to increase their commitment to the organization and also reduce turnover intention, as these economic and social arguments of ILM suggest.

Conceptual Framework or Theoretical Rationale.
The main argument made herein is that the relationship between ILM beliefs and employee affective commitment/turnover intention is moderated by employee cultural values. Previous research suggests that traditionality and modernity are not opposite ends of one spectrum both conceptually and empirically (Farh et al. 1997; Yang et al. 1989). Traditionality reflects the hierarchical nature of traditional society such as Chinese society whereas modernity reflects self-reliance, openness, and egalitarianism (Farh et al.
In Yang et al. (1989), traditionality was most related to “power distance” of the Hofstede (1980) cultural dimension, whereas modernity was most related with cultural values of “individualism-collectivism”. That is, it is very possible that a culture may have both traditionality and modernity (See Yang et al. 1989 for further discussion).

We hypothesize that the relationship between ILM beliefs and employee commitment/turnover intention will be moderated by traditionality and modernity. This is because the reward distributions within internal hierarchy based on long-term commitment and trusting relationships will appeal to employees with more traditional values. Since the former is more oriented toward power distance, they may find the presence of power distance created by internal hierarchy to be merely a means of simplifying transactions between employers and employees. Because of their orientation and ILM principles, employees with more traditional values are likely to be more committed to their employer, displaying higher levels of affective commitment given the same level of ILM beliefs. They will also display reduced turnover intention for the same reason.

Likewise, employees who hold more modern values will find the principles of ILM less appealing, which emphasize collective values and subjection of seeking self-interests to the collective ones (Williamson et al. 1975) due to their orientation toward self-reliance and individuality. Thus, we expect that the association between ILM beliefs and employee affective commitment/turnover intention will be weaker among employees holding more modern values.

**Hypothesis 1a**: Traditionality will moderate the relationship between employee ILM beliefs and their affective commitment such that a stronger association between the two will be found in more traditional employees.

**Hypothesis 1b**: Modernity will moderate the relationship between employee ILM beliefs and their affective commitment such that a weaker association between the two will be found in more modern employees.

**Hypothesis 2a**: Traditionality will moderate the relationship between employee ILM beliefs and their turnover intention such that a stronger association between the two will be found in more traditional employees.

**Hypothesis 2b**: Modernity will moderate the relationship between employee ILM beliefs and their turnover intention such that a weaker association between the two will be found in more modern employees.

**The Role of Affective Commitment**

Although we hypothesize that moderating effects of cultural values on the relationship between ILM beliefs and employee affective turnover intentions, we expect that employee affective commitment will mediate the moderating effects hypothesized in Hypothesis 2. This is because of the previous research support that affective commitment reduces employee turnover intention (Mohamed, Taylor and Hassan 2006)

**Hypothesis 3**: Affective commitment will mediate the moderating effects of traditionality-modernity described in Hypothesis 2.

While we hypothesize moderating effects of cultural values on the relationship between ILM beliefs and employee affective turnover intention, we expect that employee affective commitment will mediate the moderating effects.

**RESEARCH METHOD**

We used quantitative analyses in this study to capture the responses from both the subordinates and their respective supervisors. In the next section, we detail the sample of companies, as well as the timeframe under investigation.
RESULTS
A correlation matrix and descriptive statistics are available upon request. In general, the correlations of the variables were in the expected direction. There were relatively low but significant correlations between traditionality and modernity ($r = .24, p < .01$); traditionality and ILM beliefs ($r = .26, p < .01$); traditionality and education ($r = -.24, p < .01$); organizational tenure and traditionality ($r = .28, p < .01$); organizational tenure and modernity ($r = -.18, p < .05$) affective commitment and union membership ($r = -.22, p < .05$); tenure and modernity ($r = -.18, p < .05$). We also found moderate correlations between affective commitment and turnover intention ($r = -.55, p < .01$); education and tenure ($r = -.52, p < .01$); affective commitment and ILM beliefs ($r = .37, p < .01$); education and age ($r = -.42, p < .01$).

To test our hypotheses, we ran hierarchical regression analyses. The results are summarized in Table 1 and 2. In the first step, three demographic variables, traditionality, and modernity were entered into the regression equation to explain affective commitment. This is Model 1 in Table 1. As a group, these five variables explained about nine percent of the variance of affective commitment. Union membership was negative and significant ($b = -.24, p < .05$). In Model 2, in addition to these five variables previously entered in Model 1, ILM belief variable was entered. These terms as a set explained an additional .14 in terms of R-square ($ΔR^2 = .14, p < .05$), making the total variance explained equal .23. The regression coefficient of ILM belief was positive and significant ($b = .38, p < .01$). Union membership remained negative and significant ($b = -.23, p < .01$).

In the next step, in addition to all the variables that had been entered in the previous step, two additional interaction terms were entered: (1) Traditionality x ILM belief, and (2) Modernity x ILM belief. Model 3 summarizes the parameter estimates in this step. An additional unique variance explained by these two variables as a set was statistically significant ($ΔR^2 = .06, p < .01$). The regression coefficient associated with these interaction terms were in the expected direction such that given the regression coefficient associated with the interaction term, modernity x ILM belief was negative and significant ($b = -2.65, p < .01$). In contrast, the regression coefficient of the interaction term, traditionality x ILM belief was positive and significant ($b = 2.90, p < .05$). Union membership and education remained negative and significant ($b = -.20, p < .01$) and ($b = -.21, p < .01$), respectively.

**TABLE 1**

Regressing ILM belief, Traditionality, Modernity, and the Interaction Effects among them on Affective Commitment

<table>
<thead>
<tr>
<th>Variables included</th>
<th>Model 1</th>
<th></th>
<th>Model 2</th>
<th></th>
<th>Model 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. beta</td>
<td>SE</td>
<td>Std. beta</td>
<td>SE</td>
<td>Std. beta</td>
<td>SE</td>
</tr>
<tr>
<td>Education</td>
<td>-.12</td>
<td>(.12)</td>
<td>-.15</td>
<td>(.12)</td>
<td>-.21 *</td>
<td>(.11)</td>
</tr>
<tr>
<td>Union Membership</td>
<td>-.24 *</td>
<td>(.22)</td>
<td>-.23 **</td>
<td>(.21)</td>
<td>-.20 *</td>
<td>(.21)</td>
</tr>
<tr>
<td>Tenure c</td>
<td>-.04</td>
<td>(.02)</td>
<td>-.04</td>
<td>(.03)</td>
<td>-.09</td>
<td>(.03)</td>
</tr>
<tr>
<td>Traditionality</td>
<td>.21</td>
<td>(.23)</td>
<td>.06</td>
<td>(.22)</td>
<td>1.20</td>
<td>(.81)</td>
</tr>
<tr>
<td>Modernity</td>
<td>-.27</td>
<td>(.18)</td>
<td>-.20</td>
<td>(.17)</td>
<td>-1.82</td>
<td>(.78)</td>
</tr>
<tr>
<td>ILM belief</td>
<td>.38 ***</td>
<td>(.11)</td>
<td>.78</td>
<td>(.57)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditionality x ILM belief</td>
<td>2.90 *</td>
<td>(.22)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modernity x ILM belief</td>
<td>-2.65 **</td>
<td>(.16)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>.09 **</td>
<td>.23 **</td>
<td>.29 **</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square change</td>
<td>.14 **</td>
<td>.06 **</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. N=120;  
b. *p ≤ .05  **p ≤ .01;  
c. The value of tenure is standardiz

Another set of hierarchical regressions were conducted where turnover intention was regressed on multiple sets of variables. This regression analysis followed the four steps approach (Judd and Kenny...
1981; Baron and Kenny 1986; MacKinnon, Fairchild and Fritz 2007) to assess mediation. The results are summarized in Table 2.

In the first step, five variables including three demographic variables, traditionality, and modernity were entered into the regression equation. Model 1 in Table 2 summarizes the R-square and regression coefficients. As a group, these variables explained about nine percent of the total variance. Traditionality was found to be negative and significant ($b = -.29$, $p < .05$). Organization tenure was also negative and significant ($b = .35$, $p < .05$). In the second step, in addition to these five variables, one additional variable was entered in regression equation: ILM belief. Model 2 lists the result of the regression. This variable explained an additional eleven percent of the variance, and the R-square change was statistically significant ($\Delta R^2 = .11$, $p < .01$). The regression coefficient of the ILM belief was negative and significant ($b = -.35$, $p < .01$).

Model 3 in the next step includes two additional interaction terms, in addition to all of the variables that have been previously included. These interaction terms are traditionality x ILM belief and modernity x ILM belief. The set of these two variables explained 5 percent additional variance in turnover intention. The additional R-square increase was statistically significant ($\Delta R^2 = .05$, $p < .05$). The regression coefficients of the two interaction terms were both significant ($b = -2.32$, $p < .05$ and $b = 2.52$, $p < .05$, respectively).

Finally, Model 4 includes affective commitment in addition to all of the variables that were included in Model 3. An additional nineteen percent in the variance of turnover intention was expounded upon by entering affective commitment, and the R-square change was statistically significant ($\Delta R^2 = .19$, $p < .001$). The regression coefficient associated with this term was also positive and significant ($b = -.51$, $p < .001$). Note that the significant interaction terms in the previous step in Model 3 disappeared as the affective commitment was entered into the equation in Model 4. This suggests that the previous significant moderating effects are mediated by affective commitment, implying mediated moderation.

**TABLE 2**
Regressing ILM belief, Traditionality, Modernity, Interaction Effects, and Affective Commitment on Turnover Intention

<table>
<thead>
<tr>
<th>Variables included</th>
<th>Model 1</th>
<th></th>
<th>Model 2</th>
<th></th>
<th>Model 3</th>
<th></th>
<th>Model 4</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. beta</td>
<td>SE</td>
<td>Std. beta</td>
<td>SE</td>
<td>Std. beta</td>
<td>SE</td>
<td>Std. beta</td>
<td>SE</td>
</tr>
<tr>
<td>Education</td>
<td>.06 (.17)</td>
<td>.03 (.16)</td>
<td>.03 (.16)</td>
<td>.08 (.14)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union Membership</td>
<td>.16 (.31)</td>
<td>.15 (.29)</td>
<td>.15 (.30)</td>
<td>.02 (.26)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure c</td>
<td>-.26 * (.03)</td>
<td>-.26 * (.03)</td>
<td>-.21 * (.03)</td>
<td>-.25 * (.03)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditionality</td>
<td>-.29 * (.31)</td>
<td>-.43 * (.30)</td>
<td>-1.91 (.89)</td>
<td>-1.30 (.82)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modernity</td>
<td>.26 (.24)</td>
<td>.31 * (.23)</td>
<td>2.22 ** (.78)</td>
<td>1.28 (.78)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ILM belief</td>
<td>-.35 ** (.15)</td>
<td>-.32 (.81)</td>
<td>-.06 (.73)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditionality x ILM belief</td>
<td>-2.32 * (.31)</td>
<td>-1.35 (.31)</td>
<td>-1.35 (.28)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modernity x ILM belief</td>
<td>2.52 * (.72)</td>
<td>1.15 (.72)</td>
<td>1.15 (.28)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>-.51 ** (.56)</td>
<td>-.51 ** (.56)</td>
<td>-.51 ** (.56)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>.08 *</td>
<td>.19 **</td>
<td>.24 **</td>
<td>.43 **</td>
<td>.43 **</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square change</td>
<td>.11 **</td>
<td>.05 *</td>
<td>.19 **</td>
<td>.19 **</td>
<td>.19 **</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. N=120;   b. *p ≤ .05  **p ≤ .01;   c. The value of tenure is standardized
Discussions
The main argument in our paper is that one cannot presume that the effects of ILM beliefs in different societal cultures to be universal. Particularly, we posited the idea that the effects of ILM beliefs on employee outcomes (commitment and turnover intention) may differ depending on (1) employee value of traditional respect for hierarchy or collective values (i.e. traditionality), and also on (2) his/her value of respect for individuality and self-reliance (i.e. modernity).

Our study indeed found support for this possibility of moderating effects of cultural values. First, in our study, the association between ILM belief and affective commitment was found to be greater for employees with more traditional values than those with less traditional values. This implies that when employees perceive that the employer allows differential treatment and power distance among different ranks of internal hierarchy through the use of ILM, employees with more traditional values are more affectively committed to the employer. This suggests that the ILM feature may be more suitable to those with employees with traditional values and increases employee commitment.

Similarly, we also found that the association between ILM belief and employee commitment was weaker for employees with more modern cultural values. This suggests that the power distance created by internal hierarchy and collectivistic goal promotion through long-term contractual relationships created by ILM did not work effectively for those employees who have high modernity. Since these employees have values on individuality and self-reliance, they are likely to see the thrusts of ILM practices as conflicting with their cultural values. Given that our sample was drawn from the finance arena, where more inter-firm mobility is observed, employees with more modern values may see the principle of ILM outdated and even unfair.

We also found that these moderating effects of cultural values hold true when the employee outcome is turnover intention. More traditional employees expressed less intention to turnover when they perceived ILM strongly in the firm. Employees with more values of modernity, however, expressed more turnover intention when they perceived ILM strongly in their firm. The finding is very meaningful in that turnover intention and the subsequent turnover may come from a mismatch between HR practices and employee cultural values, implying that employers may need to think about suitability issues between HR and cultural values within the firm.

Finally, the moderating effects of cultural values on the relationship between ILM belief and turnover intention was mediated by affective commitment, suggesting that the moderating effects of cultural values (in terms of predicting turnover intention) works through enhanced or reduced affective commitment. Thus, our study suggests that employee commitment could be an important precursor to employee turnover when a mismatch between ILM practices and cultural values occurs.

IMPLICATIONS
The results of this study have both practical and theoretical implications. From a practical point of view, this study clearly indicates the need for practitioners to pay attention to the changing trends not only in the cultural values of their employees but also the demographics. The current data shows that whereas the younger workers are joining the workforce with much higher academic credentials than in yesteryears, they also tend to have lower organizational commitment and higher turnover intention – especially if they perceive the work environment to be less sympathetic towards cultural ideologies. Organizations in the banking sector in Kenya can reduce employee turnover and increase organizational commitment by paying closer attention to these changing trends. The current data indicates that if an organization has a strong internal labor market (ILM), then it should seek employees with more traditional values. On the other hand, if the workforce of an organization predominately holds modern values, then implementing a strong ILM is counterproductive since such a scenario will instigate turnover intentions and adversely
affect commitment. Demographic variables such as level of education also indicate the likelihood of voluntary turnover if expectations are not met. These arguments are consistent with Barrick and Zimmerman (2005), who argued that organizations can reduce employee turnover by using biodata and other variables such as pre-hire dispositions, attitudes, and behavioral intentions during the process of recruitment and selection.

From a theoretical point of view, this study articulates the contextual complexities of emerging economies where traditionality and modernity are not necessarily mutually exclusive constructs. Within this rather complex cultural context, this study reveals that employee behavioral outcomes are greatly influenced by their individual cultural values. We argue that any attempt to develop universal ILM theories based purely on perceived societal culture in today’s metamorphic workplace may be rather simplistic and unsuccessful. This is consistent with earlier findings that indicated professionals’ work-related behaviors and attitudes are influenced to a greater extent by their profession rather than by culture. For instance, comparative studies of R&D professionals found more similarities than differences across nations (Chaney 1966; Toren and Griffel 1983; Keller 1984; Gerpott et al. 1988; Javidan, Dorfman, de Luque and House 2006). However, this study goes beyond just reestablishing the significance of intra-group differences by drawing from a different industry and societal culture from earlier studies.

LIMITATIONS AND FUTURE RESEARCH

Our study is not without limitations. First, we did not measure actual turnover; thus, generalization of our findings to actual turnover should be done with a very careful caution. Use of self-report measures and same source bias can be another limitation of the study, although most of our measures cannot be measured without self-reports. Finally, since our sample comes from an African society, generalizing and implementing the results into other cultures should be done with caution.

While this study sheds new light on the influence of ILM beliefs on HRM behavioral outcome in a relatively complex cultural context, in the future, researchers can extend our findings by including more diverse samples and possibly performing cross-cultural comparisons. This study is based on professionals in a single industry; future research can replicate it in other industries and in different societal cultures.

REFERENCES


**SAMPLE MEASURES AVAILABLE UPON REQUEST**
Perceived Satisfaction in Sustained Outcomes of Employee Communication in Ghanaian Organizations.

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This research sought to gauge Ghanaian employee perception of the importance, functions and the role of effective communication in their organizations as well as their opinions on whether job performance could be strengthened through effective communication. The research took a cross sectional approach to examine four Ghanaian organizations made up of two public organizations and two private companies. A combination of research methods: a quantitative survey and individual in-depth interviews were used to obtain in-depth information that answered the questions posed in the study. Findings showed that effective communication has a direct positive effect on organizational performance.

Introduction

The effect of employee satisfaction on work processes has been the focal point of scientific research in recent years. Many organizations are therefore exploring HRM policies that are specifically designed to maximize managerial integration, employee commitment and satisfaction, flexibility, and quality of work (Guest, 1987). According to Purcell et al. (2003), a major factor influencing employee commitment to work is satisfaction with communication and company performance.

There is a positive relationship between good organisational communication processes and the level of trust experienced by employees (Abugre, 2005). According to Brewer (1994) it is the communication processes that establishes and maintains trust. Without trust, employees develop an attitude of predominantly self-interest that hinders them from becoming focused and adopting organisational goals such as loyalty. If an organisation fails to fulfil the expected obligations as perceived by employees, then it is likely that the employees will begin to react negatively within the workplace towards the organisation because they feel less satisfied with the context of the job environment (Rousseau 2001).

Good and interpersonal communication make employees feel attached to others in the organization and this feeling of attachment to co-workers have been identified as motivational factors discouraging voluntary turnover (Maertz and Griffeth, 2004).

Literature

The daily activities of a manager and employees are tied to effective communication. Every information provided by a manager must be well understood by his subordinates and the vice-versa. According to London and Larsen (1999), the nature of management and supervision experienced by employees impacts greatly on their job satisfaction. They argue that employees’ job satisfaction is enhanced when their superiors provide a supportive environment that encourages the employees to interact and speak out.

Goris et al. (2000) argue that there is a great impact of organizational communication on employee performance and consequently, job satisfaction of employees. The extent to which communications are regarded as formal or informal affects the quality of organizational communication between subordinates and top management. Similarly, it will affect the quality of vertical and horizontal interactions between the various levels of management and the extent to which the interactions facilitate organizational problem-solving and team work (Clutterbuck 2001).
Every aspect of an employee’s job involves communication, and constant interactions between employees can influence the ability of individuals to communicate effectively across cultures (Konopaske and Ivancevich, 2004). Therefore repeated interaction between these diverse workforces in the organization will help them to develop a team spirit of cooperation and sustained outcome of work performance (Zaccaro and Lowe, 1986).

Effective communication among employees is very essential for internal change in organizations (Robbins, 2003). This is because without employees’ attitude which encourages open communication, good ideas may not find their way upwards to persons in management who have the responsibility to promote and improve them.

Altman and Taylor who are proponents of the Social Penetration theory explain how relational closeness develops through interpersonal communication. They predict that employees will end up as good friends if they proceed from a low level to intimate levels of exchange as function of both immediate and future outcomes (Altman and Taylor, 1987). Holbeche (2002) agrees to the social penetration theory and emphasizes that lack of interpersonal communication has always led to suspicion, demoralization, and loss of essential staff and business.

Similarly, Davis and Droppers (2000) support Altman and Taylor’s view of relational closeness and affirm that the best interactions for superiors and subordinates occur in a non hierarchical setting in which people are able to speak freely, and the conversation is guided but not tightly controlled. Robbins (2003) says that one of the most inhibiting forces to successful group performance in organizations is lack of effective communication. These assertions play a significant role to this study by supporting the proposal that effective communication in organizations leads to improvement in job performance.

**Relationship between Communication and Job Satisfaction**

Most researchers on organizational communication believe that communication makes organizations to be more effective this is why there is an active area of research in communication and organizational outcomes (Pincus and Rayfield, 1989; Downs et al., 1988). Armstrong (2006) says job satisfaction is the attitudes and feelings employees have about their work. When people have positive and favourable attitudes towards their jobs there is job satisfaction and negative and unfavourable attitudes towards the job signify job dissatisfaction.

Purcell et al. (2003) agree that discretionary behaviour that helps organizations to be successful is likely to happen when employees are well motivated and feel committed to their work as a result of jobs that give them high levels of satisfaction due to teamwork, job challenge and social relationships with the work group. According to Emmert and Taher (1992), employees’ job satisfaction is high if the environment encourages a positive feedback both vertically between superiors and employees and horizontally between workers. Kim (2002) also identifies a positive relationship between employees’ job satisfaction and a participative management style used by superiors in work organizations.

Individual employees with extensive face-to-face interaction are more likely to have enhanced coordination and cooperation with co-workers (Andres, 2002), deeper mutual understanding and trust (Leenders et al., 2003) and more informal communication (Shapiro et al., 2002). All of these strengthen the socio-emotional bond between employees and give them a greater co-worker satisfaction (Burgoon et al., 2002). Hence employees with better interaction get to know each other more and more by narrowing their uncertainties and are better equipped to work to the realization of organizational goals. Employees who enjoy co-worker satisfaction as a result of good quality communication are therefore more likely to stay with the organization, and feeling more attached to individuals within it.
Methodology
The study is based on an empirical survey and interviews of a total of 140 workers (120 surveyed and 20 interviewed) of four different organizations in Ghana.

Data collection
The study was carried out in four Ghanaian organizations located in Accra, the capital city of Ghana. The concentration of key public and private organizations with their headquarters located in Accra warranted the choice. Two approaches were used to collect data: a combination of unstructured and structured employee questionnaire and an in-depth personal interview guide.

The Sample Size
A sample of 120 respondents from all four organizations in the study was surveyed. The sample size was obtained by taking 30 respondents each from all four organizations. In each organization, the 30 respondents were further obtained by sampling 10 persons each from the three levels of management: thus senior level management, middle level management and junior level management. This was to make sure that all categories of employees were covered.

With the individual in-depth interview, a thorough interview was conducted for a sample staff in each of the four organizations using an interview guide. Twenty (20) Respondents were picked at random among those who were not given questionnaire and interviewed in each of the four organizations visited and notes recorded in a notebook. In all five (5) persons from each organization making a total of twenty (20) respondents in the study were selected to provide further clarification on the perceived satisfaction and outcomes of employee communication in their work organizations.

The interview guide covered a wide range of questions on issues including respondents’ view on communication direction and participation; quality of communication and motivation to work; management communication behaviour versus work performance; Interpersonal communication between Management and Employees; Effective communication and organizational work performance; Effective communication and respect for one’s view in relation to motivation to work; Employees and Management Respect for team work; and whether effective communication affects employees’ attitude to work hard.

Data from interviews were manually examined and analyzed based on the notes and transcriptions of the recordings. Similarities and differences in opinions between respondents were noted, some direct quotations from respondents were also used to bring out the various strong feelings and views of the respondents. While the data obtained from the survey method were coded using a coding guide. Analysis was both descriptive and inferential using the chi-square ($\chi^2$) to assess the occurrences of relationship between effective communication and communication outcomes, and to measure the statistical significance of the relationship between these variables.

Findings
The findings discussed here are those that are relevant to the concerns of this paper.

Effective Communication and Motivation of Employees.
For the most part, respondents were of the view that good interpersonal communication has a positive impact on their work behaviour, and that lack of employee communication affects people’s attitude to work. Below are some of the responses from the interview.

‘When mangers open up the communication lines, the employee becomes closer to his boss, so it becomes easier for me to ask questions about the direction of my work and this would motivate me to do my best’

‘We want to always know where the organization is moving to and how we will get there, everything must be clear so that we can effectively participate in the process. But if we don’t hear or know what is going on but we are just working, how do you expect me to put up my best’
'As members of the organization, we want to know generally what management plan is, what strategy is worked out for all of us so that we can collectively support the cause of action, but if we don’t know what is going on except a few people who believe they know everything by themselves and just instructing you- do this, do that; how would you be satisfied with the work?’

‘if only managers listen to us as much as possible and show a genuine concern for our opinions about the work, I believe employees would be satisfied and keep on working hard even if the salaries are as low as they are.’

With regards to the survey results, 96.3% of the respondents, answered ‘yes’ that lack of effective communication in work organization would affect employees’ attitudes to work. Table 1 below shows an overwhelming number of respondents who agreed that lack of effective communication will affect an employee’s attitude to work.

<table>
<thead>
<tr>
<th>Do you think lack of communication affects employees' attitude to work?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>105</td>
<td>96.3</td>
<td>98.1</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>98.2</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Effective communication and respect for one’s views in relation to motivation to work hard.**

Most respondents in both the survey and the in-depth interview said effective communication and respect for their views would motivate them to work better than necessarily increasing their salary levels. As many as 79.8% of the total respondents said effective communication and respect for their views would motivate them to work harder than merely increasing salary levels and not respecting their views. All respondents except 2 out of the 20 respondents in the in-depth interview supported the fact that communication and respect for their views will motivate them to work hard. Below are some of their responses to the reasons of effective communication:

“Accords me a sense of being part of the system so I commit myself to work hard” “At least I feel I am part of the team” “communication between employees and employer promotes cooperation” “promotes transparency, confidence and feeling of belonging” “Effective communication motivates employees to work hard” “Expressing my views freely about my work motivates me to perform well to an extent” “effective communication will upgrade knowledge in the job” “Respect for one’s view will motivate him or her since he or she feels part of the decision making process”. “Money is not a good motivator. For how long can money be used to motivate? Effective communication and respect for staff views create a sense of belonging which is more motivating.” “Job satisfaction is the key consideration. No one is ever satisfied with wealth. So when the employee is respected, motivated and encouraged, he surely will be satisfied with an average salary.”

From a quantitative standpoint, there was a marked association between effective communication and the respect for employees’ views and motivation to work harder ($x^2 = 8.765 \text{ df}= 1 \ p < .05$), Findings also showed that effective communication has direct positive impact on organizational performance ($x^2 = 22.586 \text{ df}= 12 \ p < .05$). The study also found that lack of interpersonal communication results in poor work ($x^2 = 41.953 \text{ df}= 1 \ p < .05$), this is again illustrated in table 3 below where the p-value is .000 and is significantly less than the level of significance at .05.
Effective communication and work performance

Majority of respondents agreed that effective interpersonal communication had a positive impact on their work attitude leading to better performance of work output. As many as 98.2% of the respondents in the survey acknowledged that when their supervisors speak to them with respect and politeness, then they would reciprocate in like manner with work behaviour. Respondents in the interview were of the view that there is a great impact of free flow of communication on work performance. The responses below are illustrative.

‘Open participatory communication supersedes all the practices in the organization. Open communication brings about efficiency and effectiveness in work processes’.

‘Effective communication between employees clears all ambiguities that exist in the organization and enables workers the free mind to work without fears.’

Effective communication between management and employees in organizations and work performance. Findings from the individual in-depth interview showed that employees preferred an effective communication between them (employees) and management to enhance work performance. Respondents agreed that effective communication between management and employees was very crucial in work organizations. A question on the interview guide framed as:

‘Does your superior or boss speak to you politely to do work? And did it influence your working behavior?’

This question was meant to find out how effective communication existed between employees and their managers and whether it influenced employees’ work attitude. Below are some of the responses from the interview:

“Yes, my manager speaks politely to me and because of this I work hard for him”; “The days of rudeness of bosses are gone, if you are a boss and you still want be rude to your subordinates at work, nobody would take your instructions”

“Respectful communication between two persons is reciprocal, So if my boss is not polite in his instructions, I’d respond like-manner and though I am forced to work for my salary, my work attitude will change for the worst”; “Communication between employees and employer promotes cooperation” “promotes transparency, confidence and feeling of belonging”; “Effective communication motivates employees to work hard” “effective communication will upgrade knowledge in the job”; “Job satisfaction is the key consideration. No one is ever satisfied with wealth. So when the employee is respected, motivated and encouraged, he surely will be satisfied with an average salary.”

Similarly, findings from the respondents surveyed show that lack of effective communication between managers and their subordinates will affect negatively work behaviours of employees. As much as 94% of the total respondents agreed that effective communication between superiors and their subordinates will
increase job satisfaction leading to increase in employee work performance. This finding showed that there is an obvious association between effective communication between management and employee and work attitude of employees ($x^2=3.876$ df=1, $p=.049$).

**Discussion**

Effective communication and employee interactions are critical processes for organizations because they sustain worker perception of information flow leading to better work output. Results emerging from the analysis show how social realities and perceived communication satisfaction can impact employees’ behaviour in work organizations. This study encapsulates the significance of placing value on employees through effective communication, and useful interpersonal relations among workers are the major views of respondents that will encourage them to work better and sustain performance in their work organizations.

The findings indicate largely the extent to which communication satisfaction has a positive effect on work performance among Ghanaian workers. This assertion is in agreement with those by Emmert and Taher (1992) who believe that employees have a high job satisfaction if their work environment encourages a positive feedback vertically between managers and employees and horizontally between workers; and Kim (2002) who identifies a positive relationship between employees’ job satisfaction and a participative management style used by managers in work organizations. The study also brings out the concern of Ghanaian workers who believe strongly that ‘Effective communication between employees clears all ambiguities that exist in the organization and enables workers the free mind to work without fears.’ Therefore workers with better interaction get socially close to each other by building a strong social contact and narrowing their uncertainties to be able to work to the realization of organizational goals (Burgoon et al., 2002).

The physical interactions between managers and employees should be encouraged since employees prefer to be in constant touch with their superiors. This is demonstrated by the overwhelming support, 90.8% of employees in the survey who believe that the most effective form of communication in work organizations is face – to – face communication. This finding is in agreement with Andres’ (2002) assertion that individual workers with extensive face-to-face interaction are more likely to have enhanced coordination and cooperation with co-workers, a strong mutual understanding and trust (Leenders et al., 2003) and more informal and realistic communication (Shapiro et al., 2002). Effective communication between managers and employees will certainly strengthen the socio-emotional bond between employees and give them a greater co-worker satisfaction (Burgoon et al., 2002). The findings from this study is of paramount importance to many third world countries of which Ghana is part where the new information and communication technologies, especially email, phones, fax and other digital means of communication are not easily available because they are expensive. Managers therefore can better use the available physical interaction of face – to – face communication which does not cost anything to the organization to reach their employees instead of the usual complaints that, the insufficiency of Information Communication technology (ICT) is responsible for ineffective communications in organizations.

The survey research equally showed respondents going in for ‘Respect for my views without increase in salary’, 69.7% of respondents routed for “Respect for my view”, while 15% of respondents chose ‘increase in salary without respect for my views’ and 11.2% of respondents went in for “Promotion without respect for my views.” In poor countries where it is easier for people to trade their dignity for money due to low income levels to meet their basic needs, it is interesting rather to find majority of Ghanaian employees in the study (with low income levels) who prefer “Respect for my view”, to ‘increase in salary without respect for my views’ and ‘Promotion without respect for my views.’ This finding demonstrate the power of communication behavior between management and employees, and therefore agrees with Purcell et al. (2003) who argue that, discretionary behaviour that helps organizations to be successful would take place when employees are well motivated and feel committed to their work as
a result of jobs that give them high levels of satisfaction due to teamwork, job challenge and social relationships with the work group.

**Conclusion and Managerial implications**

This research investigated whether Ghanaian employees were satisfied or motivated by the communication system in their work places and whether this satisfaction could enhance workers’ performance on the job. Findings of the study call for some behavioural directions for managers and supervisors of employees in organizations. Results from the study show that effective communication is indispensable to the upward growth of an organization. Managers and supervisors should understand that to improve job performance in the various organizations, management must pay serious attention to the total involvement of workers through effective communication in the running of the organizations. Managers can also improve employees’ job performance in the organizations by narrowing the communication gap between management and employees. This can be done by providing mechanisms to promote equal access to management by all employees.

Overall, managers must understand that workers need respect from their bosses so that they can replicate the respect in their work behaviours. Managers must therefore show politeness when interacting with their subordinates; this would impact positively on employees work attitude. Managers particularly those in the public sector organizations must endeavour to promote effective communication through the use of new information and communication technology particularly in the areas of email and office telephone systems.

**References**


Human resource partnering and functional effectiveness in selected organisations in Uganda

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The purpose of this study was to examine the relationship between line partnering and functional effectiveness. This was assessed through a cross sectional research design, using structured questionnaires, administered to HR and other Line Managers from selected organizations. The findings revealed no significant differences in the perception of managers on HR-line partnering and Functional Effectiveness, significant positive relationship between HR-line partnering and functional effectiveness and a prediction potential of 29.5% of HR-line in explaining the variance in HR-functional Effectiveness. The study recommends that line managers should be involved in HR issues for HR functional effectiveness for organizational competitiveness.

Introduction

Whether it is called people, labour, intellectual capital, human capital or human resource management, the resource that lies within employees and how it is organized is increasingly recognized as critical to strategic success and competitive advantage (Boudreau and Ramstad, 2007). There has been an increased demand on Human Resource (HR) function to create value addition to the organizations irrespective of size (Bosch, et al, 2006). Researches carried in different organizations have shed some light on the contribution of HR practices to the performance of these organizations on employee retention, increasing productivity, profitability (Fabi, et al, 2009). Though, determining the importance of human resource management function and its associated activities remain important, some scholars (Micheal, et al 2006) have argued that it is sometimes an uncertain, line of inquiry in organizational science. Mayrhofer et al, (2000), for instance, argued that the very nature of the concept of human resource management remain contested, that the levels at which the concept can be applied may equally vary. In support, Hammonds (2005) in why ‘I Hate HR’ argued that HR trade established itself at best as a necessary evil, a dark bureaucratic force that blindly enforces nonsensical rules, resist creativity and impedes change only competent at the administrivia of pay, benefits and retirement, yet companies are increasing effectively contracting out these services to outsiders. According to Pynes (2009) HR management must establish links to enhance organizational performance, be able to demonstrate on continuous basis how HR activities contribute to the success and effectiveness of organizations. Unfortunately many HRM departments spend their time ensuring compliance with rules and regulations. Goodge (2005) contend that line partnering has been considered crucial for HR management strategies for organizational competitiveness. Line partnering is the involvement of other line managers in HR-tasks in the organization (Whittaker and Marchingatataon, 2003). According to Pynes (2009), the responsibility for the performance of HR function does not reside on the HR department only, all levels of managers of the organization share that responsibility. Though, a study by Renwick (2004) established that line managers proved inadequate in doing some HR work, concluding that line managers lacked the capability and responsibility for doing some HR work.
In Uganda, a number of organizational managers do not generally recognize HR management as an important profession of its own or even view it as an important strategic partner to the business. In some organizations only the administrative focus on HR is considered necessary, while in other organizations the HR function reports to Finance and Administration irrespective of the differences in their objectives and goals. This structural positioning of HR function (FUE, Survey Report, 2004) may denies HR professionals direct representation at the ‘decision making table’ in some organizations and limited level of line partnering in the organizations probably limiting effective organizational competitiveness. The report further suggests that a number of organizations should seek to innovations to modify or even transform their HR function, focusing on more energy on strategic HR approach, including managing involving line managers in HR issues. Unless HR practitioners developed an appropriate partnership with line managers they may not create the added value expected for organizational competitiveness.

LITERATURE REVIEW

HR- Line Partnering and Functional Effectiveness

In this study, HR line partnering variable was correlated with Functional Effectiveness variable. Line partnering is the involvement of line manager in HR issues in their departmental units (Renwick and MacNeil (2004), while HR effectiveness is the satisfactorily capability to delivery HR output for effective organization competitiveness (Rozhan et al (2000). Most line managers, for instance, were willing to support the HR function in the organizations. Findings by with Brewster and Larsen, (2000) agree with the view that the line managers have the desire to do HR work, and may have both the capacity and ability to do it well, if adequately trained and assisted by HR professionals. Redman (2001) on the contrary argued that line managers dislike the HR activities and found them time consuming, while Redwick (2003) found out that some line managers saw HR work as a specialist activity that just required HR professional advice. Other Authors (Brewster and Larsen, 2000, Cardwell, 2003), however, have increasing argued that HR management is not the sole responsibility of HR departments, but rather a mix of internal and external agents who combine to share the HR activities and responsibilities in relatively diverse ways.

Devolution of HR responsibilities to line managers is now seen as something of a defining issue of human resource management, though the key concern is how to strike the balance of responsibilities for the management of people between human resource department and line managers (Brester and Larsen, (2000). In a study in the public sector, it was established that middle managers wanted to be involved in the management of their staff, though this may exacerbate the tension in their roles. Many of them viewed HR management as their natural role, but feared work and time pressures, lacking clear role definition, adequate training and resources to support the function (cited by Micheal et al, 2006). For instance, findings by Brewster and Larsen’s (2000) confirm that managers acknowledge that they shared the completion of HR work with HR managers in an attempt to increase speed of decision making and using the line as an alternative to outsourcing the HR function. According the primary responsibility of managing HR rests with those responsible for day to day supervision of subordinates. According to Ulrich and Bronkbank and their partners (2008) HR should not be done by HR as knowledge becomes more critical to organizational success, line managers become more central to design, and implement HR issues, for instance where talent is critical, line manager takes lead in sourcing and managing talent. Ulrich and Bronkbank (2008) further argue that if line managers want their units to perform they become the guardians of people and organization.

Although, it is believed that the line managers are considerate to employee needs, wishes and concerns, there were still questions on whether line managers carried out HR work fairly. It is argued that though,
line managers may be in the best position to adopt the most appropriate HR styles and practices (Storey, 2000), they needed sufficient HR knowledge and skills to supervise staff effectively and consistently. Evidence exists that suggests that HR specialist and line managers tend to work in conjunction with each other across a wide range of issues (Whittaker, 2004). To Renwick, (2003) however, the shifting of HR issues to line managers has many implications for the work of HR professionals. New skills are likely to become more important in the future, for example, in formulating HR policies and procedural frameworks such as recruitment, or grievance handling to ensure adherence to corporate policy and legal requirements. HR professionals might also provide expert advice and guidance on all personnel matters, perhaps through guidance manuals, and more effective use of e-HR systems. This would improve the performance of the HR function and in turn organizational competitiveness through people, the research argued. The developments are likely to put greater demands for training line managers to deal with HR issues more effectively the study concluded.

In conclusion available literature suggest that line partnering is area of interest for research in HR management, seen as an HR triad, posited as an innovation that would enhance organizational competitiveness, through effective HR function. These variables seem to have attracted the interest of researchers elsewhere, with limited empirical studies in Uganda, thus the need for this study.

It is argued in literature that the success of an organization in achieving its corporate objectives and gaining competitive advantage lies in the effective management of its human capital (Boundreau and Ramstand, 2007). Studies by Federation of Uganda Employees observed that most organizations in Uganda had failed to re-engineer the HR function to come up with an agenda for HR focus on championing competitiveness (Wiegratz, 2009). These studies recommend a need for improvement in the management of Human Resources for superior performance. If HR management is not effectively managed in organizations in Uganda, this may less to less competitiveness in the global world. Other than these FUE survey, there has been limited empirical HR studies in Uganda. This study was designed to examine perception of HR professionals and line managers on line partnering for functional effectiveness.

This study was designed to examine the relationship between line partnering and functional effectiveness in selected organizations in Uganda, East Africa.

**Objective 1**
To establish whether there are differences in the perceptions of HR professionals and other line managers in HR-line partnering and functional effectiveness.

**H1:** Hypothesis
There is a significant difference in the perceptions of HR professionals and other line managers on HR-line partnering in organizations in Uganda.
A significant difference exists in the perceptions of HR professional and other line managers on HR-line partnering and functional effectiveness.

**Objective 2**
To establish the relationship between HR-line partnering and functional effectiveness in organizations in Uganda.

**H2:** Hypothesis
There is a significant positive relationship between HR-line partnering and functional Effectiveness in organization in Uganda.
METHODOLOGY

This quantitative study utilized the cross sectional research design. The study population included HR professionals and other line managers purposively selected from FUE organizations, in Kampala District of Uganda. This sampling frame was drawn from 60 organizations, which participated in the HR survey of best performing organizations, the Employer of the Year Award of 2004. Disproportionate stratified random sampling technique to select a representative sample. A sample size of 137 respondents was derived, using guidelines by as displayed in Sakaran (2003) on sample size. However, only 111 returned usable questionnaires, representing 37 (61.6%) organizations which were used for analysis. The study variables measurements for the study was adopted from line partnering measurement was adopted and modified from the one used by Whittaker and Marchington (2003) with statements like ‘this is true for my organization: “line managers are involved in the following HR issues” while HR functional effectiveness used HR deliverables output adopted from Rozhan et al (2000), with statements like ‘this is true for my organization: “I consider my organization effective in handling HR issues items”; on a four likert scale for items like. The study was conducted at an organizational level of analysis and the 0.05 level of significance was used as the critical value or probability level which is a relationship between variables will not be regarded as statistically significant. To ensure that quality data was collected; reliability and validity tests were carried out. The alpha coefficients for HR-line partnering were 0.959 and that of functional effectiveness 0.957. An alpha value above a mark of 0.7 is considered sufficient for a reliable instrument. Further, validity was attained using a panel of academic and professional expert judges to attest the content validity by indicating relevant and irreverent items in the questionnaire guide, before it was pilot tested. Statistical analyses were conducted using SPSS 17.0. Cross tabulations were used to analyze descriptive data. Factor analysis was carried out to establish factors representing the study variables, line partnering and functional effectiveness. Correlations were used to test relationships and regression used to test the effect of line partnering and functional effectiveness.

STUDY FINDINGS

Descriptive Statistics:
Descriptive statistics indicated that the study involved HR professionals (45%) and other line Managers (55%); there were more female HR professional respondents (54.2%) and more male in other profession respondents (63.9%). The majority of respondents fall in the age bracket of 30 – 49 (74.0% and 77.1%) for HR professionals and other professionals respectively. Majority of respondents were married (64.0% and 73.8%) for HR professionals and other professionals respectively are married. Majority of respondents had attained postgraduate training (postgraduate diploma and masters) as the highest level of training (70.0% and 52.4%) for HR professionals and other professionals respectively. Majority of human resource professionals and other line managers had been in service for less than 5 years (50.8% and 49.2%) respectively. A factor analysis was done to confirm the factors that make the study variables, which are Line Partnering, and HR Functional Effectiveness. A rotated component factor analysis for Line Partnering revealed on one factor with a cumulative percentage of 69.9%. While rotation component factor analysis for Human Resource Functional effectiveness revealed on factor with a cumulative percentage of 71.1%.

RESULTS

Differences in Perception of Respondents on study variables:
To establish if there was a difference in perceptions of the respondents on the study variables, a T-Test analysis was done. The findings presented in table below:
The T-Test results showed that there were no significant differences in the perceptions of HR Professionals and other Line Managers on HR-line partnering and functional effectiveness. This means that the perceptions of HR professionals and other line managers were similar for HR-line partnering and HR-functional effectiveness in selected organizations. This means study hypothesis $H_1$ was rejected.

**Relationship between Line Partnering and HR Functional Effectiveness:**

To establish a relationship between the variables a correlation analysis was carried out. Findings presented below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min</th>
<th>max</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR-line partnering</td>
<td>1.00</td>
<td>4.00</td>
<td>2.80</td>
<td>.449</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>HR-functional effectiveness</td>
<td>1.00</td>
<td>4.00</td>
<td>3.08</td>
<td>.561</td>
<td>.553**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

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

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

Correlation findings indicate that there is a positive significant relationship between Line Partnering ($r = 0.553$, $p$-value $\leq 0.01$). This means the study hypothesis $H_2$ was accepted: There was a positive significant relationship between HR-line Partnering and HR-functional effectiveness. This implies that if partnership between HR professionals and other line managers in handling HR issues is increased, HR-functional effectiveness will enhanced.

In addition to the correlation analysis, a regression analysis was done to test for effect of independent variable (HR-line partnering) on the dependent variable (HR-functional effectiveness).

<table>
<thead>
<tr>
<th></th>
<th>Standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig</th>
<th>$R^2$</th>
<th>Adjusted R</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.217</td>
<td>.613</td>
<td>.354</td>
<td>.726</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line partnering</td>
<td>.391</td>
<td>.126</td>
<td>.3112</td>
<td>.004</td>
<td>0.325</td>
<td>16.62</td>
<td>.000</td>
</tr>
</tbody>
</table>
Dependent Variable: Human Resource functional effectiveness

Findings indicate that the prediction model revealed that HR-line partnering was an important predictor of HR functional effectiveness. It accounted for 29.5% of HR functional effectiveness.

DISCUSSION OF STUDY FINDINGS

The study established that there were no significant differences in the study variables. Both the HR-professionals and other line managers perceived these variables in similar way. This was in line with what other scholars had established elsewhere that line managers and HR seemed to agree to share HR-work in an attempt to increase decision making (Storey, 2000, Brewster and Larson, 2000) and that the responsibility of HR management is the role of both HR department and line management (Cardwell, 2003), contrary to those who established that line managers disliked doing HR tasks (Redwick, 2003).

This study further established a significant positive relationship between HR-line partnering and functional effectiveness. This is in support of what Ulrich and Bronkbank (2008) argued that if line managers want their units to perform they become the guardians of people and organization. Line Managers should challenge their HR to live to a high standard; line should spend time to learn what their HR performance can and should contribute to business. This is in agreement with what Storey (2000) has proposed that, line managers may be in the best position to adopt the most appropriate HR styles and practices. Whittaker too (2004) too suggested evidence that HR specialist and line managers tend to work in conjunction with each other across a wide range of issues for organizational effectiveness. He established HR function took the lead in developing policy, the line managers played a much greater part in employee resourcing and employee relations. HR professionals still had a significant role in employee development and employee relations, reward pay and benefits, and least in appraisals, quality initiatives, health and safety and communications, his the study concluded.

Findings are further supported by previous study by Jackson and Schuler (2003) who observed that line partnering stresses everyone’s responsibility in managing HR issues for synergistic results in HR function. Papalexandris and Panayotopoulou (2004) further argued that since line managers are responsible for creating value, they should integrate HR in their work, working in partnership and holding HR more accountable in delivering organizational excellence. In addition, they advanced the view that partnership is an enhanced role for line managers in those organizations that hold them responsible for bottom line results, because of their frequent contact with the customers, which enables them to present themselves as the voice of the ‘customers’, thus these results support this view. However, other scholars argued in contrary that if line manager take time doing HR, where would they get the time to do what they are employed to do, that is their own line responsibility (Redwick, 2003, Pynes, 2009).The study however, has established that there are benefits of line manager partnering with HR for effective HR function, this is in turn hoped to add value to the organizational competitiveness.

CONCLUSION AND RECOMMENDATIONS

In summary, this study has established that HR-line partnering is important predictor of the effectiveness of the HR function in organizations. This study thus concluded that in order for the HR function to achieve the desired goal of adding the expected value to organizational performance. The involvement of line managers in HR issues will ensure that those managers who deal with employees on a daily basis will to handle the implementation of HR issues as HR professionals in HR department concentrates on developing policies and procedures, creating an HR strategic direction to support the business strategy.
The sample limitation notwithstanding, this study findings advance the body of knowledge in HR-line partnering and functional effectiveness. Findings from the study confirm the existence of a positive relationship between HR-line partnering ($r = 0.553$, $p$-value $\leq 0.01$); with HR-line partnering statistical predicting 29.5% of HR functional effectiveness. This has a number of implications for theory, management practice and future research in the area of strategic HR management. The study recommends that organizations should continuously involve line managers in HR tasks for organizational competitiveness. HR professionals should be willing to give expert support to the line managers to handle HR issues, and use information from line managers to develop effective HR policies which will be implementing by line managers. This synergy is hoped to lead to sustainable competitive organizations. To advance further knowledge in HR-line partnering and functional effectiveness, further research could focus other determinants of HR functional effectiveness, determinants of line partnering, and competencies required by HR professionals and other line managers to effectively participant in HR partnering. A variation in methodology involving other stakeholders and qualitative studies could enhance knowledge in this area.

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FUE Report (2004), Employer of the Year Award Report: Turning Business Strategy into HR priorities to achieve organizational excellency and competitive edge, Survey conducted by Earnest and Young November 2004.


The Growth of the Internet for Small and Medium Size Enterprises: An Exploratory Study and Opportunities for African Managers

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The growth of the Internet has opened up a vast arena, providing more opportunities for businesses, particularly small to medium-sized enterprises (SMEs) to sell their products and services to a global audience than they would have been able to afford to reach using the traditional methods. SMEs are extremely important to many countries and their contribution to economy cannot be over emphasized. Several research have studied the contribution of the internet, Khalifa (2004), Wolfinbarger and Gilly (2001), Lohse, Bellman, and Johnson (2000), they argue for the important of convenience, satisfaction, quality and consumer purchase behavior. In this study, it is argued that SMEs stand to benefit significantly from the opportunities and benefits that the Internet offers to businesses. Therefore, the use of the Internet is widely seen as critical for the competitiveness of SMEs in the emerging global market such as Africa. The study is exploratory in nature and it was conducted in three stages. The finding presented in this paper, argues that African managers must learn from the experiences of other and use the internet more than is currently be done.

Introduction

The millennium has brought with it an increasingly global dependence on the internet. The significance of the internet can be measure by the number of research on the topic, juts typing information technology on any search engine and over a million data file would be found. E-commerce has enable consumers and producers around the world to meet in virtual marketplaces Khalifa, A. (2004). The growth of the Internet has opened up a vast arena, providing more opportunities for businesses, particularly small to medium-sized enterprises to sell their products and services to a global audience than they would have been able to afford to reach using the traditional methods.

The establishment of an environment in which SMEs are able to grow and prosper in the emerging global business is considered critical to the development and expansion of businesses in the economy. The identification and encouragement of new business opportunities for SMEs, based on information technologies has been the priority of most governments, particularly British government. Information and communication technologies (ICTs) are seen as playing an increasingly important role in the growth performance of SMEs and these are taking on new significance in most countries of the world (OECD, 2000). The advent of Internet-based electronic commerce allows smaller firms to expand their customer base, enter new product markets and rationalize their businesses. Businesses are looking to new technologies to meet their unique business requirements and position themselves to take advantage of global changes in business activities.
The search of the literature reveals that many changes in organization today have been technology driven. Clarke (1996) notes that information technology (IT) is really changing the whole nature of business transaction between consumers and suppliers of goods and services. Points out that companies especially SMEs are confronted with a number of changes that require innovative answers. These challenges include the emergence of a competitive global economy; the trend towards an information based economy, and the shift from mass production to a customer-driven economy. It is argued that to compete in today's global information-based and customer-driven economy; SMEs must be efficient, innovative and competitive - able to respond just in time, focus on quality, and implement mass-customization. It is suggested that in order to do compete, SMEs must be able to leverage the new information and communication technologies (ICTs) to fit better in their environment, establish more co-operative inter-organizational relationships and compete on the international markets.

Conceptual Background

Small and Medium size Enterprises make significant contribution to most economies of the World, according to the US Census Bureau (2006) CENU, the retail e-commerce sales for 2006 in the United State were estimated at $108.7 Billion, an increase of 23.5 per cent (%), they represent 99% of all enterprises in the EU and provide around 65 million jobs and contribute to entrepreneurship and innovation. SMEs have been shown to contribute significantly to country and regional economic growth, increased employment levels and locally relevant product and service. SMEs are very important to the UK economy; they provide over 59% of private sector employment (BERR, 2008). They are also the source of future growth and innovation, Barnes et al., (2008) argue that the advent of the digital economy has made the adoption and use of Internet a significant issue for most SMEs. Yet, many SMEs find themselves in a difficult situation. Barnes et al (2008) note that SMEs find themselves caught in a trap, lack of resources means that while there may be an aggregate demand for IT service and advice, individually, the varying nature of that demand makes it uneconomical for other firms to provide a service meeting that demand.

According to the Observatory of European SMEs (2007), the average SME across all European enterprises employ 6.8 people. At both the European Union (EU) and national level, SMEs lie at the heart of policy making with the emphasis on encouraging enterprise and promoting business growth. SMEs are an important link to boosting the levels of innovation in the national economy and fostering greater competition both domestically and increasingly, internationally. Griffith (1993) indicates that in the United States, for example, SMEs are an important part of the economy with some 3,800,000 businesses having between 5 to 99 employees. Small firm dominated sectors provided more than 60% of new jobs in the period 1994 to 2005. Griffith points out that in Hong Kong, nearly 90% of companies are 'small', 88% of all companies employ fewer than 10 people and account for over 80% of Hong Kong's international trade. In Canada, 57% of economic output is generated by an SME sector consisting of 2.2 million firms. SMEs account for 45% of GDP, much of the economy's growth, 60% of all jobs in the economy, and 75% of net employment growth. "The success of SMEs affects the well-being of the Canadian society as engines of job creation, economic growth and innovation" (CFIB, 2000). Another similar survey covering the United States, Japan, and Western Europe (IDC, 2009) revealed that SMEs make up nearly 86% of all business establishments. SMEs' contribution to employment, innovation and the overall dynamism of growing service sectors underlies trends now being characterized as part of a "new economy" (Lawrence, 2002). They currently account for close to 100% of firms in many service activities, such as wholesale and retail trade, hotels and restaurants (OECD, 2000). There is evidence that SMEs are not only effective at job creation (Mason, 1997) and job replacement, they are more innovative in the development of products and process improvements and more flexible and thus more competitive in terms of the ability to produce small quantities.
The SMEs sector is faced with several major challenges in their effort to maintain an important position in the global marketplace and world-wide competition. In addition, SMEs particularly small business however, suffers from additional problem of limited resources such as financial, technological and human (Wymer and Regan, 2005). For this group of organizations, information technology and the direct use of information itself can be of crucial use, provided that they can be made use of readily, cheaply and without recourse to expensive expert assistance (Poon and Swatman, 1995). Lymer et al (1997) concur that the use of IT is becoming increasingly important as a mechanism to increase productivity, reduce costs and facilitates flexibility in SMEs business.

Characteristics of Small to Medium-Sized Enterprises

According to Auger and Gallaugher, (1997) SMEs are deemed to posses specific attributes that distinguish them from the large enterprises. Cragg and King (1993), argued that SMEs differ from large companies in the way they develop their corporate strategies and their technology policies. Large companies typically have well-defined processes for developing and implementing strategies through a corporate planning process. While SMEs often use less structured approaches, strategies and policies that may not be formulated but may "emerge" from a set of actions and experiments (Mason, 1997).

SMEs have fewer resources and expertise in terms of management of new technologies (Cameron and Clarke, 1996; MacGregor et al, 1998; Igbaria et al, 1997). They are more vulnerable because of their lack of financial and human resources, as well as information resources that are needed to sufficiently understand and master the organization and its environment. Many SMEs do not possess the technological background, which would enable them to use and evaluate IT, or lack the time to explore it. Yet the need to remain flexible and innovative, are the criteria for survival and success for SMEs (Poon and Swatman, 1995). On the other hand, SMEs have their own particular advantages of being more flexible and adapt to changes more readily than larger enterprises. They are often innovative in new and different ways, for example in their approach to management and marketing, rapid implementation and execution of decisions, market proximity and their capacity for adaptation and short-term orientation (Poon and Swatman, 1995). They are less likely to suffer 'lock-in' with respect to existing plants, technologies or organizational structure.

The problems encountered by smaller firms are different from those encountered by large firms, and require different managerial approaches (Blili and Raymond, 1993). From a strategic and administrative point of view, SMEs are mainly 'organic' in nature and can be seen as an extension of the entrepreneur's own personality. Structurally, they are typically informal with minimal differentiation among units. They are often weak in terms of financing, planning, and control, training and information systems, due to a chronic lack of resources (Auger and Gallaugher, 1997). Others may not perceive the ways in which the use of IT could enable them to operate their businesses more efficiently or cost-effectively (Pavic et al, 2007).

Time and resources are the major constraint for most small business operators (Mason, 1997). Similarly, MacGregor et al (1998) suggest that some of the following characteristics make up the organizational environment in which most SMEs operate - small management team; centralized power and control; informal and inadequate planning and control systems; lack of control over the business environment; lack of resources (limited ability to obtain finance); limited process and product technology; limited market share; heavy reliance on few customers and chaotic organizational structure. However, they add that SMEs have distinctive advantage of being responsive, flexible, flat structured, organic and simple. Blili and Raymond (1993) identify similar characteristics (Raymond et al, 1989; MacGregor et al, 1998; Cameron and Clarke, 1996) of the specificity of SMEs - environmental specificity, organizational specificity, decisional specificity, psycho-sociological and information systems specificity. Some aspects of this specificity may have a particular effect on the development, introduction and use of strategic information systems.
Environmental Specificity: SMEs are usually characterized by a high level of environmental uncertainty. For example, problems relating to fiscal, interest rates and legal issues have a greater impact on smaller firms than on larger ones. Their lack of knowledge and experience often means that small businesses are faced with a high level of uncertainty in terms of new technological environment and the eventual use of information technology for strategic or competitive purposes. Lacovou et al (1995) examined the adoption of Electronic Data Interchange (EDI) in small firms, they found outside pressure from trading partners to be the main reason small companies became active in EDI.

Organizational Specificity: SMEs are characterized by a simple, highly centralized structure. Reducing complexity can be considered as a success factor in the implementation of organizational information systems. One particular advantage of a simpler structure is that it should facilitate the tasks of needs identification and tailoring of the IS to the firm's strategy, which basically emanates from the owner-manager(s). SMEs are often very 'poor' in terms of human, financial and material resources (Blili and Raymond, 1993; Cameron and Clarke, 1996; MacGregor et al, 1998; Igbaria et al, 1997). They usually do not have the capacity to develop and manage their own information systems, but must call on third parties (suppliers, consultants, and specialized firms), whose product and service quality may vary. This lack of control over their informational resources increases the level of risk, especially where these resources are used for both operational and strategic purposes.

Table 1: Summary Characteristics of the Specificity of Small to Medium-Sized Enterprises

<table>
<thead>
<tr>
<th>Environmental specificity</th>
<th>Organizational specificity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty: with respect to technological environment</td>
<td>Structure mostly informal, minimal differentiation</td>
</tr>
<tr>
<td>Vulnerability: with respect to competitive forces (customers, Suppliers, etc.)</td>
<td>Resources: 'poverty' in terms of human and financial resources</td>
</tr>
</tbody>
</table>

Decisional Specificity
- Strategic decision-making cycle: short-term, reactive (versus proactive)
- Decisional process: intuitive, based on experience, little use made of information and formal managerial techniques, focused on physical flows (versus information flows)

Psycho-sociological Specificity
- Dominant role of the entrepreneur: limited information sharing, limited delegation of decision-making
- Psychological climate: favorable attitude towards information systems, but few expectations

Information systems Specificity
- Information systems function: not very advanced stage, subordinated to the accounting function, very little expertise, experience and training in information systems management
- Information systems complexity: emphasis on administrative applications (rather than managerial), based on packaged (rather than tailored) software, little technical expertise
- Information systems success: under-utilization of information systems, little impact on decisional and organizational effectiveness

Source: (Blili and Raymond, 1993)

Decisional Specificity: SME's strategic decision cycle is often a short-term one, since it is focused on reaction rather than anticipation. The lack of planning in particular often provokes specific problems of IT implementation, operation and use. In addition, very few management methods and techniques such as forecasting, financial analysis and project management are employed by small business managers. The decisional process of these managers is considered to be more intuitive, based on 'guesswork' and less dependent on information and formal decision models.
Psycho-Social Specificity: In an SME, the chief executive officer (CEO) is often one, or perhaps the owner of the firm. In these firms, the CEO's viewpoint is a critical contributor to strategy and policy (DeLone, and McLean, 1992), Clearly, the owner-managers play a highly dominant role in small business strategy, decision-making and organizational climate. They tend not to transmit information or delegate decision-making to their subordinates. Often, they are the only ones in the enterprise with the authority, responsibility and access to the information needed to identify opportunities for using information technology for strategic or competitive purposes. A study of SMEs (Mason, 1997) found that implementing technology policies in SMEs was strongly influenced by how the CEO perceived the world. Even though all the firms in the study were immersed in the same industrial setting, the CEOs differed in their view of how hostile and how dynamic their environment was. The firms' propensity to invest in new technology was strongly related to these views.

Specificity of Information Systems: The IS function is usually subordinate to the accounting function, and not enough managerial expertise is available within the firm to plan, organize and direct the use of information resources. Typically, IS applications in small firms are transaction-oriented (e.g. accounts receivables) and to produce periodic operational documents and reports (Craig and King, 1993). This type of application is usually introduced using packaged software, since many of these organizations do not have the level of technical expertise required in developing their own applications. Organizational information systems in small firms seem to be tinder-utilized, in most cases; information technology affects only support activities (e.g. accounting).

Managerial Implication of the Internet on Small to Medium-sized Enterprises
Despite the overwhelming media coverage on the Internet, relatively little is understood regarding the impact the Internet is having on firms that use this medium to facilitate commerce. Even less is understood about the impact on SMEs, the largest segment of U.S., Japanese, and Western European businesses (Auger and Gallaugher, 1997). While much speculation has been offered, past empirical studies (e.g., Craig and King, 1993; DeLone, and McLean 1992:) have been relatively few, often lacking in scope or methodology, and frequently contradictory in reported findings. Most of these studies are descriptive surveys on the general use of computer applications (Malone, 1985; Craig and King, 1993). It is important to note that the Internet is quite different from traditional computer applications, in that Internet commerce is inter-organizational and supports multiple business functions (from human communication to business transactions). This makes it difficult to extend findings from previous studies in small business computer applications to Internet commerce, because these earlier studies concentrate on internal systems, which do not have an inter-organizational focus.

Fundamental changes are taking place in economies throughout the world that distinctly favors the SMEs. The downsizing and out-sourcing activity of large companies, as they pursue restructuring and return to a core business has created and continues to create many opportunities for SMEs. Bloch and Segev, (1996) argue that firm especially SMEs are confronted with a number of changes that require innovative answers. These include the emergence of a competitive global economy; the trend towards an information based economy, and the shift from mass production to a customer-driven economy. They argue that to compete in today's global information-based and customer-driven economy, SMEs must be efficient, innovative and competitive and able to respond quickly, focus on quality, and implement mass-customization. It is suggested that in order to do this, SMEs must be able to lever the new information and communication technologies (ICTs) to fit better into their environment, establish more co-operative inter-organizational relationships and compete on the international markets.

Research has shown that many SMEs have been unable to trade electronically due to high costs associated with the Value-Added-Networks (VANs) (Lymer et al, 1997). The resulting high costs and the necessary lead times frequently create barriers to investment and widespread use of electronic commerce
applications, and this inhibits the expansion of electronic commerce beyond large companies and their major trading partners. SMEs have generally not been very enthusiastic in their involvement with electronic commerce, and in particular with Electronic Data Interchange (Tuunainen and Saarinen, 1997). SMEs have traditionally implemented and used information technologies in their businesses as a reactive measure in response to requests by larger organizations who are customers and therefore provide the business imperative for them to become IT compatible (Iacovou et al., 1995; Tuunainen and Saarinen, 1997; Poon and Swatman, 1998). These large companies have access to resources and investment capital, which are not generally available to SMEs. It has been argued that usually SMEs have used electronic data interchange (EDI) in a way that was originally established by their (larger companies) customers and they have not used the technology because of the opportunities it offers them or as part of their business strategy (Tuunainen and Saarinen, 1997). A number of reasons have been given why SMEs are reluctant to implement EDI in their business: (1) because its use reduces a firm's possibilities to change suppliers due to high switching costs and (2) they need a considerable level of trust in the idea that investment of time and money will provide a payback. SMEs that have adopted EDI generally do so because of outside pressure from major customers, who provide the business imperative, rather than actively seeking the strategic benefits of EDI (Iacovou et al., 1995; Tuunainen and Saarinen, 1997).

Conclusion

This study is a conceptual and exploratory study of the Internet, a review of opportunities, benefits of SMEs. The versatility and capability of the Internet technology was demonstrated as an ideal platform for SMEs to participate in global market. The literature would seem to suggest that the use of the Internet particularly suit the type and the nature of SMEs businesses and several lesson for African SME’s owners. The availability of universal and low cost access to the Internet and World Wide Web and non proprietary technology, was widely seen as providing the basis for development of major global business opportunities and enabling the widespread use and implementation of cost-effective electronic commerce for SMEs.

The Internet delivers a low-cost 24 hours a day/ 7 days a week access to a global IT infrastructure, which provides SMEs with on-line information sources on a global basis. African business would benefit from this growth. Allowing them to gain an increase market share and attract prospective customers, placing them in a competitive position to large organizations. SMEs can gain substantial benefits by using this open and relatively low-cost information infrastructure to gain competitive advantage against their less entrepreneurial competitors.

Literature suggests that the potential of the Internet to be exploited by SMEs is enormous and the benefit to be gained is only limited by the imagination of the business users. Although it has been suggested that the use of the Internet present exciting opportunities to companies of different sizes, however, for Internet to be deemed suitable for commerce, many technical and economic barriers must be overcome, including security and the limitation of infrastructure. The major issues, facing SMEs is how to manage this changing technology in such a way as to realize the opportunities whilst avoiding the risks.

Reference


DTI (Department of Trade and Industry), (2009), http://www.dti.gov.uk


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Using data from over 200 respondents, this paper examines the links between Global System for Mobile Communication (GSM) and Urban employment in Africa. The results show that truly GSM has generated income opportunities in Africa using Nigeria as a case in point. Trade policies of these companies influence the rate at which this subsector expands. More so, this trend has contributed to explain the rapid growth of the industry in Nigeria touted globally as the fastest growing telecom market in the world. Contrary to widespread expectations, education does not influence the rate of employment in this industry's informal sector.

Introduction

Nigeria: Background of the study
Country Background

Source: Microsoft Encarta (2009)
The Federal Republic of Nigeria, is situated in western Africa, with a coast along the Atlantic Ocean on the Gulf of Guinea. It has two rivers, namely Niger and Benue. Its capital is Abuja, FCT.

The Nigerian economy was essentially agro-based before the advent of crude oil. Subsequently, petroleum exploration and exploitation have become very prominent. The petroleum sector for instance,
has become the mainstay of the economy for the past forty years. It is responsible for the rapid growth of the economy.

Deposits of mineral ore such as tin, columbite, iron, zinc in Jos Plateau state, (Northern Nigeria). Coal in Enugu, Enugu State (Southern Nigeria). Crude oil deposits are found in Edo, Delta, River, Akwa Ibom, Abia, Imo and Anambra states. Mining is now, the major source of the country’s wealth. It contributes over 54 per cent of the Nigeria’s GDP. It is highly capital intensive industry with a relatively low labour absorptive capacity. According to Obi (2005) it provides employment for only three per cent of country’s labour force while accounting for ninety per cent of the economy’s revenue.

Table 1.1
Sectoral Distribution of Nigeria’s Gross Domestic Product 1963 - 2008

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1605.80</td>
<td>1852.10</td>
<td>6541.06</td>
<td>9013.10</td>
<td>13,219.16</td>
<td>15,078.04</td>
</tr>
<tr>
<td>Mining/Petroleum</td>
<td>54.00</td>
<td>1840.60</td>
<td>7011.30</td>
<td>17,894.90</td>
<td>26,984.60</td>
<td>29,087.39</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>146.40</td>
<td>378.60</td>
<td>1420.85</td>
<td>1746.26</td>
<td>2098.08</td>
<td>2538.67</td>
</tr>
<tr>
<td>Electricity</td>
<td>11.60</td>
<td>34.90</td>
<td>297.50</td>
<td>327.05</td>
<td>423.66</td>
<td>456.67</td>
</tr>
<tr>
<td>Building</td>
<td>112.80</td>
<td>426.10</td>
<td>3647.78</td>
<td>4009.94</td>
<td>5194.54</td>
<td>5599.32</td>
</tr>
<tr>
<td>Distribution</td>
<td>313.00</td>
<td>537.50</td>
<td>4601.68</td>
<td>5057.74</td>
<td>6551.86</td>
<td>7062.40</td>
</tr>
<tr>
<td>Transportation/Communication</td>
<td>125.40</td>
<td>182.10</td>
<td>182.16</td>
<td>1714.38</td>
<td>2220.83</td>
<td>2393.89</td>
</tr>
<tr>
<td>Education</td>
<td>77.60</td>
<td>145.00</td>
<td>144.98</td>
<td>1364.42</td>
<td>1767.49</td>
<td>1905.22</td>
</tr>
<tr>
<td>Health</td>
<td>16.80</td>
<td>47.20</td>
<td>47.15</td>
<td>443.70</td>
<td>574.77</td>
<td>619.56</td>
</tr>
<tr>
<td>Other Services</td>
<td>56.40</td>
<td>150.50</td>
<td>243.65</td>
<td>860.08</td>
<td>1170.61</td>
<td>1335.65</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2597.60</td>
<td>5007.10</td>
<td>24,134.26</td>
<td>41,571.49</td>
<td>60,205.60</td>
<td>66,076.83</td>
</tr>
</tbody>
</table>


Manufacturing activities in the country consist essentially the manufacture of light consumer goods such as textiles, canned food and drinks, tobacco, shoes and leather goods, plastic, household utensils, detergents, etc.

Table 1.1 shows the level and sectoral distribution of Nigeria’s Gross Domestic Product (GDP) for the period from 1963 to 2006. In 1963, the country’s GDP was valued at approximately N2.6billion using 1962/63 factor cost of this total. By the following decade, in 1973, it grew to approximately N5billion. Thirty five years later in 2006 Nigeria’s GDP was valued at N66billion (Olaluko, 1979 and ADB, 2007).

Small and Medium Scale GSM Enterprise and Employment Generation.

Globally, employment generation is one of the most important reasons for the promotion of the development of SMEs. This is so in the developing economies in which a large proportion of the labour force is unemployed. Studies have shown that SMEs account for a large proportion of employment size in many countries. A 1997 study by the OECD attributed a high proportion of employment size in most of its countries to small and medium enterprises, ranging from 45 per cent (manufacturing sector only) in Australia to 79.3 per cent in Switzerland. In Nigeria, the small and medium enterprises sub sector has been expanding. Especially since the prolonged recession in the economy which forced many large enterprises to lay off large proportion of their workforce. The sector accounts for about 70 per cent of industrial employment (World Bank, 1995). According to Olokoyo (2000), the Agricultural sector which largely consists of SMEs, employs over 60 per cent of the nation’s work force.
Some research has examined the impact of these telecom-oriented SMEs on employment creation as well as the characteristics of such jobs and the employees in them. Montiel, P. (2004); Moore, J. (2004); and Meier, C. (2004) in their various studies found that the fraction of telecom oriented employment that was generated was significantly positively correlated with the national employment figures. When the authors included both the sample data for the recharge card markets and mobile phone markets indexes as explanatory variables (explaining the impact of telecommunication small scale enterprises on employment) at the same time, they similarly found significant positive effect on the reduction of unemployment using the recharge card market but no effect in the mobile phone market.

**Model Adaptation and Specification**

The model to be used is called Probit. It was developed by Finney (1952) for biological essay problems. Nigerian economists have applied this analytical model to economic problems (Aiyedun, 1995). This model takes care of the heteroscedascity of the disturbances as well as restricting predictions values between 0 and 1.

**Results of the Probit Model**

*Employees of Branded Telecommunication Phone Booths*

\[
\begin{align*}
\text{NSTEm} & = 427.594 + 0.109EFS + 0.126EA + 0.153NYE + 6.445LE - 0.1610NOC - 0.0031MS - 0.355ADO \\
\text{SE} & = (128.682) \quad (0.024) \quad (0.108) \quad (0.025) \quad (1.830) \quad (0.068) \quad (0.031) \quad (0.179) \\
\text{t} & = (3.329) \quad (4.600) \quad (1.167) \quad (6.016) \quad (3.523) \quad (-2.359) \quad (-0.099) \quad (-1.989) \\
\text{...} & - 0.063MOC - 2.256ACC - 0.0047H + 0.0431S - 5.423NMTPD - 0.0459I \\
\text{SE} & = (-0.030) \quad (1.928) \quad (0.089) \quad (0.034) \quad (5.107) \quad (0.080) \\
\text{t} & = (-2.119) \quad (1.970) \quad (1.274) \quad (1.274) \quad (1.062) \quad (0.572) \\
R^2 & = 0.353
\end{align*}
\]

The value $R^2 = 35.3\%$ for the number of small scale telecommunication – oriented enterprises established monthly (NSTEm) shows that in case study one, 35.5\% of the sample variation in the rate of employment is explained by the proposed model. This percentage is quite low but typical of cross sectional data analysis (Gujarati, 2006). Attempts were made to include/drop some other variables but the $R^2$ value was still lower than 35.3\%. This shows that the Nigerian economy is influenced by small scale telecommunication branded pay phone enterprises. This means that an increase by one person in any small scale telecommunication branded phone booth employee’s extended family size, will lead to a 10.9\% rise in the number of telecommunication branded pay phone booth. For employee’s age, the coefficient is positive 0.126; This means that every additional year increases the probability of gaining employment in this subsector by 12.6\%. in terms of income, the coefficient is negative 0.0458; which shows that paying employees less than 10,000.00 per month seriously discourages employment generation in the subsector.

**Summary, Recommendations And Conclusion**

The major findings of this study are enumerated as follows:
1. GSM has further expanded job creation opportunities, which implies that this technology has impacted positively on the Nigerian economy. Data obtained from the field survey suggest that 53.34% jobs (Case Study One; Telecom Branded Pay Phone Booths); 57.7% jobs (Case Study Two; Quasi Telecommunication Villages; 66.8% jobs (Case Study Three; Telecom dealer, etc employees); 76.58% jobs (Case Study Four; Umbrella Pay Phone Operators) and 57.5% jobs (Product Hawkers) are generated monthly. It is therefore a catalyst for the growth of Nigeria’s output (GDP).

2. Job opportunities in recharge card retailing/wholesaling, commercial phone call services, phone accessories retailing and wholesaling and mobile phone engineering have been created.

3. Respondents level of education and number of years in employment (experience) have the demonstrated the most impact on the rate of growth of job creation.

Policy Recommendations

Based on the above mentioned findings, the study would like to recommend that for Nigeria to benefit from the technology, there is the urgent need to increase investment in the sector so that its contribution to total foreign exchange savings (by providing the right environment for more mobile phone assembling plants).

Conclusion

Massive importation of handsets may perpetuate import dependency syndrome in another form. The Probit model results clearly indicate that strengthening the capacity of our education industry and gathering experience on the ICT field are by far most important trigger factors to employment generation, if this country must be become Africa’s Silicon Valley.

References:

Sustainable upgrading of slum infrastructure in Nigeria’s urban and business environments: The role of the Architect

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Global attention was drawn to the severe and pervasive effects of urban slums when the United Nations included it in the Millennium Development Goals (MDGs) a few years ago. One major implication of urban slums is that they impede the quality of life of human beings who represent a critical resource in both micro and macro business environments. In other words, they are a threat to the health, safety, morality and welfare of urban inhabitants. In a developing nation like Nigeria, there is need to examine urban slum upgrading in a wider context than what currently exists. Urban slums are areas or neighbourhoods that suffer infrastructure deprivation. Infrastructure refers to the physical framework of facilities through which goods and services are delivered to neighbourhood dwellers by the government either at highly subsidized cost or at no cost whatsoever. A fundamental issue in slum upgrading projects is the provision of adequate infrastructure. This paper discusses a wide range of urban slum characteristics and slum upgrading issues, with particular reference to Lagos, Nigeria. The study focuses specifically on aspects where the architect can contribute substantially to infrastructural upgrading of the built-form and spaces in Nigeria’s urban slums.

INTRODUCTION

Several studies have drawn attention to the rapid growth in the population of people living in urban slums all over the world (Un–Habitat, 1982; Garau, Sclar & Carolini, 2006; UN–Habitat, 2007; Okedele, et al. 2008). It is estimated that 17% of the world’s 6.1 Billion inhabitants live in slums or deprived inner-city neighbourhoods. This figure which amounts to 1.0 Billion people also represents 33% of the 3.0 Billion residents of urban towns and cities around the world today. By the year 2032, 2.0 Billion people are likely to be living in urban slums. (Ooni & Phua, 2007). The implications for the business environment are enormous.

UN–Habitat (1982), defines slums as economically depressed neighbourhoods in a town or city whose social components are deprived of the means of sustaining the socio-economic fabric of the area. Most of them lack basic shelter while their inhabitants generally live under circumstances that are hazardous to life and health (Garau, Sclar & Carolini, 2006). The severe and pervasive effects of urban slums drew global attention when it became included in the Millenium Development Goals (MDGs), in the year 2000, with a challenge to achieve significant improvement in the lives of at least 100 million slum dwellers by 2020. Slum and squatter upgrading has been identified by the United Nations Centre for Human Settlements (UN – Habitat) as one of the areas that need priority attention.

Gradual upgrading of both the environment and infrastructure in urban slum areas is seen as a measure to promote economic recovery. This measure will be of immense benefit to the 72% of the urban population of Africa who currently live in slums (Ooi & Phua, 2007). The figure for Nigeria (taken as a whole) is debatable. This paper, however, dwells largely on Lagos which, according to Falade (2008), is sometimes referred to as a megacity of slums.
Okedele, Adebayo and Iweka (2008) were more specific in claiming that Lagos megacity contains 200 distinct slums, while some other researchers estimate the population of slum dwellers in Lagos at 60–70% (George, 2008; Presidential Committee on Redevelopment, 2006; Falade, 2008). According to Falade (2008), the following neighbourhoods in Lagos have been classified by the World Bank as the nine largest slums: Agege, Amukoko, Badia, Bariga, Ijeshatedo, Ilaje, Itire, Iwaya and Makoko

The Bank has pencilled these communities for upgrading.

A fundamental issue in these areas and other slums within the city and around Nigeria is the provision of adequate and sustainable infrastructure. In this paper, infrastructure is understood to mean the physical framework of facilities through which goods and services are made available to neighbourhood dwellers by the government, at highly subsidized cost or at zero cost. The study discusses a wide range of urban slum characteristics, but focuses specifically on infrastructural aspects of the built-form that are most likely to require rigorous input from the architect.

Malthaeus (1997) draws a distinction between two types of infrastructure namely social infrastructure and technical infrastructure (also called economic infrastructure). Social infrastructure relates to education, health, social services etc; while economic or technical infrastructure produces services to facilitate economic production, or serve as inputs to production. Examples are electricity, roads, ports, telecommunication, railways, water sanitation, and sewerage.

The provision of infrastructure is generally regarded as a core responsibility for Federal, state or Local Governments. In Nigeria, government’s attention on infrastructural development is highly skewed in favour of technical infrastructure. This assertion is clearly evident from the seven point agenda of the Federal Government, which highlights transportation, power and energy as critical areas. Apart from education, other social infrastructure in the areas of housing and health were silent in the government’s action plan for development. This may have accounted for the subjugation of certain critical aspects of urban growth phenomenon, such as slum upgrading. This becomes worrisome against the backdrop that more than 36% of the country’s population lives in urban areas, a huge jump from the 19% recorded in 1963. (National Population Commission, 1998)

In this study emphasis is on identifying the various aspects of the built-form and spaces in which the contributions of the architect can promote the actualization of slum infrastructural upgrading projects in Lagos, Nigeria.

The paper begins with an overview of the basic profile or characteristics of slum communities. The elements of architecture in upgrading of slum infrastructure are then discussed, along with the major areas of strategic intervention where the architect can contribute to slum infrastructural upgrading in Nigeria. Finally, conclusion and recommendations are made.

**BASIC CHARACTERISTICS OF URBAN SLUM COMMUNITIES**

The use of population in classifying what constitutes an urban community is accepted across different nations. However, there is no consensus concerning the size of population that makes up such an urban community. For example, While Angola, Argentina and Ethiopia consider all communities with 2,000 residents as urban, Nigeria and Benin use 20,000 and 10,000 inhabitants respectively. (Cohen 2006). It is only in the definition of megacities as urban agglomerations with populations of 10.0 million and above that this controversy does not exist. The choice of Lagos megacity for this study is intended to reduce such perceptual differentiations. In the same way the population and size of what constitutes a slum are debatable. However, there seem to be some degree of consistency about the fundamental characteristics of urban slum neighbourhoods.
A slum settlement has services and infrastructure far below the adequate or minimum tolerable levels. Housing conditions in such residential neighbourhoods are substandard and deteriorated to the extent that it is unwholesome and a threat to the health, safety, morality and welfare of the inhabitants (Karaman, 2006). This is a pattern that is prevalent in urban areas throughout the length and breadth of sub-Saharan Africa.

Health conditions in slums can be viewed at the level of physical building, for example, sanitary (toilet) installations, natural ventilation and illumination. Health conditions can equally be regarded from what happens at the neighbourhood levels. Water supply, sewage and garbage disposal fall into this category.

Karaman, (2006) describes the major features of poor housing as overcrowding and lack of basic sanitation; while Garau, Sclar & Carolini, (2006) describes substandard neighbourhoods as often lacking several of the following conditions:
- access to adequate clean water
- access to improved sanitation facilities
- sufficient living space
- dwellings of sufficient durability and structure quality
- secure tenure

Habitat studies show that households living in housing that is overcrowded, poorly ventilated, lacking adequate sanitation and safe water are constantly susceptible to infection. (Habitat 2007). Untreated human excrement and household waste water find their ways into rivers, gullies, streams and ditches thereby constituting major public health hazards.

The leading causes of deaths among slum dwellers include diarrhoea, typhoid, cholera, malaria, tuberculosis and other enteric and ophthalmic diseases. UN–Habitat (2007), paints a grim picture of mortality rate for children less than five years of age in developing countries of the world. Studies conducted in Brazil, Egypt and Ethiopia put under five mortality rates at 34.4%, 61.6% and 180.0% respectively.

The situation is not different for pregnant mothers in the slums of Kenya, Uganda, Mali and Rwanda, where studies indicate that 80-90% of them do not receive any formal medical attention during childbirth. Slums and squatter settlements have long been associated with lack of employment opportunities, crime, social disorder and other environmental problems and several debilitating health issues. Infrastructure as a major component of slum upgrading is therefore fundamental to providing sustainable and healthy living conditions in urban neighbourhoods. This study argues that health, education,
recreation and other social infrastructure have a direct or indirect impact on the quality of life of urban slum residents. Improvement in the fixed physical facilities that provide these services bears a direct relationship to architecture. It should also be seen as a central task of housing delivery.

ELEMENTS OF ARCHITECTURE IN UPGRAADING SLUM INFRASTRUCTURE

Upgrading (or slum improvement) has come to be regarded as a package of improvements to basic infrastructural services. It is generally accepted that different upgrading initiatives like provision of water supply, sanitation, solid waste management, drainage system, electricity, etc, contribute in improving the living conditions in urban slums. However, there are indications that elements of architecture are necessary in order to bring overall sustainability to the community involved.

In discussing the relationship between architecture and infrastructural upgrading, this paper shifts away from the traditional issues of design details to more fundamental aspects that relate built form and public space to the well-being of the population. Some of these issues include: siting, and site planning, imageability, valued spaces and urban meeting places, and morphology. These are discussed below:

Siting and Site Planning: Siting or location refers to both the actual location of the physical elements and the relative location of the physical elements such as orientation and distance from one another. The concept of location within the scope of this study can be expressed as an area within which the relationship between the existing and the proposed can be confronted and resolved. If correctly located, the building becomes an integral part of the urban texture and contributes to the solution of slum upgrading.

Imageability: This refers to the quality in an environment or in a physical object which gives it a high probability of evoking a strong image in persons observing such an environment or object. Such mental images are usually enhanced by shape, colour or arrangement of special features of environments or objects.

Valued Spaces and Urban Meeting Places: A community can provide support for its inhabitants in different ways, particularly by increasing the access to and use of community facilities. Gruitner (1998) identifies such community facilities to include museums, libraries and parks. Habitat,(2007) also draws attention to neighbourhood centres, walkways and recreational areas as environments which encourage and promote active living for all age groups. The necessity of an urban meeting place is particularly noteworthy for the youths. The creation of youth clubs for example is regarded as a crime prevention and community building strategy. The idea that such centres represent places where local youths can be meaningfully engaged has been in vogue ever since the Chicago Area Project from the 1930s (Habitat, 2007).

While these postulations are acknowledged, it is however, necessary to expand the requirements, so as to include other prerequisites of architecture that are relevant in such slum upgrading projects. In the context of this paper, it is argued that the following elements or facilities may be considered as necessary social infrastructure:

- Low cost housing (or social housing)
- Educational facilities
- Health facilities

Such infrastructural projects are traditionally acknowledged as elements of architecture that enhance the health, well-being and status of communities.
Morphology: Urban morphology can be seen from a variety of disciplines such as architecture, geography, history, and planning. Buildings, gardens, parks and monuments are among the main elements of urban morphology that have a direct bearing on architecture. The components also include; building height, width, size and shape. The importance of morphology in this study can be seen in the way these components are expressed to invoke meanings that have relevance to the cultures of the host community.

MAJOR AREAS OF CONCERN FOR THE ARCHITECT IN SLUM INFRASTRUCTURAL UPGRADING PROJECTS IN NIGERIA

The proliferation of slums in Lagos and other burgeoning cities all over Nigeria are indications of the inaction of past governments and their failure to fully harness the input of the architect and some other relevant professionals in the city growth process.

It can be argued rightly that architecture’s signature is ubiquitous. This section interprets the architect to include the landscape architect and the urban designer. To a large extent, the task of the architect is therefore discussed with the understanding that the scope is beyond that of a building complex. By training, the architect is in a position to resolve a number of issues that may occur in slum upgrading projects in the key areas discussed below:

Environmental and Sustainability Concerns: the current emphasis on sustainable architecture, otherwise called Green architecture helps to draw attention to a holistic approach to aspects of slum upgrading that are concerned with development of the built environment, particularly the buildings. The key principles of green architecture are healthful interior environment, energy efficiency, use of ecologically benign materials, and built forms that relate to the site and climate (Igwe, 2008).

In this case, the goal is on how to achieve a balance between basic and social needs of the population on one hand, and protection of the integrity of the environment on the other hand. This is in line with the famous Brandtland report which defines sustainable development as development that accomplishes the needs of the present generation while ensuring that the needs of future generation are not compromised. (Igwe, 2008; Okedele, 2008). It can therefore be argued that in addition to the usual focus on cost, performance and quality objectives of slum upgrading projects, the architect is also concerned with minimization of environmental degradation and creating a healthy built environment (Okedele & Adebayo, 2008). In this case, emphasis is on alternative methods and materials that are recyclable, renewable and eco-friendly.

Socio-cultural & Heritage Issues: In this aspect the focus is on preservation and identity. Certain inner-city slum areas are of historic or architectural importance and give the inhabitants of a city or country a sense of cultural identity.

The architect plays a role in ensuring that the relationship with the past is not endangered or obliterated as a consequence of urban slum clearance.

Architects can contribute in situations where the historic significance of some traditional buildings are considered invaluable. This approach was used to preserve forty historic buildings in Binhai Jingqu area of Yantai, China in 2001. An adaptive upgrading strategy was employed to ensure that the styles and forms of the buildings were preserved, while adapting them to different uses. Being sensitive to culture and identity concepts, the architect engages in slum upgrading that is not inimical to existing social structure or distinctive character of the region. It is necessary to conclude that the historical background and cultural elements of the social infrastructure in slum upgrading sites must be respected. Achievement of this objective is facilitated by the roles which the architect plays in enhancing the quality of life of slum upgrading sites.
IMPLICATIONS

1) Infrastructural upgrading, particularly in urban slum neighbourhoods should be seen as a holistic endeavour. However, the aspects of infrastructure that relate to built-form and spaces are more traditionally associated with architecture. The scope of architectural and urban design practice should therefore be expanded and detailed to include the relevant parts of slum upgrading projects.

2) City administrators should be more circumspect with urban slum upgrading projects by seeking the architects’ expert advice on areas of social infrastructure, such as imageability, location and community facilities.

3) In this age of conservation and preservation, it is opportune for slum upgrading programmes to be packaged in line with the principles of green architecture and historical heritage of the region. Training programmes in these areas will be of great benefit to architects to improve service delivery.

CONCLUSION

This paper sees infrastructural provision as a core responsibility of the government, to the extent that it serves as criteria in determining not only the success of governments, but also the growth and sustainability of business environments.

Slum settlements are characterized by services and infrastructure that are substandard and a threat to the health, safety, morality and welfare to the inhabitants. Infrastructural upgrading is hence fundamental to improving the living standards of residents of urban slum neighbourhoods.

The built-form and spaces are identified as key aspects of infrastructural upgrading that require rigorous input from the architect. The relationship between architecture and infrastructural upgrading is discussed from the perspective of enhancing the performance of fixed physical facilities, using a number of concepts like location, imageability, morphology and valued spaces.

By training, the architect is in a position to resolve a number of issues that are involved in slum upgrading projects particularly in the areas of sustainability, preservation and identity.

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Health, safety, environment and quality (HSEQ) audit: An essential quality control tool in managing Nigeria business ethics and risk

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The increasing interest of management, investors, Government and the public in scrutinising suppliers for ethical and risk management standard in the wake of collapse of renown business institutions has brought to light the fact that Health Safety Environment & Quality (HSEQ) Management System assessment is not just explicit regulatory push but a necessity that guide against loss of business patronage that may emanate from ethical misconduct and poor risk management practices. Any Company willing to remain relevant with the attendant global competition must concern itself with transparency and quality services. The paper therefore investigated the relevance of HSEQ Audits as a quality control tool in the management of Nigeria Business ethic and risks. The paper also explore the value of documentation, compliance to standard of operation, safety culture, training, company’s structure, motivation and human behaviour on audit findings and categorisation. In this work, a comprehensive HSEQ Audit was conducted on twelve intending suppliers in the Energy sector and linked with the business engagement requirement of service purchasers in the sector. The paper concludes that full embrace of HSEQ Audit strategy will activate good business ethic, improve efficiency in risk management, enhance productivity and attracts global patronage.

INTRODUCTION

The slogan “Business ethic” means different things to different people likewise its use, the conceptual meaning and how one conceives of the subject under consideration (Richard, 2005). Business decision in today’s business world according to Kirk (2008) is not merely what the number adds up to or what best serves as a company’s bottom line, but a moral obligation towards the needy of the global village. Carter (2007) argued that initially, the practice of business ethics was viewed as being specially designed for academics, philosophers and social critics but global development has exposed the value of business ethics as a straight-forward and highly practical guidance tool designed to help managers and leaders in implementing comprehensive ethic management system in their workplaces. Business ethics is summarized as an applied system to deal with complex ethical issues that can occur in the day-to-day realities of leading and managing an organization.

In analysing corporate ethics, Madsen and Shafritz (1990) considered the managerial mischief and moral mazes very important. The managerial mischief includes illegal, unethical or questionable practices of individual managers or organization as well as causes of such behaviours and remedies to eradicate them. The moral mazes involves numerous ethical problems that managers must deal with on daily basis such as conflict of interest, wrongful use of resources, mismanagement of contracts and agreement etc.
The social responsibility movement attached to business ethic makes it look like a new policeman on the block and has given it widespread attention with an overwhelming belief that if people would simply obey laws guiding business operations, it would have solved 80% of the problems in business ethics. Joseph (2002)

Globally, the discharge of Health, Safety, Environment & Quality (HSEQ) Professional duties in industries is likened to business policing, this set of people are usually viewed as fault finders and very strict set of people that only believes in total compliance. The linkage between HSEQ and business ethics started from recognition of policies and procedure as the two principal tools of Business ethics (Carter, 2007; Madsen & Shafritz 1990). In HSEQ and Auditing, two major criteria in use are policies and procedures. Auditing either financial or other specialized type according to ISO19011: 2002, ISO 14050, 9000 is the systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled.

The cardinal point of securing personnel and customer’s confidence in any organization is mainly driven by HSEQ Polices and procedure implementation strategy within the organization. The process by which a systematic and independent examination is engaged in determining whether a quality HSE activity and related results comply with planned arrangement and whether these arrangements are implemented effectively and are suitable to achieve business objectives is known as HSEQ Audit. The implementation of HSEQ can either be in-house, external driven, combined audit and joint audit BS EN ISO 19011:2002.

The internal audit usually refers to as first-party audits, are conducted by or on behalf of, the organization itself for management review and other in-house purposes. This usually forms the basis for an organization’s self-declaration of fitness and compliance to operation standards and regulations. The external audit is generally termed second-and third party audits. Second-parties audits are conducted by parties having an interest in an organization for example a major Oil Company carrying out pre-operation, operation and post operation audit exercise on a firm contracted to carry out a Seismic data acquisition process. The third parties involved engagement of an external independent auditing organization, such as National Agency for Food Administration and Control (NAFDAC), Standard Organisation of Nigeria (SON), SGS, Lloyds Register, providing certification of compliance to the requirement of certain standard. The audit process that coves HSEQ management system being audited together is termed a combined audit whereas the involvement of two or more auditing firms in the audit process of a single auditee is termed a joint audit.

In assessing Business ethics standard of any company, Berman & Kirk (2006) listed twelve focal areas that assessors usually considered, these focal areas are organization’s values, strategies, goals, objectives, policies, procedure, organization’s incentives, decision making, tone at the top, ethics evaluation education and training.

Maignam & Ferrel (2004) identified proper management of the above twelve focal points as factors that addresses stakeholders issues on variety of business issues such as business practices, consumer rights, environmental protection, product safety, and proper information disclosures.

In auditing a business outfit, especially business ethics practices that encompasses HSEQ, auditors engaged according to BS EN ISO 19011:2002 must act within the audit scope, exercise objectively, collect and analysis evidence that is relevant and sufficient to permit the drawing of conclusions regarding the audited system. In addition, HSEQ Auditor must act in an ethical manner and remain alert to any indication of evidence that can influence the audit result and possibly require more extensive auditing. Therefore, an Auditor assigned to carry out an HSEQ audit must be multi-skilled, be able to interact, knowledgeable, a proficient leader that is honest with high interest. He must have common sense; have good sense of judgement and communication skills.
REASONS FOR ETHICS AND RISK MANAGEMENT AUDIT IN MANAGING BUSINESS

The scandals and unethical conduct that have occurred globally are evidences that some people deliberately engage in inappropriate behaviours and break the laws. Several others never see ethical issues when devising what they think as an innovative scheme for success. In USA, the Federal Sentencing Guidelines for Organization (FSGO) that holds organization responsible for conduct of their employees encourages business managers to adopt business audit in order to avoid sanctions. In United Kingdom, the Health and Safety Council (HSC) is the brain behind HSEQ management system audit whereas in Nigeria, the Corporate & Allied Matters Act Chapter C20, Vol.3; Factories Act, Chapter L1, Vol.6; Petroleum Act, Chapter P10, Vol.13; NAFDAC Act Chapter N1, Vol.10; SON Act Chapter S9, Vol.14 Law of the Federation of Nigeria 2004 etc are some of the laws that promotes HSEQ audit, business ethics standards and sustainable risk management plan.

Moreover, the collapse of Enron, malpractices in the financial and other sectors, bribery allegations against notable oil service firms, poor quality of services, incident, accident reports, fatality result from MY PIKIN Syrup, huge settlement of Kano State Government by Pfizer after a prolonged legal process, reputation issues, loss of business, rule bending by elites and regulatory Agencies are some of the reasons behind auditing activities in the profit making business organization’s ethics and risks.

ROLE OF HSEQ MANAGEMENT IN BUSINESS MANAGEMENT

HSEQ is considered very important in business world due to its important role in corporate standard management and its attendant value in addressing all factors that propels business audit. HSEQ audit deals with what everybody needs to know about integrating HSEQ with business practices, ethics, risk management and occupational health. It also addresses issues concerning rule bending, compliant management/verification, competence enhancement and development, and environment management (Leslie, 2007; BS EN ISO 19011:2002).

It is worthwhile to mention that HSEQ management covers personnel wellbeing, hygiene and medical surveillance. This also covers pollution control, operation safety, hazard identification and control, risk assessment and management, incident and accident prevention, emergency management, code of conduct; company’s corporate policies, relationship; security; stakeholders attitudes, behaviours, business continuity plan, business registration and compliance to laws, legislation, regulation and standards in a nation and international. HSEQ also involves document control, management styles, training culture, time managements, and motivations. Mike (2008), Ann (2007),

PROCESS AUDIT OF BUSINESS ORGANIZATION

In the course of this research work, a comprehensive shadow audit was carried out on twelve Companies with an intention of verifying the relevance of HSEQ Audit on management of business ethics and risk in Nigeria. A total of fifteen major factors were considered and these major factors consist of several other sub-factors. The lists of factors under consideration are:

1. Company Registration: This revealed the legitimate power of the auditee to carry out business activities having satisfy CAMA Act 2004 conditions and duly registered with the corporate Affairs Commissions (CAC); Department of Petroleum Resources (DPR); Nigerian Communication Commission (NCC); Federal Environmental Protection Agency (FEPA), National Agency for Food Administration and Control (NAFDAC) and Council for Regulation of Engineering in Nigeria (COREN) etc.

2. Financial Information: This factor was included to enable auditors know the financial capabilities and capacities in carrying out a business if offered. This section require verification of three year
documentation on Annual/turnover, approved audited account, tax certificates, asset register, valid value added tax (VAT) certificate and evidence of payment. It also includes existence of Fraud and Malpractice Policy.

3. Organisation capacity: The demonstration of capacity relating to working in the Nigeria business environment with facts on cooperation with suppliers to prevent corruption, work history, technical partners, evidence of ongoing contracts and those completed. It also contains evidence of ownership of office and sites locations, letter of commendation and awards

4. Plant & Equipment maintenance plan, service record, equipment safety and work procedure.


6. Document control: The document control audit involve identification of all documents that require control for an effective operation. This involve document receive, transmittal, review and archiving.

7. Personnel competency: This covers number of employee, ratio of professionals, status of employment, record of certification, organogram, permit for expatriate workers and succession plan.

8. Health, Safety & Environmental (HSE) Management: Here company must be able to demonstrate that appropriate HSE control are in place through availability of HSE policy, appointment of competent HSE Manager, documentation of HSE controls as part of management system. It also involves procedure, incident investigation report, risk assessment, Personnel Protective Equipment (PPE) issuance, first aid, emergency procedure and monitoring strategy, contractors management, safety meetings, health surveillance report and environment management system documentation.

9. Accident & Incident reporting and Investigation: In this part, comprehensive verification of organisation arrangement for investigating and reporting of all incident, near misses and accident is carried out with the aid of available document.

10. Security & Continuity Planning: The need for business organisation to demonstrate that security continuity plan is in place can be verified through documented security and continuity plan. In this case measure for data, personnel, facilities and asset protection were critically audited.

11. Quality Management System: The demonstration of having in place an appropriate quality management control can only be proved by company providing evidence of signed policy statement, appointment of manager, documented quality procedure, adoption of controls processes as part of management system. Therefore, this section covers verification of quality assurance and control procedure, inspection plans, inspection checklist, test analysis, operative qualification and sample test record.

12. Social & Ethical controls: This addresses corporate social responsibilities, labour suppliers used, wages, working hours, child labour issue, community relation policy, welfare facilities provision, pension scheme, pension remittance and life insurance policy in favour of the employee.

13. Insurance: In managing corporate risk, insurance is considered as very important, the evaluation of current insurance policy covering employers liability, public liability, products liability, professional indemnity, theft, fire & peril need to be assessed and established as sufficient for work the company is undertaking. Therefore, name of insurance company, policy number, amount of cover for each type of insurance held, expiry date and the scope of work insured against must be well noted.
14. Subcontractor & Supplier management: The importance of managing risk across the broad base supply chain cannot be overemphasized. For an efficient and effective interchange of services, there is need to know the company or person that will perform a task. It is the responsibility of an organisation to ensure effective management of their suppliers and subcontractors, therefore, an established business outfit must review and assessed suppliers, ensures suppliers are permitted by client, maintain record of approved suppliers and subcontractors as well as having a process for the recording and monitoring of corrective actions raised at subcontractor audit.

15. Competency & Training: The need for imparting ethics skills on business managers and employee through taught topics that will empower them in making good business decision (2) was verified as essential in the course of this work. In the audit process, the evaluation of training policy, record, plans, process, roles and responsibilities were addressed. The competency aspect cover the use of competent manpower, type of licence, issuance authority, certification requirement, validity of certificate among several other factors that surrounds competency and training.

**Findings**

1. All Companies audited have CAC registration certificate, 70% of the firm could not provide evidence of annual return CAC form 10 during the audit exercise while 60% defaulted in filing Form CAC 13 for change of office address. Registration with appropriate regulatory agencies such as DPR, NCC was established to be 60% compliance to operation regulation requirement.

2. On financial statement, evidence of VAT payment could not be verified in six companies, which is a breach of VAT Act as contained in Chapter P4, Vol.13 of Law of the Federation of Nigeria 2004. Variation of asset was also discovered in 50% of the companies, while seven of the companies have no fraud and malpractices policy as at the time of this research audit exercise.

3. Relocation of offices from incorporation address was established in about 90% of the firm audited, 80% of the firm have documented work history, technical partners and Memorandum of Understanding (MOUs).

4. The process of maintaining equipment was not adopted by 80% of the audited Company.

5. Compliance to software application was 100%.

6. Improper control of document was common to 80% of the audited companies whereas proper documentation control measures in the remaining 20% firm was enhanced through the firm internal audit system and pre-operation audit that the client usually conducted on the contracting firm.

7. The competency rating of the employees engaged for service in all companies audited is 80% satisfactory. Copies of certificates, organogram and permit to work for the expatriate where it is applicable were sighted for objective verification.

8. The adoption of HSEQ, Accident and Incident reporting and investigation as well as security and continuity plan was established as lacking and common to 80% companies that lacks equipment maintenance policy. Only 20% of the overall companies audited engaged competent HSEQ personnel for their operations. Therefore, the application of HSEQ principles in managing Nigeria business was established as very poor. There was also an established fact that HSEQ inadequate management affected negatively competency development and on-the-job training program audited.

Breach of Pension Reform Act as contain in Chapter P4, Vol.13 was discovered in 80% of the companies under review, 62.5% of these companies failed to show evidence of remittance for six months though have pension scheme, 25% did not establish pension scheme in their operation. 12.5% deducted pension from employee but refused to remit this for over five years. Workers monthly salary was above the minimum amount stated in workmen compensation Act Chapter W6, Vol.16 of 2004, compliance to child labour Act was 100% as none engaged worker that is below eighteen years in

The influence of HSE on business management was established in the use of insurance policy in managing risk. Only 60% firms have group life insurance for their employee, 30% does not cover theft, fire, peril, products liability and professional indemnity while status of 10% could not be established.

The management of subcontractors and suppliers was found to be inadequate, only 20% passed documented policy, procedure and plan for monitoring suppliers’ performance. Also, absence of on-the-job professional continuing development program for employee was 70%, this was established as a strong factor that may be responsible for man-hours loss, loss of business, patronage, and revenue in about 60% of the companies that declared loss in their annual financial report in 2006 to 2009 financial years.

HSEQ AS THE BRIDGING CORD

The wellness of companies depends on its legality to function, capacity and capability, operative environments, business partners, equipment safety, compliance to regulations, document control, workers competence, salary, behaviours, security, training, risk management, existing code of conduct policies, procedures, and corporate social responsibility standard. The above factors for rating organizations fitness were found to be present in HSEQ Management Audit. Therefore, the embrace and adoption of HSEQ Audit the paper considered as an essential bridging cord in managing Nigeria Business ethics and Risks.

BENEFIT OF BUSINESS ETHIC VIA HSEQ AUDIT

The possession of good fitness factors in the organization usually results in ten great business ethical benefits, these are;

1)  Societal Improvement.
2) Moral course maintenance in challenging period.
3) Strong teamwork and productivity enhancement.
5) Promotes legality of policy i.e. act as an insurance policy
6) Assist in avoiding criminal acts of “omission” and can lower fines.
7) Help in the management of values, quality management, strategic planning and diversity management.
8) Promote strong public image
9) Legalize managerial actions; strengthen the coherence and organization’s culture. It also improves trust in relation, support consistency in standard and quality of products; cultivate greater sensitivity to the impacts of the company’s values and messages. Donaldson & Davis (1990)
10) It brightens formal attention to workplace ethic with the right thing to do.

SUMMARY

HSEQ Audit the research rated as the most important in the assessment of business ethic and risk management. The unethical practices in the Nigerian business sector, the research considered to be driven by poor application of HSEQ management scheme. Also loss of revenue, low patronage and inability to secure viable technical partners may be due to the risk assessment challenges, breach of laws, fraudulent activities in the Nigeria business environment, management behaviours and inconsistencies in HSEQ management record.
RECOMMENDATION

Business ethics and Risk management can only be enhanced in Nigeria through adoption of HSEQ management system in day-to-day management of business activities. Also, engagement of competent HSEQ professional for the management of the company’s Risks will be of immense value. In addition, the setting up of an internal HSEQ Audit team within an organization will improve ethical standards, while engagement of specialized HSEQ Audit firms will enhance business ethic, boost productivity and reduce losses.

CONCLUSION:
The survival growth and sustenance of business in Nigeria depends on HSEQ Audit, therefore unethical behaviours and bad risk taking attitudes in Business can be controlled through the adoption of HSEQ management system and regular audit.

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Sustainable Development through Metal Recycling in Africa: Lessons from the Chinese Metal Industry

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Metal manufacturing industry in Africa plays a pivotal role in the economic growth and development of countries endowed with valuable metal reserves. A lot is written about the contribution of metal mining to sustainable development, however little attention is paid to metal recycling as a means of building and sustaining Africa’s development. This paper focuses on the metal waste recycling. We draw on the experiences of the Chinese Metal industry, a global market leader in metal recycling, and make suggestions as to how Africa can develop its metal recycling industry anchored in sustainability principles. We advocate a Chinese-Africa partnership that is technology development-orientated as opposed to its current relations based on resource extraction.

INTRODUCTION

The production and consumption of ferrous and non-ferrous metal has seen a dramatic annual increase of 15 per cent on average, and yet these metals are finite and nonrenewable, and their continued exploitation can easily lead to depletion of metal resources (Huang, 2009). Nonetheless, recycling metals compensates for the shortages of raw materials and helps reduce the use of natural resources required to meet the demands of rapid industrialization and population growth. According to the British Metal Recycling Association (BMRA), over 400 million tonnes of metal is recycled each year across the globe (http://www.recyclemetals.org). China is the second largest industry secondary metal producing country in the world, following the USA. To meet its soaring industrial consumption, China has developed a thriving metal waste remanufacturing industry. It has literary become the world workshop as it receives and recycles large tonnes of global metal waste for value maximisation (Huang, 2009). In turn, China has invested in developing better operation system and has also implemented higher level of technology systems for the metal manufacturing and remanufacturing processes.

On the other hand, despite Africa producing numerous types of ferrous and non-ferrous metals (e.g. iron ore, steel, aluminium, copper, uranium, lead, zinc, tin), very few African countries have developed a metal recycling industry with the exception of South Africa. Even so, South Africa is still among the global top net exporters of ferrous-scrap exported by metal recyclers. This begs the question: how might Africa promote metal recycling, refurbishing or remanufacturing as a poverty reduction and sustainable development strategy? What lessons might we learn from other developing economies such as China who have become market leaders in the collection and recovery of production wastes, left-over, scrap and used metals (also referred as waste metals) for value maximisation?

After all, China has a long history of investment in Africa. In the last decade alone, China has intensified her investments and her search for resources to sustain its economic growth. China’s race for Africa has seen her active participation in numerous economic sectors such as mining, garments, energy, timber extraction, transport, construction, telecommunications. So, how might African governments draw on their longstanding economic relations with China to help develop their countries’ metal waste management and recycling industries? This paper draws on research undertaken in the Chinese Metal
industry (Huang, 2009) and we then make suggestions as to how the metal recycling industry can be developed in a sustainable manner. Our methodology is summarised in Appendix 1.

SUSTAINABLE DEVELOPMENT IN METAL INDUSTRY

The concept of sustainable development has become a mantra for the 21st century. There has been increasing attention for governments, organisations and individuals to address, economic, social and environmental concerns which have been caused by pollution, emission, and damages from production operations and consumption activities. According to the Bruntland Report (1987), sustainable development refers to “development that meets the development needs of the present without compromising the ability of future generations to meet their own needs”. According to Huang (2009), sustainable development in the metal industry is achieved through waste manufacturing processes which consist of remanufacturing, refurbishing, recycling and disposal activities of wastes and returns from industrial manufacturing processes and customer consumption. These processes are described as reverse logistics which involve the recovery and utilisation of inevitable wastes from supply chain operations, as well as collection and reuse of the end-of-life (EOL) or used products which would otherwise be disposed in landfill. Thus, remanufacturing of metal scrap contributes to economic prosperity, social development and environmental protection. For example, according to BMRA, recycled raw materials in the EU cut CO2 emissions every year by 200 million tonnes.

Waste management and recycling particularly electronic-waste (also referred as e-waste) is one of the fastest growing waste stream in Africa (Osibanjo and Nnorom, 2007). E-waste is set to continue particularly with the increased demand and supply of electronic items and reduced product shelf-life. For better or for worse, African countries are large recipients of recycled products but they are yet to make significant inroads into the global metal recycling industry. We argue that as the metal recycling industry becomes globally competitive and of environmental significance, there is an urgent need to promote sustainability in the production, use, re-use and recycling of materials in African countries. We examine next how China has responded to market and legislative demands of sustainable development in metal recycling.

METHODOLOGY

We adopted a qualitative approach using the case study method. We examined the waste management approaches, techniques and operations of seven SMEs in the Pearl River Delta region. Company A is a logistics provider distributing cargos of secondary and plastic materials; Company B, C and D are metal remanufacturers recycling and recovering secondary materials and plastic materials; Company E is an aluminium manufacturer; Company F is a stainless steel product manufacturer; and Company G is a third party reverse logistics company dealing with distributing, recycling and remanufacturing secondary metals and waste materials. Field work was conducted between October 2005 and February 2007. Diverse data generation techniques including interviewing, participant observation and studying related materials were performed. A total number of 60 managers and operators from these companies were interviewed with a list of semi-structured questions and at least 168 hours were spent for the interviews and observations. Data was analysed using data coding techniques.

THE CASE OF SECONDARY METAL INDUSTRY IN THE PEARL RIVER DELTA, CHINA

This paper draws on research undertaken on the Chinese metal industry in the Pearl River Delta (PRD) region in South China. This region is a concentrated area for metal production and recovery processes of waste metals. Dali town in PRD region is known as the “The Biggest Aluminium Town in China”. The PRD region has attracted resources and finance both from China and overseas, as well as millions of low cost workers who supply labour to the industry. Dali has a research and development (R&D) centre for
non-ferrous metals in Guangdong province. The centre provides channels for cooperation between academic and industrial organizations which helps to improve the technology development and tackle key problems in production operations and techniques. It also provides an information and communication channel for the industry, with the latest news and development updates of knowledge and technique development in production, quality management and patent issues. Indeed, the PRD region has developed a good infrastructure and positioned itself for higher-level industrial expansion.

**Actors in the Metal Waste Supply Chain Networks**

The main actors in the metal waste supply chain networks are the Chinese metal manufacturers, remanufacturers and third party logistics providers. About 1-2% of the 5,000 remanufacturing companies are large size companies – the rest are small and medium enterprises (SMEs) who are either government or privately owned (Zhao, 2007). The SMEs deal with forward and reverse flow of supply chain activities in metal manufacturing and remanufacturing. Much of China’s success in spurring economic growth is usually attributed to the development of SMEs in the form of Township and Village Enterprises (TVEs) in rural areas and collectives in the cities. In 2002, there were more than 20 million TVEs with an estimated 150 million employees, responsible for over 30% of China’s GDP and a third of China’s rural income (Economy, 2004). The metal manufacturers customers include the manufacturers of lighting products, cooking equipment, furniture, and those in the construction industry, as well as those large corporations which are specialised in the production of automobile, various equipments and machineries.

The close network relationships between metal manufacturers and remanufacturers enable better flow of waste metals. The remanufacturers provide relatively high quality and valuable secondary metals. Better material and information flow increase the efficiency of the supply chain to achieve sustainable development. The Chinese SMEs benefit from the low skilled but low-cost operators for increased flexibility in their sorting and dismantling processes. As far as costs, flexibility, economies of scale, efficiency, capacity, production quality, scheduling, lead-time, maintenance and product complexity are concerned, Chinese SMEs tend to find the balance between the usage of manual operations and the affordability of technology implementation and capital investment. However, the SMEs’s small sizes operation, outdated equipment and tools and manual operations sometimes affect the production and the level of safety and quality work environment (MacBean, 2007).

**Types of Products and Supply Chain Processes**

The Chinese metal remanufacturing industry relies heavily on waste metals from overseas waste collectors, and from third party reverse logistics providers who collect waste metals mainly from large size automotive and other metal manufacturing companies in the PRD region. Other types of products include hazardous waste residues from the production of aluminium bars and pipes; as well as EOL and used metal products imported from overseas for their remanufacturing and regeneration processes. The products and wastes flow in from both forward and reverse logistics directions. The metal remanufacturers provide reverse logistics services for metal manufacturers dealing with their waste metals. Some of the manufacturers also take part in reverse logistics flow of internal solid waste management. According to Huang (2009), the estimation of reverse waste metals, collections from within China has reached 1 million tons per year and the imported amount from overseas is also more than 1 million tons per year, which is a third of the total import of junk metals in China. More than 70% of the secondary inputs are imported from developed countries who are considered to provide high quality and value for recovery process.

Approximately 70% of reverse logistics services are performed in-house. However, there is potential for third party waste management specialists to participate in supporting all or part of manufacturing waste management function, especially as more firms are expanding to multinational level of mass production
in various regions and countries. The use of specialised recycling and third party providers helps to improve quality, efficiency, productivity of reverse logistics and waste management. In the forward supply chain, there are different types of waste throughout manufacturing processes, which can be caused by individual workforce and participants within the production, or by the design and operations between processes. There are close interactions between forward and reverse manufacturers, as reverse logistics is needed to recover those wastes from the forward supply chain. It also reduces production wastes and EOL products. Some of the EOL or used products are either returned to the metal manufacturers, or collected through distributors and collectors, and then sent to the metal remanufacturers. The majority of these used products are collected for remanufacturing processes in order to recover the reusable metals and materials, as well as to reduce the total amount of wastes and damages to the environment. The recovery rate of remanufacturing processes in the PRD region has reached 95% a significant amount of wastes which would otherwise be disposed in landfills are reduced (Shang, 2007; Huang, 2009). Further internal loop might occur especially when some of the wastes and residues at the end of process are re-entering the remanufacturing operation flow for further refinement and regeneration.

The Chinese metal remanufacturers still heavily rely on manual labour operations in the remanufacturing processes of collecting, dismantling, sorting, grouping of waste metals and parts. The operations of melting, resizing and remanufacturing the grouped metals are done by machineries which consume electricity and power – thus generating high costs. It should be pointed out that because of the differences between the forward and reverse logistics flow, the level of technology implementation in the forward and reverse logistics in the Chinese metal industry differs. The metal manufacturing processes tend to use high level of technology and batch production to produce identical metal products; whereas metal remanufacturing processes have to sort and dismantle waste metal products with various conditions and characteristics. Therefore, the complexity of remanufacturing processes require more complex technology for handling, as the status and characters of the input metals or used products need to be identified before their individual dismantling and remanufacturing could take place. As a result, the development and implementation of technology system for remanufacturing would not be as straightforward as the forward manufacturing operation. Hence, finding the balance between the level of manual operation and technology in the production processes is essential for both manufacturers and remanufacturers.

**DRIVERS FOR SME METAL MANUFACTURERS AND REMANUFACTURERS**

The two main drivers for companies’ active participation in both manufacturing and remanufacturing operations are market based and regulatory as discussed below.

*Market drivers:* Profitability is the main incentive for metal manufacturers and remanufacturers as the demand for quality secondary metals is growing especially because of its lower price as compared to primary metals (Shang, 2007). SMEs provide valuable resources to remanufacturers who compete to meet this growing consumer demands. The SMEs are important players as they are flexible and can react much quicker to the changes in market, in comparison to large size companies. The remanufacturing companies also want to develop better methods and techniques to recover and utilise metal resources as much as possible. The collaboration between metal manufacturers and remanufacturers enable the smooth flow of secondary metals within the supply chain loop. Metal remanufacturers are very sensitive to the price of the secondary metals in the market, as they import the bulk of their secondary metals from overseas. Importation of secondary metals to China is easier because the Chinese legislation for proper disposal of production waste and residues are not as strict as those in the developed European and North American countries. In addition, the costs for transporting secondary metals remain relatively low, especially as there are large amount of Chinese goods exports being transported overseas and it is possible for low shipping cost for waste metals containers to fill in backward shipments.
Regulatory Drivers: The metal industry faces enormous problems and challenges such as the dysfunctional environmental administrative system, the lack of policy coherence, legislation, control and reinforcement (Jiang, et al., 2001; Qiu, 2003; Wang, et al., 2005; Peters, et al., 2007). They also face the challenges of integrating fully social and environmental issues management into their production processes. Issues such as workers’ health and safety, the low productivity and limited capacity of manual labour operation are also prominent. There lacks a clear and stringent legislation and enforcement from the Chinese government to govern and control the metal manufacturing and remanufacturing activities. However, China is wary of becoming a world trash bin and it is putting stricter regulation of the scrap industry (see Hicks, et al, 2005). To this end, a number of Chinese law and regulations exists especially those on environmental issues (see Table 1).

Overall, more legislation and guidance continue to be developed to ensure the collection, recycling and disposal of waste is economically, socially and environmentally safe. The Chinese government recently established Circular Economy Promotion Law of the People's Republic of China (2008) has come to force on January 1st, 2009. It sets guidelines for environmental protection and circular economy for waste management, water and energy resource protection in manufacturing, electrical and electronic production, chemical industry, petroleum industry, metal industry and mining industry. The Chinese government has the intention to construct further legislation in guiding and enforcing companies to ensure protection of the environment and human health during their operations. Other issues being addressed by regulation include tariffs and non tariffs, inspection and quarantine procedures, and goods declaration practices, to name but a few.

Table 1: China’s Major Environmental Laws and Regulations

<table>
<thead>
<tr>
<th>Law / Regulation</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Protection Law</td>
<td>1989</td>
</tr>
<tr>
<td>Law on Prevention and Control of Environmental Pollution by Solid Waste</td>
<td>1995; Amended 2005</td>
</tr>
<tr>
<td>Law on Prevention and Control of Atmospheric Pollution</td>
<td>1995; Amended 2000</td>
</tr>
<tr>
<td>Law on Prevention and Control of Water Pollution</td>
<td>1996</td>
</tr>
<tr>
<td>Law on Prevention and Control of Pollution from Environmental Noise</td>
<td>1997</td>
</tr>
<tr>
<td>Energy Conservation Law</td>
<td>1998; Amended 2008</td>
</tr>
<tr>
<td>Regulations on Labour Protection in Workplaces Where Toxic Substances Are Used</td>
<td>2002</td>
</tr>
<tr>
<td>Impact Assessment Law</td>
<td>2003</td>
</tr>
<tr>
<td>Clean Production Law</td>
<td>2003</td>
</tr>
<tr>
<td>Renewable Energy Law</td>
<td>2006</td>
</tr>
<tr>
<td>Administrative Measures on the Control of Pollution Caused by Electronic</td>
<td>2007</td>
</tr>
<tr>
<td>Information Products (Also known as China’s RoHS)</td>
<td></td>
</tr>
<tr>
<td>Regulations on Waste Electrical and Electronic Equipment</td>
<td>Forthcoming</td>
</tr>
<tr>
<td>Circular Economy Law</td>
<td>Forthcoming</td>
</tr>
</tbody>
</table>

(Source: McElwee II, 2008)

CONCLUSIONS AND IMPLICATIONS FOR AFRICA’S METAL RECYCLING INDUSTRY

In response to the high costs of remanufacturing processes in the developed countries arising from expensive technology systems and labour workforce, a growing percentage of waste metals and products are being shipped to developing countries leading to an expansion of the metal recycling industry especially in Asia. Africa countries are yet to exploit this new development despite the fact that the continent can provide low-cost labour, it is strategically located to the European market, and it has the capabilities to build reverse logistics networks and secondary metal market for metal recycling operations.
We conclude by drawing on the Chinese metal industry experiences and make a number of recommendations.

African governments ought to create market incentives so as to encourage companies to participate in the forward and reverse metal supply chains that promote economic, social and environmental sustainability. Governments and businesses should provide financial and technical assistance, and support the development of metal collection, recycling and remanufacturing infrastructure. This includes creating metal scrap recycling and remanufacturing community-based enterprises that offer opportunities for low-income communities to engage in economic activities and create jobs but in a sustainable sound manner.

The public, private and non-profit sectors ought to participate in the co-governance of metal recycling industry nationally, regionally, and globally. This includes working together in the formulation of soft and hard regulation, in addition to recycling policies, which promote environmental protection and provide maximum socio-economic value. Recycling policies should also stipulate recyclables as input materials and not wastes. Legislation should address matters of end-of-life (EOL), product take-back and extended producer responsibility, and restrictions on the amount and type of incoming waste disposals in Africa. Countries should forbid the importation of illegal or hazardous waste into Africa, and strictly enforce the Basel Convention of which majority of Africa countries have signed and ratified, but which is not reinforced and implemented.

Importantly, businesses need to identify their operating characteristics, and apply a balanced labour and technology production method for their processes, regardless of whether the operations are manufacturing or remanufacturing processes. They should work towards building strong supply chain networks among metal producers, recyclers and logistics operators, and foster dialogue on material recycling, production processes, collection methodologies, sorting and recovery techniques.

Science, research and development ought to be encouraged and promoted. Technology must be developed that advance economic, social and environmental sustainability; i.e. technology that helps reduce the level of wastes and defects in production processes, increase capacity and product quality, as well as increase productivities and efficiency including shorter lead-times during metal manufacturing. To optimize learning, actor networks that support sharing of best practices, information and experiences on metal recycling should be nurtured.

Last but not the least, emphasis should also be placed on public education and training that promote environmental and socially safe metals recovery and recycling, as well as create awareness of hazardous metal waste. Importantly, implement education and awareness creation initiatives aimed at changing peoples’ behavior and attitude towards waste and waste management.

REFERENCES


Assessment of Patterns of Economic Growth in Counties With and Without Rural Transit Systems

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Rural and urban America rely on transportation services, both passenger and freight, to provide connections to the regional, national, and global economy. People commute to work, go shopping, run errands, visit family and friends, and go on vacation. To do this, people travel by automobile, airplane, train, boat, bus, bicycle, and on foot. Products and services also need to be delivered from place to place. Oil, machine and electronic components, agricultural products, special deliveries, and other goods arrive by truck, train and airplane.

Investing in highways has often been viewed as catalysis of change and an effective economic development strategy, particularly for underdeveloped rural areas. Adequate infrastructure is vital for economic growth and development in both rural and urban areas.

Rural areas in the U.S. are characterized by diversity in many dimensions, such as economic base, population and population density, income sources, geography and topography, demographics, government, and others. However, this diversity influences the types and levels of economic benefit that rural public transportation operations bring to different communities. The purpose of this paper is to identify, examine and assess the economic growth patterns that might be associated with investments in rural Alabama transit systems and also to gain insight in some of the possible ways in which rural transportation systems may influence social indicators in the counties they serve. Based on extraction of time-series from secondary data, the study found that during the period of 1980-2004, counties with transportation facilities experienced a greater growth in population, retail sales, employment, personal income, and per capita income than counties without rural transit systems. The paper concludes that rural public transportation systems have economic and other positive impacts on the regions they serve, and can be a significant variable in addressing vital needs of rural populations.

INTRODUCTION

Rural and urban America rely on transportation services, both passenger and freight, to provide connections to the regional, national, and global economy. People commute to work, go shopping, run errands, visit family and friends, and go on vacation. To do this, people travel by automobile, airplane, train, boat, bus, bicycle, and on foot. Products and services also need to be delivered from place to place. Oil, machine and electronic components, agricultural products, special deliveries, and other goods arrive by truck, train, water and airplane.

Investing in highways has often been viewed as catalysis of change and an effective economic development strategy, particularly for underdeveloped rural areas (Appalachia, 1982). Adequate infrastructure is vital for economies in both rural and urban areas. It should be noted that successful economic development depends on a strong infrastructure.
Major investment studies are now required for any rural public transportation investment. There is a growing recognition of the link between infrastructure investment and sustainable long-term economic growth. ‘New growth’ theorists in economics argue a strong correlation between the level of net public capital spending and the level of private sector output and labor productivity growth. This correlation emphasizes the potential for infrastructure investment to play a leading role in facilitating faster rates of economic growth.

Investment in the transportation system is a critical element of a state’s strategy to enhance economic development and promote the quality of life of its citizens. There has been substantial interest in recent years in using transportation investment in rural areas to provide the necessary public services that will improve rural life. With limited resources, however, such investment decisions must be made with the best possible information on the likely benefits and costs associated with different strategies.

Effective rural transportation planning improves the multimodal and inter-modal transportation system and helps to ensure that the quality of life and economy in rural America is maintained and enhanced. It does so by providing a strategic perspective on system investment over an extended period of time.

OVERVIEW OF REVIEW OF THE LITERATURE ON THE TOPIC

The review of the literature on the topic of assessment of patterns of economic growth in counties with and without rural transit systems be classified into two key areas-- economic impact of rural transit services and transportation infrastructure.

**Economic Impact of Rural Transit Services**

Munnell (1990) examined the regional economic development and performance related to public infrastructure. The findings revealed that the probability of a business choice of location and performance depends on the public infrastructure. The authors reported that the choice of a specific location depends on whether the business is a branch firm or a simple establishment firm. Munnell (1990) also indicated that highways have greater effect on economic productivity. He also suggested the need for further research to assess regional output as related to understanding business choice of location.

Forkenbrock (1990), putting transportation and economic development in perspective using qualitative descriptive analysis, presented a positive relationship between a vector of factors and economic change and development at the county level. Apart from use of descriptive analysis, Forkenbrock suggested use of factor and cluster analysis to group counties and estimate economic impacts of rural transit infrastructures. Also, American Public Transit Association (APTA) presented a comprehensive analysis of economic benefits of public transit across the United States. Among the measurable and immeasurable benefits reported are attraction of new business and related services, increased retail trade and sales, employment or jobs, increased property values, and fiscal improvement.

Other literature (Liew and Liew, 1984) have estimated the economic effects of highway investment using input-output modeling. The model estimates the direct and indirect effects of highway investments based in a disaggregated industrial framework. Rephann (1997) evaluated planning theories and transportation modeling including input-output modeling as related to highway management and economic analysis. The author argues that regional economic theory is a useful economic tool and indicated that various regional and extra-regional characteristics significantly influence highway economic performance. However, Rephann (1997) criticized that “input-output adapted for transportation analysis may be impracticable and require data that are inadequate or unavailable.”
Transportation Infrastructure
Transportation infrastructure provides rural residents improved access to opportunities outside the local community. Earlier, Moon (1987, 1988) reported global development impacts of interstate highway within rural communities in Kentucky. The study examined factors that explained development prospects along highway interchanges in rural Kentucky during mid 1980’s. Also presented are possible developmental effects for remote and isolated transportation interchange sites.

According to Peckham and Isserman (1994) transportation infrastructure has proven the ability to enhance linkage between people, business and community and it’s vital for rural economic development. Transit infrastructure does influence location decisions of households within the community settings.

Using dichotomous choice modeling Peckham and Isserman (1994) confirmed that residential choices and community patterns do attract business and industries and also affects the location decisions of firms. Transportation Equity Act for the 21st century (TEA-21) is the single largest public works bill in U.S. history that provided $175 billion in Federal funding for the nations’ most important roads over 1998 to 2003. TEA-21 has also pointed to the benefits of the business sector of improved transport system within rural areas from additions to rural infrastructure.

Conclusively, throughout the literature on transportation is the recurring evidence, theme and correlation between economic development and transportation infrastructure.

PURPOSE OF THE STUDY
The purpose of this paper is to identify, examine and assess the economic growth patterns that might be associated with investments in rural Alabama transit systems and also to gain insight in some of the possible ways in which rural transportation systems may influence social indicators in the counties they serve. Based on extraction of time-series from secondary data, the study found that during the period of 1980-2004, counties with transportation facilities experienced a growth in population, retail sales, employment, personal income, and per capita income greater than counties without rural transit systems.

DATA ANALYSIS AND RESULTS
Transportation Systems and Social Indicators
In order to gain insight into some of the possible ways in which rural transportation systems may influence social indicators in the counties they serve, there is a need to examine the patterns of economic growth in counties with and without rural transit systems.

The main issue/research question is, “Do rural public transportation systems have economic impacts on the community they serve?” If it is assumed that rural transit systems do have economic impacts, a related important question is “How would be rural transit systems influence social indicators in the counties they serve?”( Social indicators refer to statistics, statistical series, and all forms of evidence that appear within a social environment, and are symptoms of existing conditions. They are often referred to as “Symptomatic Data,” since they reflect symptoms of the conditions of a society or community).

The possible measures of social indicators to be considered for examination are:

- Change in retail sales from 1980 – 2004.
- Change in employment from 1980 – 2004.
- Change in total personal income from 1980 – 2004.
- Change in per capita personal income from 1980 – 2004.
- Change in total county population from 1980 – 2004.
The researchers have examined a number of variables including employment, population changes, income and per capita income between the years 1980 and 2004, which is the period during which rural transportation services were introduced. The analysis of the examination (case studies) reveals that rural transit systems do have economic impacts. It should be noted that most rural transportation systems were not established with specific economic objectives. The counties with rural transit systems were examined separately from counties without such systems with the aim of providing the basis for comparison between those counties having such systems and those counties not having them. Furthermore, counties with rural transit systems were examined separately from counties without such systems from an aim of providing the basis for comparison between those counties having such systems and those counties not having them.

**Economic Growth Patterns**

Table 1: Service Counties – Percent Change in Economic/Demographic Variables, 1980 – 2004, Transit vs. No Transit, Rural Counties

<table>
<thead>
<tr>
<th>1980 – 2004 Change</th>
<th>Rural Counties With Transit</th>
<th>Rural Counties Without Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>791%</td>
<td>473%</td>
</tr>
<tr>
<td>Population</td>
<td>14.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Personal Income</td>
<td>252%</td>
<td>220%</td>
</tr>
<tr>
<td>Per Capita Personal Income</td>
<td>220%</td>
<td>193%</td>
</tr>
<tr>
<td>Employment</td>
<td>68%</td>
<td>51%</td>
</tr>
</tbody>
</table>

The focus of this section is to identify some overall economic growth patterns that might be associated with investments in rural public transportation services. Specifically, it looks at the fastest-growing rural counties to see if having a rural public transportation programs had any apparent impact on this high-growth group of counties. The researchers examined five descriptors of economic changes for rural counties with public transit systems versus rural counties without transit projects. The above table shows that there are substantial differences in retail sales growth, population growth, person income growth, per capita personal income growth, and employment growth rates over this period between counties with transit systems and the rest of the rural counties in the State of Alabama.

**Analysis of Descriptors of Economic Changes**

**Retail Sales**

The figure on the following page shows retail sales (in $1,000’s) as a function of index values comparing between transit and non-transit counties in terms of spending within the state. The retail sales in dollars is in rural counties, both with and without rural transit systems, the average difference in retail sales during the period from 1980 – 2004 in Alabama was 316% greater in counties with rural transit systems then in those counties without transit systems.
Population

Twenty-seven of Alabama’s counties had rural transit agencies, while the remaining counties in the state are without rural transit providers. Counties with rural transit programs in 2004 were above 250,000, up 16.6 percent from 1980. We have seen that during this period, counties with transportation facilities experienced a growth in population of 400,000 or 14.8 percent increase. In counties without transportation facilities, the population grew from 1,300,000 to 1,400,000 or a percentage increase of 8.3.
Over the same period, one can see from the figure on the following page that personal income in counties with rural transportation services increased from 21,000,000 to 74,000,000 dollars per year, an increase of 252 percent, while in counties without transit services, personal income increased from 10,000,000 to 32,000,000 dollars, an increase of 220 percent.
Figure 3: Personal Income

Per Capita Income

Figure 4 reveals that in Alabama counties with transit systems per capita income trends have mirrored the state, while counties without transit income lagging behind since 1980. In 2004, per capita income in counties without transit was $22,000 compared to $24,000 for the counties with transit.
It should be noted that the income gap between counties with transit and without transit has increased slightly since 1980. Furthermore, in counties with transportation services, per capita income increased 1980 to 2004 from 7,500 to 24,000 dollars, an increase of 220 percent, and while in counties without transit facilities, the change was from 7,500 to 22,000 dollars, an increase of 193 percent.

**Employment**

Figure 5 on the following shows the trends of employment growth from 1980 – 2004. From March 2000 to March 2001, employment in Alabama increased a net of 4,600 jobs, compared to a gain of 39,700 jobs for the period of March 1999 to March 2000.
The above figure 5 reveals that in counties with public transportation, employment over the same period grew from 920,000 to 1,550,000, an increase of 68.4 percent; but in counties without transportation facilities, during the same period, employment grew from 450,000 to 680,000 or by 51 percent, while other factors not considered in this study may be contributing variables, it seems clear that the influence of moving to and from the workplace provided by the rural transit systems have played a major role.

CONCLUSIONS

The paper concludes that rural public transportation systems have economic impacts and also the changes in economic/demographic variables are associated with, and attributable to the rural transportation projects in rural communities.

Aside from the impact of rural transit opportunities on the population of the counties they serve, we have also seen the broadening impact on the economy of the counties themselves. An evaluation of change in retail sales between rural counties with an without transit systems, during the period of 1990 to 2004, indicate that change in transit counties was 316 percent greater than in non-transit counties.

In this study we have seen clear indications that public transportation system in rural counties of Alabama influences the economy and the quality of life not only of citizens but of the counties in which they reside. The transportation programs of these counties have become a critical part of the formula for survival of a section of the communities they serve.
ACKNOWLEDGEMENT

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Managing Malaria Control Supply Chains in Sub-Saharan Africa: A Conceptual Framework

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The recent surge in malaria prevention programs in sub-Saharan African nations has challenged existing distribution systems in these nations. In this paper, the authors examine the supply chain management challenges in the distribution of malaria control programs, and advance preliminary strategies for resolving these challenges. In particular, emphasis is placed on integration strategies for optimizing existing supply chains (global/malaria supply chain, commodity supply chains, and essential goods supply chains) at the local and community levels.

Introduction

The efficient distribution of malaria control products, such as impregnated mosquito nets, malaria medicines, and related information, in sub-Saharan African (SSA) countries has become a high priority of policy makers and international donors in recent years. For example, in 2006, the World Bank organized its first workshop, entitled “Malaria Booster Programs” in Dakar, Senegal, for health policy makers and administrators from over 17 African nations (World Bank, 2006). One of the main goals of the workshop was to build supply chain capacity in these nations to enhance the efficiency of distribution of malaria medicines to clinics.

The embracement of the supply chain/logistics business model by international donors and policy makers will undoubtedly provide the level of strategic inertia needed to implement such a highly difficult inter-organizational management approach as supply chain management (Cooper, Lambert and Pagh 1997). It is unclear, however, which supply chain management strategies are appropriate for the unique socio-cultural environment of SSA (Dadzie 1990. For example, at the World Bank malaria booster workshop, many of the delegates identified the following strategic goals for malaria control programs: (1) increasing availability, (2) increasing accessibility to malaria control products, and (3) ensuring affordability of the products. However, ensuring availability and affordability may be conflicting customer service goals for conventional supply chain management practice. That is, higher availability may be attained at higher cost, thus reducing affordability of malaria control products. In essence, supply chains require significant adaptation in design or integration strategies to meet malaria control program goals. Yet, there are very few conceptual frameworks for diagnosing and understanding supply chain management strategies for malaria products distribution in the SSA socio-cultural context.

The objectives of this paper are to: (1) examine the strategic challenges inherent in the implementation of state-of-the-art supply chain management strategies for malaria products distribution in SSA, (2) evaluate the strategic fit of existing supply chain networks, and (3) propose a conceptual framework for integrating existing supply chains into high performance and responsive supply chains for malaria products distribution in SSA.
Supply Chain Challenges In Sub-Saharan African Malaria Control Programs

Supply chain management refers to the planning and management of all activities involved in sourcing and procurement, conversion, and logistics management activities (CSCMP Glossary of Terms 2009). Efficient management of supply chains requires the implementation of supply chain integration, described as the process of linking major business functions and business processes within and across companies into a cohesive and high performing business model (CSCMP Glossary of Terms 2009). Logistics, on the other hand, refers to the integrated set of activities that involve the movement and storage of goods and inventory from production point to consumption point within the supply chain. Effective integration of supply chains entails a better understanding of state-of-the-art challenges as well as the challenges that are unique to SSA nations.

It is widely acknowledged that many firms fail to integrate their supply chains because of the inherent difficulty in the integration process (Bowersox, Closes, and Shank 2000; Chen, Daugherty and Landry 2009). In SSAs, supply chains are profoundly challenged by the unique socio-cultural conditions, including low purchasing power, low literacy rates, poor transportation and logistics infrastructure and capabilities (Dadzie, 1989). In the next section, we examine some of the state-of-the-art supply chain management challenges that derive from the SSA socio-economic environment.

Optimization of Global Supply Chain Networks. A fundamental motivation for implementing the supply chain management philosophy is the expectation that optimizing the performance of the overall supply chain brings more competitive benefits than optimizing the individual firm’s supply chain. This strategic benefit begins with integration of the supply chain network—a cost effective system for moving products and related information within a desired level of service. Some of the primary strategies for optimizing supply chain networks focus on standardization and elimination of duplication in activities (transportation, warehousing, inventory processing and flow, etc.), and the structure of the network (including the selection of members). Because most SSA countries lack the requisite logistics/transportation infrastructure, tracking capabilities, timely customs procedures as revealed in the latest logistics performance indexes (LPI) of nations and economic regions (World Bank, 2010), SSA region ranks the lowest on six aspects of logistics friendliness including customs procedures, infrastructure or capabilities, international shipments, logistics competence, tracking, and timeliness. Thus, designing and optimizing performance of malaria supply chain is profoundly challenging. Moreover, malaria control supply chains often are long and subjected to considerable variations in customer service performance outcomes (i.e., availability and accessibility) because of urban-rural variations in logistics/transportation infrastructure. Additionally, local health clinics and community members in a malaria supply chain lack the basic storage facilities to support an optimal supply chain network’s goals such as availability and accessibility. Higher availability of products may be obtained at higher cost which may lead to lower affordability.

Building Sustainable Collaborative Relationships. Effective integration of supply chains requires collaboration/cooperation among supply chain members and can be impeded when members disagree on the motivation for collaborating on the supply chain. Because malaria control supply chains often include members with divergent agenda (e.g., health agencies, NGOs, international donors, hospitals), building collaborative relationships can be a protracted process.

Strategic Deployment of Inventory. Minimizing the level of inventory or products in the supply chain is another prerequisite for effective supply chain integration. In general, firms use a variety of cycle time compression strategies to optimize inventory levels to improve cash flow and minimize current assets/accounts receivable. However, SSA malaria control supply chains are characterized by long cycle times that are variable because of poor road conditions, limited alternative transportation modes, and lack
of accessibility to rural populations. Variability requires the maintenance of higher inventory levels to reduce stock-out probabilities. Moreover, some members often have the misconception that optimal amount of inventory would lead to stock-out, which they equate with potential adverse health consequences. Thus, the tendency to overstock on one time and under stock on another (which ultimately increases stock out on more essential malaria products) is a real threat. The infusion of more logistics design and analysis skills is crucial for the successful integration of inventory in malaria supply chains.

Integrating Information Platforms and Technology. It is almost impossible to attain effective supply chains without investing in building information collection and technology. Information increases transparency in the chain, reduces uncertainty and variability within the chain, and facilitates more effective planning and delivery of products. The use of information technology in SSA malaria supply chains is not often a priority of donors whose main focus is on the availability of malaria treatment drugs. Thus, with limited information technology capabilities, information sharing among malaria products supply chain members is limited, further increasing the potential for duplication, as well as poor and inconsistent availability of malaria products.

Malaria Control Strategic Goals And Supply Chain Integration

Based on the strategic priorities listed by executives at the World Bank malaria control workshop, it is possible to assess the type of transformation needed in each of the existing supply chains to improve malaria product distribution efficiency. The networks include multinational/global supply chains, agricultural/commodity supply chains, and essential goods distribution networks. Figure 1 presents the order of the relationships between the various supply chains and performance outcomes in the SSA context.

Formal Malaria Supply Chains. Malaria supply chains in Africa are intricately linked to the supply chains of multinational firms that service SSA countries, either directly or indirectly through international donors and non-government organizations (NGOs). These formal supply chains provide superior services in the international environment but are severely challenged within the domestic environment. The domestic members in the formal supply chains include hospitals, health clinics and central warehouses at major ports and urban areas. However, formal donor driven supply chains can hardly reach supply chain members in rural populations on a consistent and timely basis. Consequently, it is not unusual that, in some SSA countries, malaria products, especially mosquito nets, pile up in central warehouses in mostly urban areas that are unable to reach hospitals and health care centers in remote areas on time. Some integration with informal supply chains, such as the commodity and essential food distribution networks may be necessary to increase consistent availability and accessibility in rural populations. In this regard, policy makers and donors may consider the use of informal supply chains for mosquito nets and non-perishable malaria prevention products.

Commodity Supply Chains. Many SSA economies have well-developed commodity supply chains for the movement of main agricultural produce such as cocoa (Ghana, Ivory Coast, and Cameroon) and coffee (Kenya, Tanzania). A major feature of this system is that it is primarily adapted to the social cultural context of poor transportation facilities. These distribution systems are legitimate supply chains because farmers (customers) sell their produce to buying agents (buyers) whose network also reaches most towns and villages. The produce are then consolidated at major towns and shipped by carriers to the ports. These networks are ideal for both inbound and outbound logistics flows. Inbound flows include such materials as fertilizers, farming equipment and information. In addition, commodity supply chains are adaptable to rural societies in that they have maximum reach. Some malaria control products, especially mosquito nets, could be distributed as an integral part of the inbound flows in commodity supply chains. This will reduce total supply chain cost for all supply chain members. However, some form of collaborative arrangement would have to be developed to encourage commodity firms to leverage their logistics infrastructure for the distribution of malaria control products.
Essential Goods Distribution Network. In many SSA economies, there is a well-established network for the distribution of essential goods (e.g., soap, imported foods of all kinds, medicines) throughout rural towns and villages. While these networks can deliver essential goods to nearly every town and village, they are rarely a part of the formal malaria supply chains. One possible reason may be the concern that the profit-driven motivations of members in the essential goods distribution network may be incongruent with the humanitarian goals of malaria control programs (i.e., malaria products may be resold at unaffordable prices to the average citizen. However, such thinking overlooks the fact that affordability is no more important than accessibility and availability and that a significant segment of clients can best be served through this supply chain, especially since it outperforms the formal malaria control supply chains with respect to availability and accessibility.

The Village/Community Distribution Center-The Missing Link
Implicit in the preceding evaluations is the conclusion that formal malaria control supply chains are inherently limited in their orientation toward meeting all of the strategic goals of malaria control.
programs in SSA—availability, accessibility, and affordability. While affordability is often the emphasis, these chains perform poorly at providing consistent accessibility and availability in part because of the challenging socio-economic context. One solution to this shortcoming is to build logistics capability at the village/community levels and outsource much of the supply chain functions to organized community members. We describe this grassroots outsourcing as the village/community distribution center (VCDC). The VCDC would be a total community endeavor managed by a Board of community leaders and traditional elders, including chief farmers, clan leaders, and school masters. The VCDC Board shall appoint three subcommittees, one each for logistics, marketing, and communications with a local warehouse and distribution center built by voluntary labor of community members. The logistics subcommittee will be responsible for all the transportation and warehousing, and storage activities for non-perishable malaria products especially malaria commodities (mosquito nets) but could also serve other supply chains, such as HIV prevention supply chains. Community volunteers will be trained in basic logistics/ and information technology applications to help mapped community networks for rapid inventory deployment of goods and commodities.

In essence, the VCDC will interface with both the formal malaria supply chains and essential goods supply chains as needed. International donors will be encouraged to designate a percentage of their donations directly to funds VCDC operations. From these funds, the logistics subcommittee of the VCDC will be equipped with basic means of transportation and communication, such as bicycles, motorcycles, cell phones, and a basic storage facility will be built by volunteer labor within each designated community. The completion of such a storage facility will be a minimum requirement for communities seeking funding for their VCDC.

Conclusion

The recent emphasis in the supply chain capability for malaria prevention programs in SSA promises to be the much needed stimulus to better management of humanitarian supply chains in these countries. However, too often donors focus on the commodities and overlook the logistics capability and infrastructure. Governments, on the hand, lack the funding to develop such infrastructure to reach rural towns and villages. In this paper, we have argued for integration of multinational supply chains, commodity supply chains, and essential food distribution supply chains around the village distribution center as a supply chain strategy for increasing the consistent availability, accessibility and affordability of malaria products in SSA countries.

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A Model for Petroleum Supply Chain Risk Analysis: A Case Study of Multinational Oil Enterprise in Nigeria

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Risk and uncertainty are quintessential issues facing petroleum industry. Managing petroleum supply chain risk represents one of the most daunting challenges confronting many of the multinational oil enterprises (MNOEs). As a result, petroleum supply chain risk management is top on the agenda of C-level executives of the MNOEs. This paper utilizes multi-criteria decision support system to model risk management in the upstream petroleum supply chain of an MNOE. The AHP is a typical multi-criteria methodology used to model risk management because it allows different types of risks to be assessed and evaluated.

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INTRODUCTION

Identifying and quantifying supply chain risk in petroleum industry is essential. The objective of this research is to develop a framework to explore and quantify risk of disruptions in a multinational oil firm supply chain. The analysis is based on data collected from supply chain managers of an MNOE’s in Nigeria. Managing petroleum supply chain risk in the energy sector is vitally essential for many reasons. Uninterrupted flow of oil and gas are important to the economic health of both developing and developed economies. For a developing country, Nigeria in particular, oil and gas industry can play an important role in its economic development. However, growing number of risks in today’s global business environment have become serious challenge to petroleum supply chain stability. This paper will discuss an approach that can be used to manage petroleum supply chain risks. The petroleum supply chain risk management is imperative because lack of it can encourage a perception of uncertainty of oil and gas supplies in the global energy market which will in turn result to an increase in global crude oil and gas price and global economic crisis.

The remainder of the paper is structured as follows. Section 2 presents brief background on the petroleum industry supply chain. Section 3 discusses sources of petroleum supply chain. Section 4 presents the research methodology. Section 5 describes the data collection. Finally, sections 6 and 7 present research finding and conclusions and managerial implications, respectively.

BRIEF BACKGROUND ON PETROLEUM INDUSTRY SUPPLY CHAIN

The petroleum industry supply chain is considered to be inflexible and the most complex industry relative to other industries (Hussain, 2006). Because of the inflexibility and complexity linked to the petroleum...
industry supply chain managing it is a daunting challenge (Morton, 2003; Coia, 1999). Each stage in the
supply chain pose a significant challenge (Jenkins and Wright, 1998) because the petroleum industry
supply chain logistics network is very inflexible due to production capabilities of crude oil suppliers, long
transportation lead times, and the limitations of modes of transportation (Hussain, et al., 2006). Also,
 improving the inflexibility and complexity of the petroleum industry supply chain is challenging because
of its cultural reorientation, information systems and information sharing, integrated process management,
and organizational restructuring (Ikram, 2004).

Petroleum industry supply chain is bifurcated into upstream and downstream supply chain operations.
The upstream Petroleum supply chain operation encompasses exploration and appraisal, production and
transportation of crude oil and gas to the refineries for conversion into finished products. Nnadili (2006)
describes Petroleum upstream supply chain can be “defined as all logistics activities occurring through
feedstock of exploration and movement into the refineries to refining operations” (Nnadili, 2006). Hussain et al (2006) describes upstream petroleum supply chain as a process of acquiring crude oil,
including the exploration, forecasting, production, and delivery of crude oil from remotely located oil
wells to refineries, while the downstream petroleum supply chain is the point of refinery where the crude
oil is converted into end products which includes the process of forecasting, production, and the logistics
management of delivering the crude oil derivatives to customers around the globe. Or, it entails the
distribution and marketing activities associated with all the products derived from oil or the so called
feedstock. Manzano (2005) defines “petroleum downstream [supply chain] as the activities which take
place between the purchase of crude oil and the use of the oil products by the end consumer. This covers
transporting the crude oil, performing supply and trading activities, refining the crude oil, and distributing
and marketing the refined products output.” The current research concentrates on the upstream petroleum
supply chain operations with particular interest in mitigating upstream petroleum supply chain operation
risk. According to Al-Thani (2008) “risk management can be applied effectively to oil and gas project
like any other investment project.”

**SOURCES OF PETROLEUM INDUSTRY SUPPLY CHAIN RISK**

Petroleum supply chain operation is quintessentially a risky venture. Risk and uncertainty can have
significant impact petroleum industry supply chain performance. Petroleum supply chain operation risks
encompass risks that can impact a firm’s financial performance and competitiveness, including geological
and production risk, market risk, technological risk, country risk, price, costs and government action. A.
T. Kearney’s (2005) study in 2004 identified that the traditional risks affecting petroleum supply chain
operation include government regulation/legal decision (64%), country financial risk (60%),
currency/interest rate volatility (51%), political and social disturbances (46%), while emerging risks
affecting petroleum supply chain are corporate governance issues (30%), theft of intellectual property
(28%), terrorist attacks (26), and security threats to employees and assets (26%). Risk analysis is
imperative for proactive risk management. Arguably, it has become increasingly imperative that
petroleum economic actors manage the delicate balance of risks and rewards within and across their entire
supply chain.

Petroleum industry supply chain is prone to uncertainty and risk. Petroleum industry supply chain
uncertainties include oil reserve, exploration, crude price, supply and demand, and product price. Further,
petroleum industry supply chain is impacted by 1) global risks such as political, legal, commercial, and
environmental; and 2) element risks such as construction, operation, financing, and revenue generation.
Both global and element risks affects upstream and downstream supply chain operations. Petroleum
supply chain risk management is imperative because 1) both upstream and downstream risks must be
managed to ensure commercial viability of an oil and gas project, 2) the upstream industry supply chain is
categorized as “high-risk” as a result of the sizeable investment level, geological uncertainties cum risks
associated with fiscal and political uncertainties with host producing countries, and 3) the downstream
industry supply chain faces risk which is associated with uncertainty of the crude supply and the marketing of products.

RESEARCH METHODOLOGY

A decision-making environment entails multiple criteria called the multi-criteria decision making (MCDM). Evaluation and management of petroleum supply chain risk represents a typical MCDM problem that entails multiple criteria that can be both qualitative and quantitative. An example of MCDM selected to model risk management in the petroleum supply chain is AHP developed by Saaty (1980). It is chosen because it allows decision-makers to model a complex problem in a hierarchical structure showing the relationships of the overall goal, objectives, and alternatives. Because of its usefulness, AHP has been widely used in research. For example, it has been used in marketing (Dyer and Forman, 1992), pharmaceutical marketing and management (Ross and Nydick, 1994), pharmaceutical supply chain (e.g., Enyinda, 2008; Enyinda et al., 2009), supplier selection (e.g., Enyinda et al., 2010), and petroleum industry supply chain (. Following Saaty (1980), the hierarchy structure of the petroleum supply chain risk is shown in Figure 1.

Figure 1. Structure of Petroleum Supply Chain Risk

1. Define an unstructured problem and determine the overall goal. The overall goal is to manage risk in pharmaceutical supply chain outsourcing.
2. Build the hierarchy from the top through the intermediate levels to the lowest level which usually contains the list of alternatives. The major decision criteria occupy the second level of the hierarchy. The decision maker defines the criteria that will be used to judge the alternative options. The decision risk criteria considered are geological and production, environmental and regulatory compliance risk, transportation risk, oil resource availability, geopolitical, and reputation risks. The alternative response considered by petroleum supply chain managers are retain risk, share risk, mitigate (reduce risk), and avoid risk. According to Flanagan and Norman (1993) and Lowe and Whitworth (1996), response strategy to risk can be achieved through risk reduction; risk avoidance; risk transfer; and risk retention
3. Construction of pairwise comparison matrix. Build a set of pairwise comparison matrices for each level of the hierarchy and then conduct all the pairwise comparisons. The pairwise comparison matrix A, where element \( a_{ij} \) of the matrix is the relative importance of \( i^{th} \) factor with respect to \( j^{th} \) factor, can be determined as follows:

\[
A = [a_{ij}]
\]

(1)
Where the entry in row \(i\) and column \(j\) of \(A\) \((a_{ij})\) indicates how much more important objective (criteria) \(i\) is than objective \(j\). Each entry in matrix \(A\) is positive \((a_{ij} > 0)\) and reciprocal \((a_{ij} = 1/a_{ji})\) for all \(i, j = 1, 2, 3, \ldots, n\). “Importance” is measured on an integer-valued 1-9 scale for pairwise comparisons. It allows the transformation of qualitative judgments and/or intangible attributes into preference weights (level of importance) or numerical values. The pairwise comparisons are accomplished in terms of which element dominates or influences the order. With AHP model, a group of supply chain managers can make pairwise comparisons of the criteria using Saaty’s nine-point scale. The nine-point scale seeks to know the dependence criteria, which one will influence the common criteria more and if so how much more. For example, a value of 1 between two criteria indicates that both equally influence the affected node, while a value of 9 indicates that the influence of one criterion is extremely more important than the other.

4. \(n(n – 1)/2\) judgments are needed to develop a set of matrices in step #3. Reciprocals are assigned in each pairwise comparison automatically.

5. Utilizing the hierarchical synthesis to weight the eigenvectors according to the weights of the criteria. The total is for all weighted eigenvectors corresponding to those in the next lower level of the hierarchy.

6. After completing all the pair-wise comparisons, the consistency can be evaluated using the eigenvalue \((\lambda_{\text{max}})\), to derive the consistent index (CI). Specifically, Saaty (1990) recommended that the maximum eigenvalue, \(\lambda_{\text{max}}\), can be determined as

\[
\lambda_{\text{max}} = \sum_{j=1}^{n} a_{ij} \frac{W_j}{W_i},
\]

Where \(\lambda_{\text{max}}\) is the principal or maximum eigenvalue of positive real values in judgment matrix, \(W_j\) is the weight of \(j^{\text{th}}\) factor, and \(W_i\) is the weight of \(i^{\text{th}}\) factor.

7. Consistency Test. Each pairwise comparison which has several decision elements for CI measures the entire consistency judgment for each comparison matrix and the hierarchy structure. Thus, CI and consistency ratio (CR) are used to determine the consistency of the comparison matrix. A matrix is assumed to be consistent if and only if \(a_{ij} \cdot a_{jk} = a_{ik} \forall i, j, k\) (for all \(i, j,\) and \(k\)). To ascertain that the priority of elements is consistent, the maximum eigenvector or relative weights/\(\lambda_{\text{max}}\) can be determined. Specifically, CI for each matrix order \(n\) is determined by using (3).

\[
\text{CI} = \frac{\lambda_{\text{max}} - n}{n - 1}
\]

Where \(n\) is the matrix size or the number of items that are being compared in the matrix.

Based on (2), the consistency ratio (CR) in (4) can be determined as below:

\[
\text{CR} = \frac{\text{CI}}{\text{RI}} = \frac{[\lambda_{\text{max}} - n]/n - 1]}{\text{RI}}
\]

CR is acceptable, if its value is less than or equal to 0.10. However, if it is greater than 0.10, the judgment matrix will be considered inconsistent. To rectify the judgment matrix that is inconsistent, decision-makers’ judgments should be reviewed and improved.

**DATA COLLECTION**

A survey questionnaire approach was used for gathering relational data to assess the order of importance of the petroleum supply chain risk criteria. From the hierarchy tree, a questionnaire was developed to enable pairwise comparisons between all the risk criteria at each level in the hierarchy. The pairwise comparison process elicits qualitative judgments that indicate the strength of the decision makers’ preference in a specific comparison according to Saaty’s 1-9 scale. Operations and supply chain managers were requested to respond to several pairwise comparisons where two categories at a time were compared with respect to the goal. The result of the survey questionnaire technique was then used as input for the AHP. The matrix of pairwise comparisons of the risk criteria given by the MNOE in the case study is shown in Table 1. The judgments are entered employing Saaty’s pairwise comparison preference scale explained in no. 3. The data collected were then analyzed with the aid of AHP using Expert Choice Software 11.5.
Table 1. Pairwise Comparison Matrix with respect to the Goal

<table>
<thead>
<tr>
<th>Goal</th>
<th>GPR</th>
<th>ERR</th>
<th>TR</th>
<th>OAR</th>
<th>GR</th>
<th>RR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geological and Production Risk (GPR)</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Environmental and Regulatory Risk (ERR)</td>
<td>1/5</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Transportation Risk (TR)</td>
<td>1</td>
<td>1/3</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Oil Availability Risk (OAR)</td>
<td>1/3</td>
<td>½</td>
<td>1</td>
<td>1</td>
<td>1/3</td>
<td>1/2</td>
</tr>
<tr>
<td>Geopolitical Risk (GR)</td>
<td>1/3</td>
<td>1/3</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Reputation Risk (RR)</td>
<td>1/3</td>
<td>1</td>
<td>1/3</td>
<td>2</td>
<td>1/3</td>
<td>1</td>
</tr>
</tbody>
</table>

EMPIRICAL RESULTS AND DISCUSSION

The pairwise comparison of the major criteria priority shown in Figure 2 indicates that geological and production risk is the most important risk criterion with a priority of 0.23649 followed by transportation risk (0.23649), and geopolitical risk (0.20215), while reputation (0.09194) is considered the most lowest followed by oil resource availability risk (0.08194), and environmental and regulatory risk (0.06541).

Figure 2. Major Criteria Priority with respect to Goal

Geological and Production Risk .32208
Transportation Risk .23649
Geopolitical Risk .20215
Reputation Risk .09194
Oil Resource Availability Risk .08194
Environmental/Regulatory Risk .06541

Inconsistency = 0.04
with 0 missing judgments.

Overall Priority

Table 2 reports the overall priority with respect to the alternative risk management strategies. According the result findings, the most important risk management strategy to select is to reduce risk (0.40936) followed by risk avoid risk (0.28762), share risk (0.17709), and retain risk (0.12597).

Table 2. Overall Priority with respect to Alternative Contractor

<table>
<thead>
<tr>
<th>Alternative Risk Mgmt Strategy</th>
<th>Major Risk Criteria (CR: 0.04 &lt; 0.10)</th>
<th>Overall Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GPR 0.32208 ERR 0.06541 TR 0.23649 OAR 0.08194 GR 0.20215 RR 0.09194</td>
<td></td>
</tr>
<tr>
<td>Reduce Risk</td>
<td>0.35639 0.36586 0.51088 0.45587 0.39189 0.36173 0.40936</td>
<td></td>
</tr>
<tr>
<td>Share Risk</td>
<td>0.25076 0.12381 0.13572 0.22906 0.14391 0.08958 0.17705</td>
<td></td>
</tr>
<tr>
<td>Avoid Risk</td>
<td>0.29464 0.27777 0.26138 0.13015 0.32030 0.40598 0.28762</td>
<td></td>
</tr>
<tr>
<td>Retain Risk</td>
<td>0.09821 0.23256 0.09203 0.18492 0.14391 0.14270 0.12597</td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>0.02&lt;0.10 0.02&lt;0.10 0.03&lt;0.10 0.07&lt;0.10 0.01&lt;0.10 0.02&lt;0.10</td>
<td></td>
</tr>
</tbody>
</table>

SENSITIVITY ANALYSIS

Sensitivity analysis identifies the effect of changes in the priority of attributes or criteria on the major decision criteria. The sensitivity analyses are important because changing the importance of attributes requires different levels of geological and production, transportation, geopolitical, reputation, oil resource
availability, and environmental and regulatory compliance risks. Figure 3-4 show two scenarios of two dimensional sensitivity analyses. Upon obtaining the initial solution with the given weight of the priorities, two dimensional sensitivity analyses mainly geological and production versus transportation risk and geological and production risk versus geopolitical risk were conducted to explore the response of the overall utility of risk management alternatives to changes in the relative importance of each attribute. The two dimensional sensitivity analyses in Figure 3 shows that reduce risk and avoid risk are the most important risk treatments. In Figure 4 the two dimensional sensitivity analyses also indicate that reduce and avoid risk treatments are the best.

**Figure 3. Two-Dimensional Sensitivity for Nodes below Goal (Scenario 1)**

**Figure 4. Two Dimensional Sensitivity for Nodes below Goal (Scenario 2)**

**CONCLUSION AND MANAGERIAL IMPLICATIONS**

Many initiatives such as globalization, global sourcing, reduction in supplier base, and lean manufacturing to ameliorate supply chain efficiency and effectiveness have equally fueled the growth in global supply chain risks. Unmanaged risks can lead to petroleum supply chain disruption. Petroleum
supply chain disruption can lead to energy shortages and the economy through fluctuating price, poor customer service, poor labor management relations, and reduction in shareholders’ value. Managing risk in the petroleum supply chain can improve C-level executives’ confidence in improving the commercial viability of oil and gas projects (Al-Thani, 2008).

The implications of the identified risks for petroleum supply chain operations can be significant, including supply disruptions, increase in the cost of energy, among others. Hence petroleum supply chain operation risk management must become an essential component of MNOE’s overall risk management strategy. Petroleum supply chain operation risks consist of risks that a firm’s earnings, shareholder’s value, supply, increase in price of gasoline, among many others. Those firms that pay attention to mitigating their supply chain risks proactively will capture value, increase shareholders’ value, meet global market demand, and thrive well into the future. Mitigating risks in the petroleum industry supply chain is imperative “… for maintaining continuous supplies of crude oil, the reduction of lead times, and lowering of production and distribution costs.”

REFERENCES


Massachusetts Institute of Technology, Cambridge, MA.
Shariacracy, seven point agenda and green marketing environment for urban and regional planning in Kebbi State, Nigeria

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halirusbala@yahoo.com

This study sets out to determine the socio-economic rules and regulations of Shariacracy on President ‘Yar’Adua seven point Agenda and Green Marketing Environment for Urban and Regional Planning. The study was conducted in Kebbi State, namely Birnin Kebbi, Argungu, Yauri and Zuru Local Government Areas. All the four Local Government Areas have expansion Shari’ah court system. The study was carried out using primary and secondary data. Data were gathered from a sample size of 1980 which was randomly selected among staff of Kebbi State Ministry of Lands, Housing and Urban Development, Kebbi State Urban Development Authority (KUDA), Kebbi State Ministry of Environment and staff from Birnin Kebbi, Argungu, Yauri and Zuru Local Government Areas. The multi-stage sampling techniques were used and questionnaires were administered to cover the state capital and the four Local Government Areas. Data generated from the survey were subjected to both descriptive and inferential analysis using statistical package for social scientists (SPSS) vision 110 Pearson correlation and chi-square tests were used appropriately to test the only hypothesis formulated for the study. The findings also reveals that socio-economic rules and regulations of Shariacracy had influence on Mr. Presidents seven point Agenda and green marketing environment for urban and regional planning in Kebbi State, r=0.872; p<0.001. The study concluded that Shariacracy serve as guidelines for the actualizing Mr President’s seven point agenda and green marketing environment for urban and regional planning.

Introduction

There are three variables in this topic the first one is our independent variables which is Shariacracy and our dependent variables are the Seven Point Agenda and Green Marketing Environment. First, I would start introducing the variables one by one.

Shariacracy Concept
Sanusi (2001) said Professor Ali A. Mazrui coined the term Shariacracy to describe the phenomenon of implementing Shari’ah in a presidential democracy. According to Mazrui (2001) defined Shariacracy as governance according to the norms, principles and rules laid down by Islamic Law. They explained that under British colonial rule, the Shari’ah was implemented for Muslims in the domain of family law and certain areas of civil suit. But the Kadhis or (Muslim judges and magistrates) were not normally authorized to administer the criminal side of Islamic Law. Mazruit and Schweitzer found that in each British Colony in Africa with a large Muslim population there was triple heritage of law; indigenous, Islamic and British derived. Criminal Law tended to be British derived with suitable imperial and colonial amendments. However, issues like marriage, divorce, inheritance, succession and certain forms of property could be subject to the Shari’ah or African Customary Law. They conclude that the Shari’ah is therefore nothing new in Nigeria. What is new is Shariacracy- the adoption of the Shari’ah as the foundation of governance and its expansion into the domain of the criminal justice system. Different authors have defined Muslim state and Shari’ah state ((Shariacracy) concept. According to Lemu (1986) says Shari’ah state is an ideological state which bases its conduct of affairs at all levels on Qur’an and sunnah. This includes Shari’ah principles of political, administrative, economic, marketing and social life and the system of law. She believes that Shari’ah state is therefore different from a Muslim state. A Muslim state according to her is a state where the great majority of the people are Muslim, but their conduct of state (political, administrative, economic, marketing, social and legal) does not follow the
principles of the Qur’an and sunnah officially. Among Muslim states in Nigeria according to Bala observation are Lagos, Osun, Oyo, Kaduna, Kogi, Kwara, Nassarawa, etc. according to 1991 census, while the Shari’ah state are: Sokoto, Zamfara, Kebbi, Kano, Niger, Katsina, etc.

**Seven Point Agenda Concept**

The seven-point agenda of the present administration encompasses all aspects of human and physical development that would be expected to lead Nigeria out of the woods towards achieving greatness by 2020. It covers areas that include power and energy, critical infrastructural development, land reform and home ownership, food security, education and human capital development, national security and Niger Delta Development. A critical look at these key aspects of the seven-point agenda connote a lot of implications for urban planning and development when predicated on the fact that not only is the urban population rising rapidly; depriving the rural areas of workforce, putting pressure on the already dwindling services such as housing, increasing social problems including crimes, but also urbanizing poverty.

**Green Marketing Environment Concept**

Green Marketing Environment is the evolution of marketing beyond societal marketing, to embrace society’s increasing concern about the natural environment. The main features of green marketing concept are:

- an emphasis on the physical sustainability of the marketing process, as well as its social acceptability.
- A more holistic and interdependent view of the relationship between the economy, society and the environment.
- an open-ended rather than a short-term perspective; a treatment of the environment as something with intrinsic value over and above its usefulness to society.
- a focus on global concerns, rather than those of particular societies.

The re-introduction of Shari’a State ((Shariacracy) in Kebbi State on Friday, 1st December, 2002 as a way of life governance; according to the norms, principles and rules laid down by Islamic law, Mazrui (2001) says naturally affects all spheres of human life. This in essence means that religion is an important part of any society’s culture and can have a significant impact on urban and regional environmental planning for the actualizing Mr. president 7 point agenda in Kebbi State.

**Objective of the Study**

This study set out to determine the influence of socio-economic rules and regulations of Shariacracy on President Yar’adua seven point agenda and green marketing environment for urban and regional planning in Kebbi State, Nigeria.

**METHOD**

**Design**

Descriptive survey design was employed in this study.

**Participant**

Participants comprised 1980 staff of the Kebbi State Ministry for Lands, Housing and Urban Development, Kebbi State Ministry of Environment, Kebbi Urban Development Authority (KUDA) and staff of Department of Urban and Regional Planning Federal Polytechnic Birnin Kebbi and staff of Department of Works from Birnin Kebbi, Argungu, Zuru and Yauri Local Government Areas.
Instrument
A 60-item questionnaire for the study was developed. The instrument was pilot tested at Jega Local Government Area and it yielded a coefficient alpha of $r = 0.79$. The instrument was divided into three sections: Shariaocracy, seven point agenda, green marketing environment for urban and regional planning. Each section had both closed-ended and open-ended questions. The essence of the open-ended questions was to obtain additional comments from research participants.

Procedure
The names of all participants was obtained from staff officers of Kebbi State Ministry for Lands, Housing and Urban Development, Kebbi State Urban Development Authority (KUDA), Head of Development of Urban and regional Planning of the Federal Polytechnic, Birnin Kebbi, staff officers from Birnin Kebbi, Argungu, Yauri, Zuru Local Government Areas. A sampling of 200 professionals was selected through multi-stage purposive sampling. The respondents were finally selected through the simple random sampling method using the table of random numbers. Some polytechnic students were used as research assistants in the administration of the questionnaire. They were given two hours of training in the administration of the instrument. In all 1990 of the instruments were retrieved. The returned instruments were edited and 10 of them were rejected because the respondents left out at least a page of the items unanswered. Thus, a total of 1980 of the returned instruments were used for the analysis.

Measurement of Variables
Two groups of variables, independent and dependent variables, were measured through the application of likert scale. The questionnaires comprised mostly structured closed-ended items and were comprised of nine sections. Each section has ten questions making the total of ninety questions.

Independent Variable
The independent variable is the socio-economic rules and regulations of Shariaocracy. However, Shari’ah is conceptualized as a legal system and a way of life according to the norms, principles and rules laid down by the Shari’ah law. Socio-economic rules and regulations of Shari’ah therefore were categorized into the following: Shari’ah political characteristic, Shari’ah economic characteristics and Shari’ah socio-cultural characteristic.

Shari’ah Political Characteristics
This section has ten items. The political roles of the Shari’ah are to: work towards creating a conducive atmosphere for marketing development, eradicate marketers ignorance of marketing ethics and punish those who consume unlawful products. Other roles of the Shari’ah Law include: avoid unnecessary expenditure, educating people on lawful and unlawful production and marketing practices, monitoring and controlling the establishment of marketing enterprises, seeing that all products are weighed and standardized, forbidding any kind of unlawful production, punishing those who produce unlawful products, and ensuring sanctions on unlawful advertising. Here, the respondents were asked to indicate their levels of agreement, such as strongly agree (5 point), agree (4 points), undecided (3 points), disagree and strongly disagree (1 point).

Shari’ah Economic Characteristics
Shari’ah economic characteristics have ten items. Respondents were requested to indicate their levels of agreement on issues such as: state should ensure that every member of society is well utilised; all possible market imperfections must be adequately dealt with; marketers should ensure a fair price to consumers; social security system needs to be put in place; adequate revenue generation is a fundamental issue; marketers are forbidden to sell products that are defective or harmful; both public and private expenditure need to be well controlled; it is unlawful for marketers to hoard products; and the need for consumers and marketers to establish friendliness and goodwill in all aspects of their marketing practices.
Shari’ah Socio-cultural Characteristics
Ten items were used to measure Shari’ah socio-cultural statements. Respondents were requested to indicate their levels of agreement on the following statements: Shari’ah emphasizes and urges its followers to socialize; marketing and consumption of certain products are prohibited because of societal values of Shari’ah; Shari’ah guards against human greed, Shari’ah allows price control in the society and therefore frowns on unethical behaviour by members of the society; as a moral and social institution, Zakkat bridges the gap between the rich and the poor in the society; the norms of Shari’ah prohibits any kind of adulterated transaction, whether during a purchase or sale; family members are apportioned their roles based on Shari’ah injunctions; members of the family start early in life to learn their respective roles within the family and the society; products hoarding is against Shari’ah norms and therefore prohibited; Shari’ah creates a conducive atmosphere for peace of both the marketers and consumers in the society; and Shari’ah, as part of its programme for creating a healthy citizenry, prohibits production of alcoholic drinks.

Dependent Variables
The dependent variables are the seven point agenda and green marketing environment for urban and regional planning. Seven point agenda variables are education and human development, power and energy, wealth creation, critical infrastructural development, land reform and home ownership, food security and national security. Green marketing environment variables are physical sustainability of marketing process, social acceptability, economic/social/environment, environment usefulness to society, focus on global concerns, urban planning and regional planning.

Data Analysis Techniques
On data analysis techniques, the researcher followed a five-step approach, beginning with data validation, then editing and coding of the data, followed by data entry, error detection, and data tabulation. The purpose of this data preparation process is to use data in its raw form and convert it so as to establish meaning and create value. In analyzing the data, both descriptive and inferential statistics were used.

Results and Discussions
Hypothesis: Social-economic rules and regulations of Shariacracy have no significant influence on seven point agenda and green marketing environment for urban and regional planning.

To test the only hypothesis on socio-economic rules and regulations of Shariacracy on seven point agenda and green marketing environment for urban and regional planning, fourteen (14) variables (education and human development, power and energy, critical infrastructural development, land reform and home ownership, food security and national security, physical sustainability of marketing process, social acceptability, economic/society/environment, environment usefulness to society, focus on global concerns, urban planning and regional planning) proxy for seven point agenda and green marketing environment for urban and regional planning were correlated with socio-economic rules and regulations of Shariacracy variables such as Shari’ah political characteristics, Shari’ah economic characteristics and Shari’ah socio-cultural characteristics using Pearson Product Moment Correlation Coefficient Analysis. The result of the analysis is presented in the table 1. It shows that a significant positive relation exists between the socio-economic rules and regulations of Shariacracy and seven point agenda and green marketing environment for urban and regional planning \( [r=0.872, p<0.001] \).
With this result, the null hypothesis which states that the socio-economic rules and regulations of Shariacracy have no significant influence on seven point agenda and green marketing environment for urban and regional planning is rejected.

Table 1: Correlation analysis of the influence of socio-economic rules and regulations of Shariacracy on seven point agenda and green marketing environment for urban and regional planning in Kebbi State.

<table>
<thead>
<tr>
<th>Variable(s)</th>
<th>Mean</th>
<th>Std Dev</th>
<th>r-val</th>
<th>Pval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-economic rules and regulations of Shariacracy</td>
<td>97.85</td>
<td>1.67</td>
<td>0.872**</td>
<td>0.001</td>
</tr>
<tr>
<td>Seven point agenda, green marketing environment for urban and regional planning</td>
<td>244.62</td>
<td>4.17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey 2009
* * Statistically significant: p<0.001

Table 2: Product moment correlation analysis on influence of socio-economic rules and regulations of Shariacracy on dependent variables.

<table>
<thead>
<tr>
<th>Variable(s)</th>
<th>Mean</th>
<th>Std Dev</th>
<th>r-val</th>
<th>Pval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seven point agenda</td>
<td>48.97</td>
<td>1.72</td>
<td>0.485</td>
<td>0.001</td>
</tr>
<tr>
<td>Physical sustainability of marketing process</td>
<td>49.17</td>
<td>1.21</td>
<td>0.330</td>
<td>0.001</td>
</tr>
<tr>
<td>Social acceptability</td>
<td>48.37</td>
<td>2.61</td>
<td>0.636</td>
<td>0.001</td>
</tr>
<tr>
<td>Economic/Society/Environment</td>
<td>49.37</td>
<td>1.49</td>
<td>0.417</td>
<td>0.001</td>
</tr>
<tr>
<td>Environment usefulness to society</td>
<td>48.75</td>
<td>1.63</td>
<td>0.402</td>
<td>0.001</td>
</tr>
<tr>
<td>Focus on global concerns</td>
<td>24.62</td>
<td>4.17</td>
<td>0.872</td>
<td>0.001</td>
</tr>
<tr>
<td>Urban and regional planning</td>
<td>37.93</td>
<td>3.12</td>
<td>0.731</td>
<td>0.001</td>
</tr>
</tbody>
</table>

Source: Survey 2009

The findings on socio-economic rules and regulations of Shariacracy had positive significant influence on seven point agenda and green marketing environment for urban and regional planning was supported by Memon and Memon (1997) findings which revealed that green marketing environment further the evolution of marketing beyond social marketing, to embrace society’s increasing concern about the natural environment and as a key to the developmental aspirations is the need to increase investment in critical infrastructure, implement sectoral reforms, maintain macro-economic stability and ensure lasting peace, security and development not only in Niger Delta but across the 21 Local Government of Kebbi State as a whole. The view consistent with these findings was also offered by (Sanusi, 2001). He found that combining environmental concern (which traditionally involved encouraging conservation), with the discipline of marketing, (with aims to stimulate and facilitate consumption) can appear some what paradoxical. Sustainability is the key stone of the green marketing environmental philosophy, which resolves this apparent paradox (Kirk, 1990). The finding is also consistent with what Bala (2005) obtained that sustainability is often talked about in environmental terms, it is also concerned with the relationship between society and the environmental and ethical concerns.

Conclusion

From the analysis of the data collected and the interpretation of the various descriptive analysis and the test of only hypothesis, the study concludes that the socio-economic rules and regulations of Shariacracy had significant influence on government’s 7 point agenda and green marketing environment for urban and
regional planning for the actualizing vision 20:2020. In order to validate the findings of this study, there is the need to replicate the study in other parts of Nigeria and cover a larger sample.

References


Customer knowledge and choice criteria in retail banking in Ghana

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The purpose of this study is to investigate student bank selection in the Ghanaian banking sector. Through a review of the extant literature on bank selection and subsequent focus group discussions, 26 factors that could influence customer’s bank selection were identified and used to design questionnaires that were administered to 223 MBA and undergraduate students of the University of Ghana. Mean ranking and factor analysis were used to identify the major factors that influence the student bank selection. The study found that technology related factors, service related factors, image related factors and staff related factors explain about 61% of factors accounting for bank selection among the sample. The strategic implications of the findings are highlighted.

Introduction

How consumers select their banks, referred to in the literature as bank selection (Huu and Kar, 2000; Almossawi, 2001; Blankson et. al, 2009) or bank patronage behaviour (Erol et. al, 1990; Owusu-Frimpong 1999) has attracted scholar’s attention over the past three decades and continue to do so even today. Blankson et al, (2009: 186) posit that the need to understand the factors impinging upon consumers selection of retail banks is one of the important marketing strategy issues needed in the changing banking environment. Bank selection studies is important for policy makers on bank management such as bank managers and advertising executives because the relevance of factors influencing customer’s bank selection and patronage behaviour keeps changing due to changes in the economy as a whole and the banking sector in particular. For instance, the introduction of electronic banking services has influenced the way banks interact with their customers and how customers also conduct their banking transactions today. Thus understanding the determinants of bank selection by consumers is critical to attract, satisfy and retain customers.

Ghana currently has 26 banks with 642 bank branches. 10 of the banks were licensed in the last six years. The Bank of Ghana also in 2006 abolished the three tie banking structure and instead issued a universal banking license which enables banks to operate in all sectors of the economy depending on their risk appetite. These developments have increased the competition among the players in the industry with the top five banks now accounting for only 54% market share from a figure of almost 67% five years ago. (www.redtram.com/go/). Anecdotal evidence also indicates that only 2million out of the population of 22 million people own bank accounts which means the banking sector is highly under patronised. Thus the need to attract more customers into the banking sector is of paramount importance to decision makers in the banking sector. These studies have relied on the youth segments, mostly students which limits the generalisability of the findings. Thus not much is known for instance about the bank selection factors of Ghanaian banking customers. Knowledge of these factors will however be essential for the banks to formulate strategies to attract and retain customers. This study is undertaken to meet this demand. The main objectives of this study are (a) to investigate the criteria by which students select their banks and introduce a set of factors which depicts the most prevalent criteria. The rest of the paper is structured as follows:- The first part provides a literature review of bank selection, the second section describes the
methodology for the data collection and analysis, followed by the third section that presents the results, discussions of the findings. The last section dealt with the conclusions and strategic implication of the study especially for bank management.

**Literature Review**

Most early studies on bank selection found locational convenience as an important influence on bank selection (Kaynak and Kucukemiroglu, 1992; Gray, 1977). However, the influence of locational convenience received a decrease in importance in the studies of Devlin and Gerrard, (2004). The influence of third parties, mostly family and friends or peers has also been found to play a key role in bank selection (Tan and Chua, 1986, Blankson et. al, 2009). Similarly, Devlin and Ennew (2005) found third party influence in bank selection to be significant for young and inexperienced consumers. Devlin, (2002) also argued that families and friends could play a role in bank selection for customers with low financial knowledge and experience. However, in another study, Poh, (1996) found limited importance for third party recommendations in the pilot stage that it was eventually dropped in the final studies. Similarly, Huu and Kar, (2000) found little support for family and friends recommendations on bank selection in their studies.

Other factors such as fast and efficient service delivery have also been found to play a significant role in bank selection (Erol, et. al., 1990; Holstiuss and Kaynak, 1995). Studies have shown that high levels of customer service quality can exert positive influence on customer satisfaction (Parasuraman et. al., 1985, 1988). Thus in the service marketing literature, service quality has seen a long tradition of research. The extant literature suggests that service quality is determined by the difference between customer expectation of service providers performance and their evaluation of the service they receive (Parasuraman et. al., 1985, 1988). Various models have appeared in the literature to measure service quality. The SERVQUAL model, (Parasuraman et. al., 1985, 1988), with its initial ten and later modified five dimensions has been one of the most used measurement of service quality. Lymperopoulos et. al, (2006) assert that staff conduct which refers to responsiveness, civilised conduct and behaviour and professional disposition of branch staff could influence bank selection. To influence customers to select a bank, staff must be courteous, caring, friendly, smart, and knowledgeable and empathise with customers.

Finally, scholars have argued that the introduction of technology in the service industry has influenced how service providers interact with their customers and that companies must invest in technology in order to secure their future in the electronic age (Zhang and Prybutok, 2005; Bauer, 2005). Within the banking industry, scholars have acknowledged the impact of electronic service delivery on retail banking worldwide (Coyle, 1999; Bauer, et. al, 2005). Ibrahim, et al, (2006) argued that electronic banking also known as (e-banking) has provided alternative channels for routing banking services to customers. Daniel (1999) viewed electronic banking as a set of facilities provided by banks that allows customers the opportunity to gain access to their accounts, execute transactions or buy products on line or via other electronic means. In his study of college students in Bahrain, Almossawi (2001) found high ranking for e-banking services such as convenient ATM locations, availability of ATMs in several location and 24 hours availability of ATMs.

**Methodology**

The study aims to investigate bank selection among Ghanaian students and introduce a set of factors which depicts the most prevalent criteria, and replicates some of the variables on bank selection by (Owusu-Frimpong, 1999; Blankson et. al., 2009). This study employs both qualitative and quantitative methods in the data collection process. Data was collected from two segments of the student population of undergraduate students of the Accra City Campus and the MBA students of the University of Ghana Business School. The City Campus branch of the University of Ghana set up as an evening college targets
working adults who might have several years of experience in banking service. Prior to the development of the questionnaires, four focus group discussions made of 10 students each were formed to elicit their views on what they consider critical in their bank selection decisions. Each focus group discussion lasted for one and half hours. The focus group sessions offered the opportunity for the students to talk freely about their bank selection decisions and helped design the main questionnaire of 26 statements. Some of the variables in the questionnaires were replicated from similar studies on banks selection by (Owusu-Frimpong, 1999; Gerrard and Cunningham, 2001; Almossawi, 2001; Blankson et. al, 2009). However, statements on the “minimum deposit required” was derived solely from the focus group discussions.

The survey questionnaire consisted of two sections; the first section that elicited demographic information and a second section that evaluated the relative importance of 26 factors. A five- point Likert scale that is anchored on 1 not very important and 5 being very important as influencers of their bank selection decisions was employed. A total of four hundred questionnaires divided equally between the two segments of graduate and undergraduate students were distributed. The ‘drop and pick’ convenience sampling method was adopted. At the end of the two weeks, 223 completed questionnaires were retrieved from the respondents representing 56% response rate which was used for the analysis. The mean and standard deviation and the critical component factor methods were used to analysed the data.

**Presentation of results**

The respondents were made up of 58.3 percent males and 41.7 percent females, and 67.3 and 32.7 percent of undergraduate and MBA students respectively. Over 92% of the respondents were aged between 26 -55 which indicates that majority of the respondents were adults. Regarding occupation, over 76 percent were full time salaried workers, whilst 19 percent were self employed. Only 5% were not employed.

**Determinants of bank selection**

Using the mean value of the responses, evidence in Table 1 suggest that for the Ghanaian students, the most important factor that explains their bank selection was the minimum deposit demanded by the bank, followed by evidence of information technology related products, the number of branches of a bank to enhance accessibility and trust, quality service delivery and fast service delivery. On the other hand, the five least important factors for bank selection were unfriendly frontline attitude, appearance of frontline staff, low interest rates on savings, family and friend referrals, empathy and care of frontline staff. The mean and standard deviation scores for the factors are presented in Table 1.

**Table I: Ranking of bank selection factors**

<table>
<thead>
<tr>
<th>Bank selection factors</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum deposit</td>
<td>3.68</td>
<td>1.98</td>
</tr>
<tr>
<td>Will move if there no sign of technology</td>
<td>3.67</td>
<td>1.37</td>
</tr>
<tr>
<td>No of bank branches</td>
<td>3.52</td>
<td>1.41</td>
</tr>
<tr>
<td>Better service delivery</td>
<td>3.5</td>
<td>1.25</td>
</tr>
<tr>
<td>Fast service</td>
<td>3.49</td>
<td>2.52</td>
</tr>
<tr>
<td>Networked banking</td>
<td>3.44</td>
<td>1.51</td>
</tr>
<tr>
<td>Prestigious image</td>
<td>3.43</td>
<td>1.41</td>
</tr>
<tr>
<td>Accurate account information</td>
<td>3.43</td>
<td>1.31</td>
</tr>
<tr>
<td>Better services than competitors</td>
<td>3.41</td>
<td>1.28</td>
</tr>
<tr>
<td>Safety in bank transactions</td>
<td>3.37</td>
<td>1.31</td>
</tr>
<tr>
<td>Appealing brand name</td>
<td>3.32</td>
<td>1.39</td>
</tr>
<tr>
<td>Socially responsible</td>
<td>3.24</td>
<td>1.34</td>
</tr>
<tr>
<td>Credit and debit cards</td>
<td>3.17</td>
<td>1.42</td>
</tr>
</tbody>
</table>
Factor Analysis
Using factor analysis beside mean ranking analysis reported earlier should enhance the quality of the analysis so as to give readers a more holistic view of the underlying evaluative criteria of bank selection among the college students of Ghana. In order to achieve this objective, the responses to the survey were subject to a factor analysis with a varimax rotation and the results of the analysis appear in Table 2. The study adopted a 0.40 factor loading threshold and a reliability of 0.7 as suggested by Nunnally (1978) and Sekaran, (2003). Factor loadings measure the correlation between the variables and the factors. Only factors with Eigenvalues equal to or greater than 1 were accepted (Malhotra and Birks, 2006). Prior to the extraction of factors, the Bartlett test of Sphericity and the KMO measure of sampling adequacy confirmed that there was significant correlation among the variables to warrant the application of factor analysis.

The analysis produced 4 factors. The 5 variables that loaded highly on factor 1 was labeled Service dimension and include issues such as fast service delivery, variety of service delivery, accurate account information, and interest rate paid on the accounts. The three variables that loaded highly on factor 2 all seem to relate to attitudes and behaviour of frontline staff and is labeled behavioural dimension. These addressed issues such as courtesy of the frontline staff, knowledge, skill and expertise of the frontline staff and empathy and care of the frontline staff. The 5 variables that load highly on factor 3 seem to also relate to the image of the bank which was labeled Image dimension. These include questions such as appealing brand name, prestigious image, socially responsible, safety in bank transactions, family and friend referrals. Finally, the 3 variables that load highly on factor 4 might be labeled Technology dimension and include variables such as availability of networked branches, availability of reliable ATMs, the presence of internet banking as well as debit and credit cards.

The 4 factors accounted for 61.7% of the total variance. Technology accounts for 18% of the variance, followed by the service dimension with a total variation of 16.06%, image of the bank with a total variation of 14.91% and the attitude dimension with a variation of 12.10%. The result of the factor analysis is presented in table 2.
Table 2: Factor analysis

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Factor Loading</th>
<th>Cronbach's alpha</th>
<th>Eigenvalues</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factor 1: Service dimension</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest rates on savings</td>
<td>2.49</td>
<td>1.3</td>
<td>0.75</td>
<td>0.73</td>
<td>2.79</td>
<td>2.04</td>
</tr>
<tr>
<td>Fast service</td>
<td>3.49</td>
<td>2.59</td>
<td>0.59</td>
<td></td>
<td></td>
<td>4.43</td>
</tr>
<tr>
<td>Variety service delivery</td>
<td>3.5</td>
<td>1.26</td>
<td>0.58</td>
<td></td>
<td></td>
<td>4.25</td>
</tr>
<tr>
<td>Accurate account information</td>
<td>3.43</td>
<td>1.31</td>
<td>0.54</td>
<td></td>
<td></td>
<td>6.67</td>
</tr>
<tr>
<td><strong>Factor 2: Behavioral dimension</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.87</td>
<td>3.06</td>
</tr>
<tr>
<td>Courtesy of frontline staff</td>
<td>3.04</td>
<td>1.39</td>
<td>0.83</td>
<td></td>
<td></td>
<td>37.78</td>
</tr>
<tr>
<td>Empathy and care of frontline staff</td>
<td>2.73</td>
<td>1.39</td>
<td>0.82</td>
<td></td>
<td></td>
<td>8.77</td>
</tr>
<tr>
<td>Knowledge, skill and expertise of staff</td>
<td>2.91</td>
<td>1.32</td>
<td>0.81</td>
<td></td>
<td></td>
<td>7.87</td>
</tr>
<tr>
<td><strong>Factor 3: Image dimension</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.7</td>
<td>2.35</td>
</tr>
<tr>
<td>appealing brand name</td>
<td>3.32</td>
<td>1.4</td>
<td>0.72</td>
<td></td>
<td></td>
<td>3.71</td>
</tr>
<tr>
<td>safety in bank transactions</td>
<td>3.37</td>
<td>1.31</td>
<td>0.69</td>
<td></td>
<td></td>
<td>3.39</td>
</tr>
<tr>
<td>prestigious image</td>
<td>3.43</td>
<td>1.41</td>
<td>0.6</td>
<td></td>
<td></td>
<td>2.75</td>
</tr>
<tr>
<td>socially responsible</td>
<td>3.24</td>
<td>1.34</td>
<td>0.58</td>
<td></td>
<td></td>
<td>2.71</td>
</tr>
<tr>
<td>friend/family referrals</td>
<td>2.56</td>
<td>1.49</td>
<td>4.74*</td>
<td></td>
<td></td>
<td>2.18</td>
</tr>
<tr>
<td><strong>Factor 4: Technology dimension</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.65</td>
<td>2.15</td>
</tr>
<tr>
<td>Networked Banking</td>
<td>3.44</td>
<td>1.51</td>
<td>0.71</td>
<td></td>
<td></td>
<td>5.59</td>
</tr>
<tr>
<td>ATM availability</td>
<td>3.16</td>
<td>1.55</td>
<td>0.69</td>
<td></td>
<td></td>
<td>5.01</td>
</tr>
<tr>
<td>internet banking</td>
<td>3.16</td>
<td>1.49</td>
<td>0.69</td>
<td></td>
<td></td>
<td>1.63</td>
</tr>
<tr>
<td>credit and debit cards</td>
<td>3.17</td>
<td>1.42</td>
<td>0.66</td>
<td></td>
<td></td>
<td>1.22</td>
</tr>
</tbody>
</table>

Conclusion and Implications of the study

The study found four major set of factors to be responsible for the students bank selection:- factors relating to technology, core service delivery, attitude of staff and image of the bank. Technology related factors and minimum deposit were not mentioned in the previous studies on Ghana (Owusu-Frimpong, 1999; Blankson et.al, 2009). Thus, the current study has added a significant dimension to the literature on bank selection in Ghana and provides a holistic approach to bank management within a developing country. The findings have major marketing implications for bank management. The four constructs could be adopted by bank managers, advertising executives and marketing managers in marketing their services to customers. Owusu-Frimpong (2001) found that most Ghanaian banks were not market oriented. This study offers the banks an opportunity to close the marketing gap with their customers.
Specifically, banks that want to attract and retain customers must ensure that they implement the four constructs to the fullest. Building strong corporate images, making employees responsive to the needs of customers, improving the overall service quality in the banking halls as well as investment in electronic services is likely to improve the patronage behavior of Ghanaian banks. For instance, investment by bank managers in technology will help banks innovate and improve upon their service delivery. A well functioning ATMs, availability of debit and credit cards as well as networking all the bank branches (branchless banking) is a sure way of using electronic service delivery to attract and retain the student group.

As already stated, the competition in the Ghanaian banking industry has led to a drop in market share for the top five banks. This implies that customers are switching from one bank to another. Future research must address the nature and switching process in the Ghanaian banking industry.

References


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Impact of Islamic business ethics on family consumption decision making in Zamfara State, Nigeria

Haliru Bala, Kebbi State University of Science and Technology, Nigeria
halirusbala@yahoo.com

The study examines the relationship between Islamic business ethics and family consumption decision making in Zamfara State. The primary data were collected through questionnaires administered on three hundred and eighty seven respondents comprising two hundred and eighty two (282) male and one hundred and five (105) female drawn from three local government areas of Zamfara State; Tsafe (129), Bungudu (129) and Gusau (129). The multi-stage sampling technique involving statistical random selection process was used in selecting three villages from each local government areas. Three wards were randomly selected from each local government areas. Forty-three (43) households were randomly selected from the three wards in each of the three local government areas. Descriptive and inferential statistical tools were employed in the data analysis. The result of the analysis shows that Islamic business ethics and family consumption decision making has a prominent relationship.

Introduction

Islamic business ethics may be defined as the set of moral principles that distinguish what is right from what is wrong in business practices. It is a normative field because it prescribes what one should do or abstain from doing. Islamic business ethics, sometimes referred to as Islamic management ethics or Islamic organizational ethics, simply limits its frame of reference to organizations. What is considered Islamic business ethical behaviour may depend on the factors that define and affect business ethical behaviour. These factors are legal interpretation, organizational factors, individual factors such as stages of moral development, personal values and personality, family influence, peer influences, life experience, and situational factors.

Family consumption decision making in Islam rests firmly on four basic hypotheses: Consumption decision making is indissolubly linked, through unity, with man’s ethical environment; by virtue of the basic quality of equilibrium, there must obtain a just balance among the basic production, consumption and distribution relationships; Free will, translated onto the business space, require that Muslim consumer’s freedom and state control be suitably combined to reflect the distinctive Islamic concept of human freedom and the axiom of responsibility dictates a conscious policies of redistribution and resource transfers among various classes and groups of the society. This paper spells out these hypotheses and their logical. Consequences for the distinctive type of family consumption decision making required of the Muslim family consumer behaviour according to Islamic business ethics. This paper also takes a broader perspective and examines family consumer decision making in the context of all types of consumption choices, ranging from the consumption of new products to the use of old and established products. Also, it considers family consumers decisions not as the end point, but rather as the beginning point of a consumption process.

Objective of the Study

The study examines the relationship between islamic business ethics and family consumption decision making in Zamfara State, Nigeria.
Theoretical/Conceptual Framework

INDEPENDENTS VARIABLE(S)  DEPENDENT VARIABLE(S)

Islamic Business Ethics  Family Consumption Decision-making

Legal Interpretations  Individual Ethics

Organisational Factors

Individual Factors

- Stages of moral development
- Personal values & personality
- Family influence
- Peer Influence
- Life experiences
- Situational factors

Unity Axiom
Equilibrium Axiom
Free will Axiom
Responsibility Axiom
Benevolence Axiom

- Husband decision
- Equal influence
- Wife decision

No Discrimination Marketers & Consumers
Full Measurement and weight with a balance
Fulfill all obligations
All obligations must be honoured
Kindness to others

Figure 1: Model of Impact of Islamic Business Ethics on Family Consumption Decision-Making. Source: Bala (2009)
Method

Instrument
A total of 387 questionnaires were administered to collect information pertinent to the study. The questionnaires were drawn in English language and were translated in Hausa. The questionnaires were subjected to a validation process. Copies of the questionnaires were given to a panel to experts for validation. The experts were from the Departments of Economics, Political Science and Sociology, Usmanu Danfodiyo University, Sokoto. Also, two additional experts from the Department of English, Polytechnic, B/Kebbi and one experts in Shari‘ah Law. The comments and suggestions made were utilized in restructuring the research instrument. The validation exercise ensure not only the face validity of the questionnaire but also its content validity. The validation of the research instrument is necessary in order to ensure that; the concepts of the study it measured what it was designed to measure within the context of the research objectives. Two groups of variables, dependent and independent variables were characterized and measured through the application of nominal, ratio, and likert scales.

Sampling Procedure
The primary data were collected through questionnaires administered on three hundred and eighty seven respondents comprising two hundred and eighty two (282) male and one hundred and five (105) female drawn from three local government areas of Zamfara State; Tsafe (129), Bungudu (129) and Gusau (129). The multi-stage sampling technique involving statistical random selection process was used in selecting three villages from each local government areas. Three wards were randomly selected from each local government areas, forty-three (43) households were randomly selected from the three wards in each of three local government areas.

Results and Discussions
The data in table 1 showed that husband level of participation of family on consumption decisions making before the re-introduction of Shari‘ah scored high at 55.8 percent while during the re-introduction of Shari‘ah it scored very high at 68.8 percent. Table 1 also revealed that both husband’s and wife’s equal influence on consumption decisions making before the re-introduction of Shari‘ah scored high at 47.9 percent while during the re-introduction of Shari‘ah it was very high at 82.7 percent. With regards to wife’s level of participation in consumption decision making before the re-introduction ion of Shari‘ah scored high 47.4 percent while during the re-introduction of Shari‘ah it scored very high at 60.5 percent. These results obtained in this study confirm the work of Schiffmana and Kanuk (2000) found that the family is a major influence on the consumption behaviour of its members: it is also the prime target market for most products and product categories.

Table 1: Percentage Distribution score on Muslim Family Consumption Decision.

<table>
<thead>
<tr>
<th>No.</th>
<th>Items Last</th>
<th>Very High</th>
<th>High</th>
<th>Average</th>
<th>Low</th>
<th>Very low</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Husband decides before the re-introduction of Shari‘ah</td>
<td>15 (3.9)</td>
<td>216 (55.8)</td>
<td>142 (36.6)</td>
<td>14 (3.7)</td>
<td>-</td>
<td>387</td>
</tr>
<tr>
<td>2</td>
<td>Equal influence (Husband and Wife) before the re-introduction of Shari‘ah</td>
<td>5 (1.3)</td>
<td>185 (47.9)</td>
<td>176 (45.3)</td>
<td>19 (5)</td>
<td>2</td>
<td>387</td>
</tr>
<tr>
<td>3</td>
<td>Wife decides before the re-introduction of Shari‘ah</td>
<td>5 (1.3)</td>
<td>184 (47.4)</td>
<td>159 (41.1)</td>
<td>34 (8.9)</td>
<td>5</td>
<td>387</td>
</tr>
</tbody>
</table>
4 Husband decides during the re-introduction of Shari‘ah
   266 (68.8) 115 (28.6) 6 (1.6) - - 387 100
5 Equal influence (Husband and wife) during the re-introduction of Shari‘ah
   319 (82.7) 56 (14.1) 3 (.8) 9 (2.4) - 387 100
6 Wife decides during the re-introduction of Shari‘ah
   234 (60.5) 132 (34) 12 (2.4) 9 (3.1) - 387 100

Source: Field Survey 2009
Note % is in parenthesis

Table 2: T-test Comparison of Muslim Family Consumption Decisions during Shari‘ah

<table>
<thead>
<tr>
<th>Variable(s)</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev</th>
<th>df</th>
<th>r-val</th>
<th>P-val</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Shari‘ah</td>
<td>387</td>
<td>10.43</td>
<td>1.70</td>
<td>381</td>
<td></td>
<td></td>
</tr>
<tr>
<td>During Shari‘ah</td>
<td>387</td>
<td>13.97</td>
<td>1.38</td>
<td>381</td>
<td>42.93</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2009

Statistically significant; p<0.0000

Hypothesis:
Ho: Islamic Business Ethics have no significant impact on Muslim Family consumption decision-making.

Hi: Islamic Business Ethics have significant impact on Muslim family consumption decision-making.

One hypothesis only was advanced and subjected to statistical analysis. The hypothesis, which predicted that Islamic business ethics have no significant impact on Muslim family consumption decision making, was subjected to t-test comparison. The result is presented in Table 2. In testing this hypothesis, subject scores on Muslim family consumption decisions before Shari‘ah was compared with their scores during Shari‘ah using t-test (comparison method). The result presented in table 2 showed that there is significant difference on Islamic business ethical issues between Muslim family consumption decisions before and during Shari‘ah \([t(381)=42.93;p \leq 0.000]\). Based on the result, the hypothesis was confirmed that Islamic business ethics have impact on Muslim family consumption decisions making. Therefore, the null hypothesis, which states that Islamic business ethics have no significant impact on Muslim family consumption decision making is rejected, and alternate hypothesis, which infer that Islamic business ethics have significant impact on Muslim family consumption decision making is accepted. This finding is in line with that of Beekun (1997) study which found that what is considered ethical consumption behaviour may depends on the factors that define and affect consumption ethical behaviour. Factor affecting one’s consumption ethical behaviour include; motivational influence, personal influence, family, peer influence and life experiences.

Conclusion
It has been discovered that Islamic business ethics have impact on Muslim family consumption decision making on basic purchase or consumption decision such as; to purchase or consume a product or service or not to purchase or consume a product or service. On brand purchase or consumption decisions, Islamic
business ethics have impact on Muslim family consumption decision such as; to purchase or consume a specific brand, one’s usual brand, a basic model, a new brand, a standard quality, an on-scale brand, a national brand, one’s usual brand or some other established brand, more or less than a standards quality, a non-scale brand and a store brand. On channel purchase decisions, Islamic business ethics have impact on Muslim family consumption decision such as; to purchase from a specific type of store, one’s usual store, in-home by phone or category, a local store, from some other type of store (e.g. a discount store), from some other store, in-store merchandise and from a store requiring some travel (out-shopping). On payment purchase decisions, Islamic business ethics have impact on Muslim family consumption decision such as; to pay for the purchase with cash, to pay for the purchase with a credit cards, to pay the bill in full when it arrives or to pay for the purchase in installments.

Recommendations

- There is a need for marketers and policy makers to determine how Muslim family makes its purchase decisions and the impact of Islamic business ethics on how the Muslim family affects the future purchase behaviour of its members.
- Marketers and policy makers should be interested in Muslim family consumption decision making process, for a consumer to make decision, more than one alternative must be available. The decision not to buy is also an alternative.
- Marketers and policy makers also should determine how specific subcultural membership interact to influence the consumer purchase decisions such as Islamic ethics.

Reference


A Conceptual overview of consumer involvement: Implications for Marketing in Africa

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The marketing literature is replete with studies on consumer involvement, which is not surprising as it has been severally noted and empirically proven that a thorough understanding of the phenomenon is necessary for successful marketing practice especially in the consumer marketing context (Zaichkowsky, 1986; Arnould et al., 2004; Gbadamosi, 2009). Hence, this plethora of studies serves as a reference point to theorist and marketing practitioners in varying capacity. Despite the debate on the subject, it has been consensually acknowledged by authors that many factors determine consumers’ involvement in any goal object which are basically the characteristics of the object, the characteristics of the customer involved, and the situational context of the decision. Accordingly, this paper provides an extensive and comprehensive literature review on consumer involvement, and espouses the significance of culture in this context. The review shows that existing postulations on the subject-matter could not robustly capture consumer involvement in Africa due to differences in cultural values and mores. Hence, empirical studies to gauge the context specific application of the subject in relation to Africa are suggested as imperative. The implication of the article for marketing in Africa and direction for future studies are also discussed in the paper.

INTRODUCTION:

A plethora of literature has explored consumer involvement or related subjects with considerable depth (Krugman, 1965; Clarke and Belk, 1978; Rothschild and Houston, 1980; Vaughn, 1980; Kassarjian,1981; Greenwald and Leavitt, 1984; Kapferer and Laurent, 1985; Zaichkowski, 1985; Zaichkowski, 1986; Vaughn, 1980; 1986; Ratchford, 1987; Ratchford 1987; Zaichkowski and Sood, 1988; Arnould et al., 2004; Engel et al., 1995 Kim 2005; Ndubisi & Moi , 2006; Gbadamosi, 2007; Gbadamosi, 2009a), and contributed to the extant understanding of consumer behaviour through the featured discourse. Consequently and constantly, these materials serve as a reference point to theorists and marketing practitioners in varying capacity. For example it has been used to explain consumption behaviour in relation to particular products such as cell phone (Martin and Marshall, 1999), fashion products (O’Cass, 2002; Kim, 2005), and wine (Charters and Pettigrew, 2006); and has been explored in the context of advertising (Krugman, 1965; Greenwald and Leavitt, 1984) to mention but few. While there is no universally agreed definition of this concept, there is a consensus that many factors determine consumers’ involvement in any goal object. Accordingly, this line of reasoning is what prompted the application of this phenomenon in relation to low-income consumers, thereby espousing the relevance of income in the explanation (Gbadamosi, 2009b). However, the argument in this present article is that hardly could one give a robust explanation of consumer behaviour without making due reference to culture (see for example, Gbadamosi, 2004; Chan, 2006; Yaprak, 2008; Solomon et al, 2009; Gbadamosi, et al., 2009; Zourrig et al., 2009). Hence, it appears logical to explore this concept and its ramifications with due reference to its implications for marketing activities in Africa. This approach will extend the existing knowledge of this phenomenon to cover this cultural context, as the scope of virtually all of the existing studies on this subject (see for example Zaichkowski, 1986; Vaughn, 1980; 1986; Ratchford, 1987; Gbadamosi, 2009a,b,) and the associated discourse are outside Africa. Hence, readers are left wondering whether these Western based studies and findings are of any relevance to or of good fit for Africa, and if relevant what is the importance; and to what extent have they been documented in the literature. A current meticulous review of the existing studies indicates conspicuous gaps that need filling in relations to these highlighted questions. Hence, this study attempts to address these gaps from a conceptual viewpoint.
The rest of this article is structured as follows. The next segment provides the background information on the development of the concept of involvement, which is followed by the conceptualisation of involvement. Following these two segments are the implications of the study for marketing in Africa, the conclusion, and direction for future studies in respective order.

TRACING THE DEVELOPMENT OF THE CONCEPT OF INVOLVEMENT

Going by the view of Beharrell and Denision (1995), the concept involvement originated in the field of social psychology with the works of Sherrif and Cantril (1947) and Sherrif et al. (1965). In the former it was conceptualized as the relation between ego and an object, and in the latter (social judgement theory), it was described as the centrality of beliefs involved with an individual. But there seems to be an agreement in the extant marketing literature (for example, Kassarjian, 1981; Greenwald and Leavitt, 1984; Engel et al., 1993; McWilliam, 1997; Hsu et al., 1998; Foxall et al., 1998) that the concept of involvement was first popularized in marketing circles by Krugman (1965) whose focus was on advertising. According to Krugman (1965: p.355) ‘by [involvement] we do not mean attention, interest, or excitement but the number of conscious “bridging experiences” connections, or personal references per minute that the viewer makes between his own life and the stimulus’. Given that the focus of Krugman’s thesis was on advertising, it is not surprising that this definition is tuned in that direction. However, many more definitions of involvement have been proposed and unfortunately as emphasised by Liu (1986) there is no general agreement regarding the nature of the concept. Some of these definitions are outlined here.

Involvement in general has been defined as the perceived level of personal importance of interest evoked by a stimulus within a specific situation (Arnould et al., 2004; Engel et al., 1995), a goal-directed arousal capacity (Park and Mittal, 1985), and the level of identification and personal relevance the purchase decision holds for the consumer (Robertson et al., 1984). Brennan and Mavondo (2000) refer to it as ‘motivation to search for information’. According to them, it includes such motivational variables as aspirations and risk perception, and it is more clearly related to a consumer’s state of motivation. Specifically, consumer involvement has been defined as perceived personal importance and/or the interest consumers attach to the acquisition, consumption, and disposition of a good, a service, or an idea (Celsi and Olson, 1988; Mowen and Minor, 1998). This is closely related to the perspectives which view involvement as “caring” which is the opposite of nonchalance (Mittal, 1989), and long term interest in a product (Lin and Chen, 2006). Since some of these definitions appear simple while others are more complex in nature, one could only infer further that the above literature underlines the diversity in the views on what involvement is all about. However, one definition which appears to be all-encompassing is that proposed by Rothschild (1984) and reiterated by Kapferer and Laurent (1985: p.49) which states that ‘involvement is an unobservable state of motivation, arousal or interest. It is evoked by a particular stimulus or situation and has drive properties. Its consequences are types of searching, information-processing and decision making’. Indeed, a thorough scrutiny of this definition suggests that it could provide a platform for further and meaningful studies on involvement-related issues. Accordingly, this definition or those closely related to it has been applied variously in the consumer behaviour literature, but such studies have not explicitly explored this issue in relation to Africa, while those that attempted it (Radder and Huang, 2008) merely used it in pursuit of entirely different research objective. Hence, this article is expected to open academic discourse on this subject-matter vis-à-vis marketing activities in Africa.

CONCEPTUALISING INVOLVEMENT

The complex nature of involvement becomes more noticeable in the areas of how researchers conceptualise its categorisation. In its broad form, involvement has been conceived as falling into two categories, namely enduring involvement and situational involvement (Day et al., 1995; Assael, 1998;
Sheth et al., 1999), while the combination of these two makes a third category known as response involvement (Rothschild and Houston, 1980). In this classification, the degree of interest a consumer has towards a stimulus such as a product or service on an ongoing basis is the enduring involvement. This is described as internal to the individual and reflects the pre-existing relationship between the individual and a particular purchase decision (Parkinson and Schenk, 1980). Buttressing this point further is the view of Martin and Marshall (1999) who claim that as the name suggests (enduring or long-term), it relates to a consumers’ personal interest. According to Sheth et al. (1999, p.362) ‘the extreme form of enduring involvement is deep involvement. It is important because it is a window on a customer’s key motivations, emotions, and even psychographics. People are fanatic about things they deeply care about. They use them for enjoyment, to derive life satisfactions, and even to define their identity’. One underlying suggestion that is common to all of these views is that this type of involvement is not situation-specific but spans over a considerable period of time.

The second form of involvement is identified to be situational involvement which refers to the degree of interest a consumer has with regards to a specific situation or circumstance. In its further description, Parkinson and Schenk (1980) argue that this type of involvement is external to the decision-maker as it describes the ability of a situation to elicit a behavioural response from a person in a particular situation. The type of involvement that is produced from the combination of both enduring and situational involvement is known as response involvement (Rothschild and Houston, 1980). In other words, response involvement captures the complexity or extensiveness of behavioural processes that characterise an individual’s relationship to any given issue. For instance, levels of an individual’s response involvement in the purchase of a product are reflected in a sequence of stages associated with the process by which the individual reaches a decision regarding the purchase (Rothschild and Houston, 1980).

Whether in Africa or elsewhere, consumers can be involved with various goal objects, which could be product categories, brands, advertisements, media, decisions, or activities (Arnould et al., 2004, Peter and Olson, 2005). Moreover, William et al. (1978) argue that customers could be involved with pricing or customer service practices, while Kassarjian (1981) suggests that consumers could be more involved in the consumer decision process. Studies have shown that consumers’ involvement with these diverse objects leads to different reactions. For example Sadarangani and Gaur (2002) indicate that consumers’ involvement with products leads to a greater perception of attribute differences, perceptions of greater product importance, and a stronger commitment to brand choice. It has been identified that being involved in purchases results in consumers searching for more information, spending more money, and spending more time searching for the right selection (Clarke and Belk, 1978; Sadarangani and Gaur, 2002). Wright (1974) cited in Zaichkowsky (1985) claims that consumers’ involvement in advertisements tends to make them engage in more counter-arguments to the advertising. Based on the postulation that people could be more involved in the consumer decision process, it is noted by Kassarjian (1981: p.32) that ‘such individuals may be addicted readers of Consumer Reports, who pay attention to advertising and personal influence, and to the business and consumer sections of newspaper. Some individuals may well be more price conscious, more alert to brand differences, generally more capable of discriminating quality differences, the more alert, the more conscious, the more interested and involved consumer’. It is therefore not surprising that Zaichkowsky (1985) notes that each area of involvement might have its own idiosyncratic result of the state of being involved with the stimulus.

**Determinants of Consumer Involvement**

Various factors determine the level of involvement consumers have towards products, brands, advertisements, or any other stimuli. These factors have been identified to be the characteristics of the consumer making the purchase, the physical characteristics of the stimulus, and the situation (Zaichkowsky, 1986; Engel et al., 1995; Chung and Zhao, 2003). Wells and Prensky (1996) also agree with this view. They state that these factors can be classified into three broad areas which are (1) the background characteristics of the consumer making the purchase (culture and values, demographics,
personality, lifestyle, psychographics); (2) product characteristics (attributes, benefits, cost, and the perceived risk of buying and using the product), and (3) situational effects that accompany a particular purchase or usage occasion or any competing needs that may arise at the same time. Although McWilliam (1997) also categorises the determinants of involvement into three, his combination is slightly at variance from the aforementioned ones. They are risk (be it financial, psycho-social, or time-generated risk), the expression of one’s own personality or mood (usually referred to as value-expressiveness or self concept), and hedonic expression. Perhaps the view that encapsulates most of these factors together is that of Laurent and Kapferer (1985) which indicates that involvement has five different facets or antecedents. These are perceived product importance (personal meaning), hedonic value (emotional appeal), sign or symbol value (the degree to which a product, its purchase or consumption can express one’s personality), and the perceived risks associated with purchase which can be subdivided into: perceived risk importance (the importance of negative consequences in case of poor choice) and perceived risk probability (the probability of making mistake in choice of product). A critical look at this classification suggests it also either directly or indirectly incorporates the commonly stated antecedents which are the characteristics of the products, the characteristics of the customer involved in the purchase, and the situation in which the decision takes place.

Figure 1: A Basic Model of Consumer Product Involvement

With respect to product involvement, attempts have been made to model those factors which determine consumers’ involvement in product decisions. This is shown in Figure 1 above. This composite model argues that an individual’s level of involvement is influenced by two sources of self-relevance. These are intrinsic and situational, and each of the sources can generate means-end chains linking product attribute knowledge to personally relevant consequences and values. While intrinsic self-relevance is based on consumers’ means-end information stored in memory, situational self-relevance is a function of the immediate physical and social environment that activates important consequences and values (Peter and Olson, 2005). This model by Peter and Olson (2005) captures all of the various antecedents identified in different studies reviewed earlier. However, concerning the component titled ‘consumer characteristics’, this model suggests a limited profile of consumers. For example, despite consumers' income and culture being salient factors associated with consumption, they are not explicitly featured in this part of the model. The inclusion and consideration of such factors into explanations of consumer involvement are necessary to contribute to the relevant literature.
Levels of Involvement

Whichever is the goal object of the involvement, the involvement that consumers have for such things varies in terms of its level. Many studies have reported diversely and provided various levels at which involvement can be conceptualised. However, the most commonly held view is that involvement can be categorised into low and high levels. In this categorisation, in situations of high involvement, consumers behave as information processing, problem solving, and cognitive individuals reaching for a reasoned decision for some categories of goods and services (Kassarjian, 1981). In line with this claim, in a study on the effects of mood, involvement, and quality of store experience on shopping intention, Swinyard’s (1993) findings show that highly involved consumers are more active processors of information cues. Although with specific focus on mass media, this active processing of information is further supported by Krugman (1965: p.355) who argues that ‘with high involvement, one would look for the classic, more dramatic, and more familiar conflict of ideas at the level of conscious opinion and attitudes that precede changes in overt behaviour’. Given the profundity of activities involved in this level of involvement, one could state that a high level of involvement equates (approximately) to personal relevance or importance (Greenwald and Leavitt, 1984).

On the other hand, at low level of involvement, the responses of consumers are often characterised as indifference. In fact, it is reported that consumers with a low level of involvement may not even recognise their needs and wants prior to going shopping (Hsu and Lee, 2003). For example, it is noted that for low-involvement product categories, similarities of attributes between competing brands lead to variety-seeking behaviour (Bolfing, 1998). This indicates a lack of commitment. It is therefore not surprising that Kassarjian (1981: p.31) states that ‘in...low-involvement decisions, the consumer unconcernedly purchases and consumes the product, tries new products, switches brand, obliviously ignores promotional activities and worries about the important events in his life – the automobile’s need for repairs, the children’s grade in school, irritants at work or what have you’. Indeed, the foregoing shows that, consumers take the purchase of low-involvement with levity.

In consistency with this categorisation, several attempts have been made by various authors to plot various products on grids, examples of these are those presented by Ratchford (1987) and Rossiter et. al. (1991) which are shown below as Figure 2 and Figure 3. As shown below, in the grid in Figure 2 (Ratchford, 1987), products like Contact Lens, Economy Car, Expensive Watch, Perfume, Exterior housepaint, and Complexion/face soap are presented as high-involvement products. Products presented as low-involvement products in the same grid (Figure 2) include Insecticide, Inexpensive Watch, Women Magazine, Fast food restaurant, Pizza, Liquid bleach, Imported beer, Light beer, Regular beer, and Barbecue sauce. Hence, this suggests that consumers would treat the purchase of this latter category of products with levity as they are low-involvement products while they would consider the former set of products as very important and of personal relevance to them, hence attach special significance to the purchase and the associated decision process.
Moreover, Rossiter *et al.* (1991) developed another grid (Rossiter-Percy Grid), which plots products into low and high involvement categories. The basic difference between this and the FCB grid (Vaughn, 1980; 1986; Ratchford, 1987) are that the Rossiter-Percy grid discusses the following which are considered as improvements on the FCB grid: (1) brand awareness as a necessary precursor to brand attitude; (2) the
involvement dimension of brand attitude; (3) the motivational dimension of brand attitude; (4) advertising tactics based on the grids; and (5) theoretical extensions of the Rossiter-Percy Grid (Rossiter et al., 1991: pp.11-12). This grid is presented below as Figure 3

**Figure 3: The Rossiter-Percy Grid**

<table>
<thead>
<tr>
<th>Brand Awareness</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brand Recognition</strong>&lt;br&gt; <em>(at point-of-purchase)</em></td>
<td><strong>Brand Recall</strong>&lt;br&gt; <em>(prior to purchase)</em></td>
</tr>
<tr>
<td>Plus</td>
<td></td>
</tr>
<tr>
<td><strong>Brand Attitude</strong>&lt;br&gt; <em>Type of Motivation</em></td>
<td></td>
</tr>
<tr>
<td><strong>Informational</strong>&lt;br&gt; <em>(negative motivations)</em></td>
<td><strong>Transformational</strong>&lt;br&gt; <em>(Positive motivations)</em></td>
</tr>
<tr>
<td>Typical product categories <em>(brands may differ)</em></td>
<td>Typical product categories <em>(brands may differ)</em></td>
</tr>
<tr>
<td>aspirin</td>
<td>candy</td>
</tr>
<tr>
<td>light beer</td>
<td>regular beer</td>
</tr>
<tr>
<td>detergent</td>
<td>fiction novels</td>
</tr>
<tr>
<td>routine industrial products</td>
<td></td>
</tr>
<tr>
<td>Low Involvement&lt;br&gt; <em>(trial experience sufficient)</em></td>
<td></td>
</tr>
<tr>
<td><strong>Type of Decision</strong></td>
<td></td>
</tr>
<tr>
<td><strong>High Involvement</strong>&lt;br&gt; <em>(search and conviction required prior to purchase)</em></td>
<td></td>
</tr>
<tr>
<td>Brand loyals&lt;br&gt; Routinized favourable brand switchers</td>
<td></td>
</tr>
<tr>
<td>Brand loyals&lt;br&gt; Routinized favourable brand switchers</td>
<td></td>
</tr>
<tr>
<td>Typical product categories <em>(brands may differ)</em></td>
<td>Typical product categories <em>(brands may differ)</em></td>
</tr>
<tr>
<td>microwave oven</td>
<td>vacations</td>
</tr>
<tr>
<td>insurance</td>
<td>fashion clothing</td>
</tr>
<tr>
<td>home renovations</td>
<td>cars</td>
</tr>
<tr>
<td>new industrial products</td>
<td>corporate image</td>
</tr>
<tr>
<td>New category users&lt;br&gt; Experimental or routinized other-brand switchers&lt;br&gt; Other-brand loyals</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Rossiter et al. (1991: p.13)*

While the grids appear to have worked well in solving some relevant marketing problems (Vaughn, 1986) and the scales and measures used were reported to be reliable and valid (Ratchford, 1987), but one could still ask, ‘how applicable are these models and grids in African context? Certainly, exploring this question in detail will contribute significantly to extant literature on product involvement and involvement literature in general.

**IMPLICATION FOR MARKETING ACTIVITIES IN AFRICA**

This article has a significant marketing implication in relation to Africa. Essentially, the scale of international marketing activities among multinationals in Africa is considerable as the world increasingly becomes a global village. Many examples abound in virtually all of the sectors of African economy – Manufacturing, Banking, Construction, Retailing, Entertainment, and many others. Accordingly, this article suggests that African market deserves special consideration on consumer involvement in respect of the offerings of these organisations. This is in tune with the view of Darley and Blankson (2008) in their study on African Culture and business market that marketers need to be more receptive to cultural differences in their dealings in Africa. In their words ‘…one cannot ignore the cultural influences even for multinational enterprises operating in Africa, since the individuals working for these organisations are
social beings and are influenced by culture (Darley and Blankson, 2008: p379). Although with emphasis on marketing environment and the analysis of the relevant factors, Nwankwo (2000) also robustly emphasises the need for marketers to carefully note the peculiarities of Africa in their marketing practices. In consistency with these extant studies, this present article cautions on the undue generalisations in the literature about consumer involvement in marketing stimuli and argues that cultural values and mores would weaken the relevance of the existing postulations on consumer involvement if applied as they are in the African context.

A thorough look at the existing literature review especially on categorisation of product into low and high involvement would reveal that most of these are not amenable to African market. For example, fast-food restaurant, imported beer, regular beer, regular shampoo, paper towel, women’s magazine, and fiction novels to mention but few have been noted in the literature (See Figure 2 and 3) as low-involvement products but these are unlikely to be the case in Africa. In support of this argument, Gbadamosi (2007) found that Nigerian children attach special significance to food obtained from fast-food outlets than those made available for them at home. Indeed, cultural differences strongly necessitate that African based empirical studies be conducted to put things in the right perspective. To buttress this line of reasoning, the findings of Hinson et al. (2009) on key motivations for bank patronage in Ghana show that despite the wide acknowledgement of the significance of word-of-mouth communications in marketing, this was considered the least important factor by the studied Ghanaians in relation to their decisions to open and maintain a bank account in Ghana. Rather, the respondents consider proximity/accessibility as the most important factor. It is logical to attribute this radical departure of the findings from the widely held view in marketing literature to the cultural context of the study. Similar argument could be inferred from the study of Dadzie et al. (2008) which explores business-to-business marketing practices in West Africa, Argentina, and the United States. Furthermore, while the extant studies (see Figure 2 and 3) indicate insurance as a high involvement product, one still could not be very sure that such argument could be extended to African context. In fact, the situation appears more knotty in this context as relevant studies conducted among Nigerians even found out that most of their respondents are not keenly interested in insurance (Yusuf et al., 2009), and the goodwill of insurance industry and gross premium in Nigeria have declined tremendously (Aduloju et al., 2009) with the global economic recession. Therefore, contextual factors associated with African consumers should be considered as paramount for the enhanced understanding of consumer involvement in various marketing stimuli.

CONCLUSION /DIRECTIONS FOR FURTHER STUDIES

In conclusion, this article suggests that gauging African consumers’ involvement in relation to marketing offering vis-à-vis the associated cultural values is not an option but a necessity for successful marketing practice in Africa as the existing frameworks do not appear to be of good fit. Also, while this paper offers valuable insights into consumer involvement and implications for Marketing in Africa and provokes a discourse on the subject, it also highlights the need for empirical studies on this phenomenon as a way of deepening existing knowledge in this area. For example researching on which products are considered as low and high involvement in nature by Africans would reveal culture-laden reactions and significantly contribute to marketing and consumer behaviour literature.

REFERENCES


Zaichkowsky, J. L. (1986), ‘Conceptualizing Involvement’, *Journal of Advertising*, vol. 15, Issue 2, pp. 4-34
An Exploratory study of the Impact of Green Brand Awareness on Consumer Purchase Decisions in Ghana

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The study determines the level of green marketing awareness among Ghanaian consumers and whether this awareness impacted on their purchase decisions. A sample of 200 respondents was interviewed from 4 satellite markets within Accra. The sample was selected using a convenience sampling technique. The findings indicate that Ghanaian consumers have a low level (15.5%) of awareness of green marketing issues. Only 7% of respondents indicated that awareness of green brands impacted on their purchase decisions. Respondents ranked price and quality ahead of green concerns as influencing their purchase decisions. The study also established that the younger the consumer the more likely he or she will be influenced by green issues. The level of awareness of green issues among Ghanaian consumers can be enhanced if green brands producers and campaigners develop strategic promotional activities. To confirm the findings of this study, it is recommended that further studies be conducted using a bigger sample size spread over a wider geographical area.

Introduction

Green marketing is a major trend in modern business (Kassaye, 2001). Increase in customer awareness about environmental issues and strict regulations introduced by national governments, especially in industrially developed countries brought the demand for ecological products into sharp focus. (Polonsky et al., 1998, Prothero, 1996). The late 1980’s saw green marketing become the subject of a great deal of academic research. There was increased environmental awareness, a growing consumer interest in green products, and a pronounced willingness to pay for green features (Roper Organization, 1990; Mintel, 1991; Worcester, 1993). In a 1992 study of 16 countries, more than 50% of consumers in each country, other than Singapore, indicated they were concerned about the environment (Ottman 1993). A 1994 study in Australia found that 84.6% of the sample believed all individuals had a responsibility to care for the environment. 80% indicated that they had modified their behaviour, including their purchasing behaviour, due to environmental reasons.

By the mid-1990s interest in green consumerism began to slow down. Mintel’s (1995) follow-up report on the environment recorded only a slight increase in green consumers since 1990. The frequency and prominence of green claims was also found to be in decline, and green products looked to have achieved only limited success (Wong et al., 1996). However, Garau et al, 2005, observed that the market for green brands is growing exponentially at global level. Unfortunately, not many studies have focused on consumer perspective and marketing strategies that can move them from just concern to actual purchase. Marketing literature recognizes that consumers play a significant role in influencing organizations and markets (Rivera-Camino, 2007). Despite the huge interest in green marketing by researchers and environmental campaigners, demand for green brands is not as high as expected. Mintel’s (1995), identified a significant gap between concern and actual purchasing – a picture replicated in subsequent management research (Wong et al., 1996; Peattie, 1999; Crane 2000).
There is growing concern about green issues in Ghana. The Ghana Government through the Environmental Protection Agency (EPA) regulates the operations of organizations to preserve the environment and also create awareness about green issues (www.epa.gov.gh). Individual firms in Ghana are also taken up green marketing issues. For instance, Kamsak Ltd, a local agent for G products-Green Earth Technologies, Inc (GETG-PK) is promoting the use of green products and has adopted the slogan “Don’t be left out, THINK GREEN”. Kamsak Ltd promotes a wide range of green products in Ghana including engine oils, anti fog and rain repellent chemicals. Fan Milk Ghana Limited’s (producers of Diary products) has objective of using materials and processes in an environmentally sustainable manner, conserve resources and prevent the pollution of air, water and land. To achieve this, the company pays a recycling firm in Ghana to collect damaged products, shred, clean and recycle the packaging materials of these damaged products (www.fanmilk-gh.com).

Studies on green marketing issues in Ghana are limited. It is therefore important that these studies be done in Ghana to determine the specific situation of the Ghanaian consumer. Consequently, it is worth investigating the level of awareness and its impact on customer purchase decision. It is anticipated therefore that this initial investigation would enable companies and campaigners appreciate the level of patronage of green brands in Ghana. With this knowledge, companies can formulate appropriate marketing strategies to promote their green brands and green marketing campaigners enhance their campaign strategies. Hence the objectives of this study are:--

I. To determine the level of consumer awareness of green brands in Ghana.
II. To determine whether green brand awareness impacts on customer buying decision
III. To ascertain whether demographic characteristics impacted on green brand purchasing

Literature Review

While green marketing came into prominence in the late 1980s and early 1990s, it was first discussed much earlier. The American Marketing Association (AMA) held the first workshop on "Ecological Marketing" in 1975. The proceedings of this workshop resulted in one of the first books on green marketing entitled "Ecological Marketing" (Henion and Kinnear 1976). Since that time a number of other books on the topic have been published (Coddington 1993, and Ottman 1993). Green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising (Polonsky, 1994). Green consumerism is often discussed as a form of ‘pro-social’ consumer behaviour (Wiener and Doesher, 1991). It may be viewed as a specific type of socially conscious or socially responsible (Antil, 1984) Consumer behaviour that involves an ‘environmentalist’ perspective and may thus be called ‘environmentally concerned consumption’ (Henion, 1976). Henion, 1976, describes green consumers as ‘environmentally concerned consumers’. Others see green marketing as the promotion of products with environmental characteristics (Polonsky, 1994). Polonsky postulates that consumers’ most often associate green marketing with terms like Phosphate Free, Recyclable, Refillable, Ozone Friendly, and Environmentally Friendly are.

While these terms are green marketing claims, in general, green marketing is a much broader concept, it could be applied to consumer goods, industrial goods and even services (Roberts and Bacon, 1997). According to Polonsky (1994), green marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment. Despite the increasing eco-awareness in contemporary market economies, it is generally recognized that there are still considerable barriers to the diffusion of more ecologically oriented consumption styles. According to Davis (1992), and Polonsky (1994), increased use of Green Marketing is dependent on five possible reasons namely: organizations perceive environmental marketing as an opportunity to achieve its objectives; that organizations have a moral obligation to be more socially responsible; Governmental agencies forcing firms to become more responsible; competitors' environmental activities and cost factors
associated with waste disposal. Environmentally responsible behaviour usually involves difficult motivational conflicts, arising from the fundamental incompatibility of environmental protection-related collective goals and individual consumers’ personal or self-interested benefits and the resulting free-rider problem (Wiener and Doesher, 1991).

Owing to the conceptual and moral complexity of ‘ecologically responsible consumer behaviour’ and to the perplexity of ecological information, different consumers have different conceptions of ecologically oriented consumer behaviour. According to Antil (1984), consumers act out their primary motivation for being green consumers. It can be assumed that firms marketing goods with environmental characteristics will have a competitive advantage over firms marketing non-environmentally responsible alternatives. There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer needs (Schwepker, and Cornwell, 1991). While governmental regulation is designed to give consumers the opportunity to make better decisions or to motivate them to be more environmentally responsible, there is difficulty in establishing policies that will address all environmental issues. Hence, environment-friendly consumption may be characterized as highly a complex form of consumer behaviour, intellectually, morally and in practice.

Demographic characteristics have been explored to determine their impact on green issues. According to Roberts and Bacon (1997), the impact of age and level of education amongst others have been explored by a number of researchers. It is generally asserted that younger individuals are likely to be more sensitive to environmental issues. The findings have however been somewhat equivocal. Some of the researchers who explored age as a correlate to green attitudes and behaviour have found non-significant relationships (Roper, 1990). Others have found the relationship to be significant and negatively correlated with environmental sensitivity (Zimmer et al., 1994). Still others have found the relationship to be significant, but positively correlated (Roberts, 1996). The hypothesized relationship between education and environmental attitudes has been fairly consistent. Education is expected to be positively correlated with environmental concerns and behaviour. Although the results of studies examining education and environmental issues are somewhat, a definitive relationship between the two variables has not been established. Roberts (1996), writes that majority of studies have found the predicted positive relationship. Samdahl and Robertson (1989) however found the opposite; education was negatively correlated with environmental attitudes. Kinnear et al., 1974 on their part found no significant relationship.

Baron (1995), has argued that, market and non-market environments impact each other, and so firms may choose to green their systems, policies and products due to economic and non-economic pressures from the market and non-market environment. Proponents of corporate social performance, responsibility and responsiveness also argue that firms have societal responsibilities that may or may not reinforce the profit objective (Wood and Jones, 1995). Firms green their products/policies because they wish to be socially responsible. Such policies may or may not generate quantifiable profits in the short run. However, Hart and Ahuja (1996) observes that in the long run, socially responsible policies could have economic payoffs.

Research Methodology

The research was designed as a single cross sectional study. The researchers believed this would enable them study the target population within a relatively short period of time. The study was conducted in four (4) satellite markets in Accra. Accra was considered suitable because it is the centre of economic activity and the political and administrative capital of Ghana. The target population for the study was patrons of manufactured consumer products. A total sample size of 200 people was studied. Fifty (50) respondents from each satellite market were interviewed. A survey was conducted and the data was collected using questionnaires designed on Likert scale of 5 for most important to 1 for less important. The researchers were assisted by two (2) research assistants to administer the questionnaires over a two-week period. The
researchers read out instructions and questions to the respondents and filled out the questionnaires with respondents’ answers. Respondents were selected based on a convenient sampling technique. Target respondents were approached and those who agreed to participate in the survey were interviewed. A total of 240 people were approached and 200 respondents agreed to participate in study. The completed questionnaires were all considered valid and accepted for analysis. The data is presented and discussed under sub-topics which reflect the objectives of the study as indicated earlier. Data was analysed using frequency distribution, ranking and cross-tabulation procedures. Frequency distribution was used to determine the level of awareness of respondents in respect of green marketing issues and the level of impact of awareness on consumer purchase decision. Cross-tabulation procedures were used to determine the associations between age and educational level with customer purchase decisions. The raw data of consumers was coded and analysed.

Analysis of Findings
Level of Consumer Awareness of Green Brands in Ghana
Respondents were asked to indicate whether they were aware of green marketing issues by responding “Yes” or “No”. A response of “Yes” meant respondent was aware of green marketing issues, while a response of “No” meant respondents were not familiar with green marketing issues. Out of a total of 200 respondents, 31 people representing 15.5% of sample indicated they were aware of green marketing issues. See Table 1 below.

Table 1: Level of Awareness of Green Brands

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Valid (%)</th>
<th>Percentage Cumulative Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>31</td>
<td>15.5</td>
<td>15.5</td>
<td>15.5</td>
</tr>
<tr>
<td>No</td>
<td>169</td>
<td>84.5</td>
<td>84.5</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The low level of awareness of green marketing issues has implications for the purchase of green brands. Schiffman and Kanuk (2009) assert that consumers usually would purchase brands that feature within the evoked set. According to them “the evoked set consists of the small number of brands the consumer is familiar with, remembers and finds acceptable.” Familiarity of a brand is therefore critical in determining whether that brand would be considered for purchasing by any particular consumer or not. Consequently, since a small number (15.5%) of the respondents were familiar with green brands, the potential patronage for green brands would be low.

Table 2: Impact of Green Marketing Awareness on Consumer Purchase Decisions

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Valid Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>No</td>
<td>186</td>
<td>93</td>
<td>93</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

7% of respondents, that is 14 respondents, indicated that green marketing issues affecting their purchase decisions. Garau et al (2005) and Riveracaminio (2006), have argued that green marketing has very little impact on consumer purchase decision. The findings of this study re-emphasises this position. 93% (186) of the respondents indicated that green issues did not impact their purchasing decision. From Table 1 above, 15.5% of the respondents indicated that they were familiar with green issues. This means therefore that green issues impacted the purchase decisions of only 1 out of every 2 respondent who were familiar with green marketing issues.
Relative Importance of Selected Variables on Consumer Purchase Decision

The researchers explored how respondents ranked some selected variables in respect of the impact these variables had on their purchase decisions. These variables were, concern for the environment, product price, product quality and product packaging. Respondents were asked to show the level of influence each variable had on their purchase decision by indicating whether the variable played a highly important, important, unimportant, or a highly unimportant role in their purchase decision. Table 3 below captures the relevant data obtained from the study.

Table 3: Relative Importance of Selected Variables Affecting Purchase Decisions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Most Important</th>
<th>Important</th>
<th>Neutral</th>
<th>Less Important</th>
<th>Unimportant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concern for the environment</td>
<td>44.5%</td>
<td>7.5%</td>
<td>0%</td>
<td>31.5%</td>
<td>16.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Price</td>
<td>41.5%</td>
<td>36%</td>
<td>0%</td>
<td>10.5%</td>
<td>12%</td>
<td>100%</td>
</tr>
<tr>
<td>Quality</td>
<td>36.5%</td>
<td>34.5%</td>
<td>0%</td>
<td>9%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>Packaging</td>
<td>25.5%</td>
<td>16%</td>
<td>0%</td>
<td>35%</td>
<td>23.5%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Evidence in table 3 above indicates that 77.5% of respondents considered price to be either most important or important in their purchase decisions. Product quality was the second most important variable that influenced consumers’ purchase decisions. 71% of respondents indicated that quality was either most important or important in their purchase decisions. 52% of respondents indicated that concern for the environment was either most important or important in their purchase decisions. For price and product quality, only 10.5% and 9% of respondents respectively said they were less important in their purchase decisions. However, as high as 48% of respondents indicated that environmental concerns were either less important or unimportant in their purchase decisions. Though 52% of respondents admitted that environmental issues were either important or very important in purchase decisions, it would not necessarily translate into actual purchase decisions. Mintel (1995) observed that there was a gap between concern for the environment and actual purchase behaviour.

Impact of demographic characteristics on consumer green purchasing decisions

Demographic variables have been linked to green attitudes (Roberts and Bacon, 1997). This study considered only the effects of age and educational level on green purchasing behaviour.

Age

Table 4: Impact of Age on Green Purchase Decisions

<table>
<thead>
<tr>
<th>Variable</th>
<th>18-25</th>
<th>26-35</th>
<th>36-45</th>
<th>46 and above</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>No</td>
<td>75</td>
<td>51</td>
<td>35</td>
<td>25</td>
<td>186</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>56</td>
<td>36</td>
<td>25</td>
<td>200</td>
</tr>
</tbody>
</table>

From above Table 4, out of 14 respondents (7%) who agreed green issues affected their purchase decisions, those between the ages of 18-25, constituting 4% of respondents, showed greater concern for the environment. Those between the ages of 26 and 35, constituting 2.5% of respondents, showed the second highest level of concern for the environment. Only 1 respondent (0.5%) between the ages of 36 and 45 showed any concern for the environment. Those who were 46 years of age and above showed no concern for the environment. The general belief is that younger persons are likely to be more sensitive to environmental issues. There are a number of theories offered in support of this belief, but the most common argument is that those who have grown up in a period in which environmental concerns have become a salient issue at some level, are more likely to be sensitive to these issues.
From above Table 5, out of the 7% of respondents whose purchase decisions are affected by green issues, respondents with no education and university education (post graduate) were not influenced by green issues at all, while those with JHS, SHS and university education(1st Degree) had their decisions influenced by green issues. Education is expected to positively influence environmental concerns and behaviour (Roberts and Bacon, 1997). The findings support this assertion though it is important to note that respondents with post university education did not seem interested in green issues. Kinnear et al. (1974) found no significant relationship between green purchasing attitudes and education. This might explain the rather interesting situation where post university consumers were not interested in green issues as depicted by the data presented.

Conclusions and Recommendations

Green marketing is a major trend in modern business. There is huge interest in green marketing by green marketing campaigners and researchers alike. Despite this high level of interest, demand for green brands the world over has not been as high as expected. Green brand awareness is low in Ghana and the impact of green brand awareness on purchase decisions is even lower. Ghanaians put a higher premium on price and product quality than on concerns for the environment. It is recommended that future research consider using a bigger sample size covering a wider geographical area of the country to establish the level and impact of green brand awareness of the Ghanaian consumer. Green marketing campaigners and green brand producers should develop strategies that can carry their messages to a greater number of people more effectively.

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Determinants of bank loyalty among student customers in Nigeria

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This paper identifies key determinants of bank loyalty among student customers of banks in Nigeria. Data were collected from a sample of 423 student bank customers from 4 tertiary institutions in southeast Nigeria. Principle Component Analysis was used to reduce 49 variables on student customer loyalty into 12 underlying factors explaining loyalty behaviour among student bank customers, which are collectively labeled 12-Point Student Customers Bank Loyalty Index Model. We recommend that banks located around University campuses should employ the model as an invaluable strategic tool for marketing strategy design, student customers’ bank loyalty assessment, and competitors’ customer loyalty analysis.

INTRODUCTION

The rate of growth of the Nigerian University System could be described as phenomenal, doubling every four or five years and probably faster than anywhere else in the world. From a modest enrolment of 3,646 students in 1962/63, the system recorded a student enrolment of 20,889 in 1972/73 rising to 104,774 in 1982/83. Five years later, in 1987/88 the total enrolment in all federal and state universities jumped to 160,767 students. By 1962, there were four universities, growing to twelve by 1977 and rising by an additional eight in 1983 (Adesola, 1991).

This growth is also true for all other Higher Educational Institutions (HEIs) comprising of polytechnics, monotechnics, colleges of education, and innovation enterprise institutions (IEIs). Nigeria now has 82 universities, 68 polytechnics, 37 monotechnics, 80 colleges of education, and 27 innovation enterprise institutions (IEIs) (Joint Admission and Matriculation Board, 2009). With a population of over 140 million people, Nigeria has over 1 million students enrolled in over 250 HEIs (Jibril, Teferra & Altbach, 2003).

With the growth in the Nigeria’s student bank customer segment, the need to understand this segment has become urgent and timely. This is even true now that customer loyalty is fast being recognized as key determinant of long-term profitability in the banking sector (Ehigie, 2006). Despite this trend, past studies appear to have paid scanty attention to this. In effect, research into customer loyalty has focused primarily on product-related issues, whereas loyalty to service organizations has remained under exposed (see Ehigie 2006; Gremler and Brown, 1996; Bloomer, Ruytler, and Peters, 1998). Even where research attention is focused on customer loyalty in service organizations, knowledge gap still exist specifically in bank loyalty determinants among students in tertiary institutions in developing economies. To contribute in filling this gap, this paper examines the factors that determine the selection of a bank by students in Nigerian higher educational institutions (HEIs) as well as factors that will increase their loyalty level.

CONCEPTUAL FRAMEWORK

Figure 1 below exhibits our conceptual framework of bank loyalty among students. First, we seek to identify and collect those factors that influence loyalty behavior among student customers of banks. Several factors, from the customers’ standpoint, can trigger loyalty. The value placed on these factors by customers varies.
Figure 1: Conceptual Framework of Bank Loyalty Among Student Customers

<table>
<thead>
<tr>
<th>All Variable</th>
<th>Variable reduction</th>
<th>Marketin g Strategies</th>
<th>Bank Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection of Variables Influencing Bank Loyalty Among</td>
<td>Key determinants of Bank Loyalty among Students.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thus, some of these factors, to the customer, are more important than others and their expectations will hinge on those important factors. Accordingly, we argue that not all variable can directly impact on student customers to develop loyalty behavior. Second, in line with this perspective, we reduce the variables to identify the most germane variables that impact on the student customers in developing bank loyalty behavior. Third, banks that seek sustainable competitive advantage would craft marketing strategies that emphasize the key determinants or variables. In this way, loyalty to the bank will be guaranteed.

LITERATURE REVIEW

There are no common definitions of loyalty. Dick and Basu (1994) defined loyalty as a consumer commitment to the brand or approach to the brand (service, product category, etc.). Loyalty is also interpreted as an expectation to continue a relationship with a particular brand (Wilson, 1995).

Fisher (2001) describes a loyal customer to a bank as one that will stay with the same bank, is likely to take out new products with the bank and is likely to recommend the bank’s services. We modified the definition of customer loyalty by Bloomer, Ruymen, and Peters (1998) to put forward our definition of bank loyalty as: The biased (i.e. non random) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one bank out of psychological (decision-making and evaluative) processes resulting in bank commitment.

Research on the drivers of loyalty dominates customer loyalty literature. There are various views of how customer bank loyalty can be achieved. Bank customer loyalty can be achieved through customer satisfaction (see Fisher 200); through service quality (see Jacoby and Chestnut, 1978); through relationship marketing (see Nkamnebe and Olise, 2003); through switching cost (see Beerli, Martin and Quintana, 2004); through communication (see Ball, Coelho, and Machas ,2004; Ehigie ,2006; Morgan and Hunt,1994); and through trust (see Morgan and Hunt, 1994). The use of state-of-the-art technologies in the banking sector has been proposed as a driver of loyalty in the banking sector (Colgate & Hedge, 2001). Sequel to the varied perspectives to what constitute the drivers of loyalty, we agree with Ivanauskiene and Auruskeviciene (2009) that there are no one commonly accepted description of loyalty and even now still many debates take place on what customer loyalty is and what the key drivers that cause loyalty are.

METHODOLOGY

Of all the tertiary institutions in Anambra and Enugu states, the researcher selected Nnamdi Azikiwe University (UNIZIK), University of Nigeria (UNEC), Federal Polytechnic Oko, and Institute of Management Technology (IMT) because they are institutions with large student population size and with
high bank presence. As such, the presence of these banks has the potential of creating high banking culture among the students. We obtained the estimate of the total number of registered students of each of the four institutions from the Registrars of the institutions. The population of registered undergraduate students of the four institutions is 122,382. After using the Yaro Yamani formula, the estimated sample size for the study was 423 undergraduates. Having determined the sample size, the researchers proceeded to design a structured questionnaire of Five-Point Likert Summating Rating Scale. The questionnaire contains 49 likely variables that determine student bank customer loyalty. The variables were drawn from literature and from pilot survey responses of a group of 30 students in UNIZK, who were asked to state the factors that makes them love their bank. Out of a total of 423 copies of the questionnaire that were produced and distributed, 13 were not returned and 410 were returned, and 10 from the 410 returned were found invalid thus leaving a total of 400 valid copies of the questionnaire. This represents a response rate of 97%.

RESULT
A variable item is grouped in a component where it has the highest factor loading, which means such a variable item do not only belong to such component, but it also strongly correlates or explains such a component. Take for instance; ITEM1 has its highest factor loading that satisfies the 0.400 benchmark (see Schumacher and McMillian, 2003) in component 5. Thus ITEM1 best explain and belongs to component 5.

The Eigen values were calculated for each component. The Eigen values and Scree test were used to determine the number of extracted components from the observed data. The size of an Eigen value indicates the amount of variance in the principal component explained by each component. The table below shows the extraction of 12 components from 46 variables (recall that 3 variables that produced negative Eigen values were neglected):

<table>
<thead>
<tr>
<th>Component (Extracted)</th>
<th>Factor Loadings</th>
<th>Variables (items on questionnaire)</th>
<th>Naming the Component*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>ITEM26: My bank listens to me</td>
<td>Good customer bank relationship and satisfactory services.</td>
</tr>
<tr>
<td>1.</td>
<td>0.672</td>
<td>ITEM21: Good understanding of customer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.663</td>
<td>ITEM20: Skillful Bank workers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.649</td>
<td>ITEM27: Swift Response to customer complaint</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.567</td>
<td>ITEM37: My bank has my best interest at heart</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.547</td>
<td>ITEM17: Satisfactory personal services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.505</td>
<td>ITEM18: Perceived honesty of bank staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.496</td>
<td>ITEM36: My bank gives me personal attention.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.464</td>
<td>ITEM3: Speed of transaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.712</td>
<td>ITEM2: Efficient services</td>
<td>Efficient Staff</td>
</tr>
<tr>
<td></td>
<td>0.718</td>
<td>ITEM4: Friendly Staff</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>0.772</td>
<td>ITEM16: Social relationship with bank staff</td>
<td>Family and social relationship with bank</td>
</tr>
<tr>
<td></td>
<td>0.577</td>
<td>ITEM15: Family relationship with bank staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.476</td>
<td>ITEM5: Bank recommended by parent and family</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>0.761</td>
<td>ITEM40: Branches are close to customers</td>
<td>Accessibility of bank services to customers</td>
</tr>
<tr>
<td></td>
<td>0.712</td>
<td>ITEM39: Use of ATM even in other banks ATM</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.675</td>
<td>ITEM41: Very strong capital base</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.615</td>
<td>ITEM11: Convenient location</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.546</td>
<td>ITEM43: Sound and experienced management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.427</td>
<td>ITEM23: Physical safety to customers</td>
<td>Physical and psychological safety of</td>
</tr>
<tr>
<td>4.</td>
<td>0.713</td>
<td>ITEM1: Solid security and safety arrangement for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.647</td>
<td>ITEM22: Physical safety to customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.577</td>
<td>ITEM1: Solid security and safety arrangement for</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td>ITEM22: Physical safety to customers</td>
<td></td>
</tr>
</tbody>
</table>
As shown in Figure 2 above, 8 of the 46 variables relate to the first principal component, which is \textit{good customer-bank relationship and satisfactory services} is constituted of 8 factors: (1) My bank listens to me (2) Good understanding of customer (3) Skillful Bank Workers (4) Swift response to customer complain (5) My bank has my best interest at heart (6) Satisfactory personal services (7) Perceived honesty of bank staff (8) My bank gives me personal attention. The first principal component makes up the largest proportion of the total variability in the set of indicators used. Hence, the first principal component is considered the most important or significant component factor that determines or explains student’s loyalty to their bank. Efficient staff, which is determined by Items 3, 2, and 4, is the second most important principal component that determines students’ loyalty to their bank. It accounts for the next largest amount of variability not accounted by the first principal component. This is so explained for the other principal components (see figure 2). Therefore, in the same manner, the researcher generated twelve principal components that determine student loyalty to their bank(see last column of figure 2 for the name of each component).

\textbf{DISCUSSION}

As clearly seen from the 12 principal components, \textit{good customer-bank relationship and satisfactory services} is the most important principal component or determinant of bank loyalty among students. Among the predictor variables examined, customer satisfaction accounted for the largest variation in
customer loyalty, which supports Beerli et al (2002) that customer satisfaction is the only immediate antecedent of customer loyalty.

*Family and social relationship with bank* as bank loyalty factor is not surprising in that family and social ties are deep rooted in Nigerian culture, they influence the choices we make. A customer choice and stay with a bank is sometimes strongly influenced by family or social ties the customer has with bank staff or management. The fourth component, *accessibility of bank services to customers*, sustains that bank customer loyalty can be stimulated and retained if the customer, at all times, can access both staff and services without restrain. Adequate safety measures put in place for the customer can stimulate loyalty behavior, which is explained by the fifth component.

*Perceived high cost of switching to another bank* can also influence loyalty behavior; however, switching cost as a loyalty stimulant has received heated debated among scholars (see for example Beerli et al, 2002; Bloomer et al, 1998). It has been argued that when the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behaviour, because of the risk or expenses involved in switching and because of the accompanying decrease in the appeal of other alternatives (see Bloomer et al, 1998).

**Figure 5**

12-point Student Customers Bank Loyalty Index Model

**Implications and Recommendations**

Since this study shows that customer satisfaction is the most important in explaining customer loyalty, it means that the impact satisfaction has on loyalty is considerably stronger than the cost of switching. This implies that banks should place greater emphasis on achieving high level of customer satisfaction than on creating switching barriers. There is need for banks located in campuses to increase tailor-made CSR
schemes for student customers; employ and train the staff with the right attitude to serve the student segment more effectively; install a student-segment friendly costs/charges regime; customer friendly culture should be promoted, encouraged, and rewarded; and banks situated at the campuses can initiate context-specific loyalty program for their student segment.

Accordingly bank management is to emphasize the 12 principal components in their marketing strategy and service delivery and they should, from time to time, use the 12-Point Student Customers Bank Loyalty Index Model as criteria for monitoring and assessing their student customer loyalty level. Thus the 12-Point Student Customers Bank Loyalty Index Model is an invaluable strategic tool for marketing strategy design, bank customer loyalty assessment, and competitors’ customer loyalty analysis.

Conclusion, Limitations and Direction for Future Research

We conclude that customer satisfaction is most critical in bank customer loyalty, much as other component are also critical in explaining and promoting loyalty behavior among student customers of banks, which the banks must emphasize to increase student customer loyalty level. We also conclude that these components can also be viewed as factors that can influence the choice of banks by students in campuses. Accordingly, banks that emphasize these components are likely to be included in the consideration set of the student when about to make a choice among banks. Each component is an index which, collective, can be scaled and used to measure loyalty level of student bank customers for from time to time. In the same vein, banks can also use it to measure the level of loyalty other competing banks are enjoying in the same segment.

Although it provides theoretical and substantive explanations, our research has several limitations. Overcoming them could be a direction for future research. First, our study is on a model development carried out in Nigeria. Our model needs to be validated in other contexts; therefore, generalization of result is done with serious caution. Second, our study did not show the possible interaction (or impact) of each principal component and how the interaction can ultimately impact on bank loyalty. Thus, research has to be executed in this area to unearth the relationship of each component on one another in explaining bank loyalty. Our model needs to be subjected to more rigorous and tougher test. For example, there is need to formulate hypothesis on each component and then test their degree of relationship to bank loyalty.

References


Undergraduate first time bank customers’ perception of service quality in Ghana

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Julius Dasah, GIMPA Business School, Ghana.

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Prince Kodua, Department of Marketing, University of Ghana Business School, Ghana

This study seeks to ascertain perception of service quality among undergraduate first time bank customers in respect of customer service (human interaction), service knowledge and bank infrastructure and technology in Ghana. **Methodology:** Data were obtained from undergraduate first time bank customers in the University of Ghana Business School using simple random sampling. The repeated measures analysis of variance was then used to analyse the data obtained from the 519 responses received from our structured questionnaire which contains 12 service quality statements. **Findings:** Undergraduate first time bank consumers in Ghana perceive the service knowledge dimension of service quality as the weakest performance service attribute for banks operating in Ghana. **Originality/Value:** This study contributes to the bank marketing literature by utilizing a new service quality conceptualization to investigate our research issues and also focused on a banking segment that is under-researched in the context of developing economies and Africa in particular. **Practical Application:** This study offers practical tips for bank managers seeking to manage an increasingly important segment; the undergraduate banking segment.

**Introduction**

From 1989-1999, Ghana embarked on a financial sector reform programme aimed at rehabilitating the country’s financial system, which suffered from undue political influence, weak management, inadequate capital, backward information and accounting systems, poor internal controls, lack of competition and a large portfolio of non-performing loans. The consequence of these reforms has attracted the top 10 bracket of the Nigerian Banking Industry into Ghana (Hinson et al, 2009). Thus, the financial services industry in a developing country like Ghana is no exception to the rising importance of the personal customer and the specific trends that are developing in the banking industry. These changes have brought about to a lesser or greater degree by the entry of new and aggressive competitors into the market place, technological sophistication and increased customer sophistication (Owusu-Frimpong, 2004). In an increasingly innovative and aggressive financial services sector, 27 banks with 640 branches diversified in geographical origin, corporate character and reach in the global financial markets have found themselves as active players in the field. With an ever increasing serving a population estimated at 2 million (out of total population of 22 million Ghanaians), the banking sector is very competitive within which to operate (Bank of Ghana, 2008). In respect of developing economy and African contexts, bank studies focusing on student segments are even rarer and this study is positioned as one of the initial attempts to fill that gap. It is important to note that, throughout this paper we use “undergraduate students” and “first time bank customers” interchangeably to mean undergraduate first time bank customers. Lewis et al (1994) argued that students: (i) may be characterized by little bank switching, (ii) may eventually graduate to become high net worth individuals, and (iii) market for personal accounts represents a growing sub-group of the total youth market. Point (3) is particularly evident in Ghana where university student population has
more than trebled from the beginning of the 21st century to date. This study will seek answers to two main research questions: (1) Are there any perceived differences in the service quality dimensions (bank customer service, service technology and infrastructure and service knowledge) among undergraduate first time bank customers in Ghana? (2) Which of the service quality dimensions is perceived as the “best performance area” of banks operating in Ghana by first time bank consumers?

Based on the three service quality dimensions considered, this study aims to evaluate whether there are differences that can be attributed to (a) the gender of the bank customer, (b) the age (15 – 24; 25 – 34; 35+) of the bank customer, (c) the bank type (local, international)?

**Customer Perceptions of Bank Service Quality**

Levesque and McDougall (1996) point out that customer satisfaction and retention are critical for retail banks. They investigate the major determinants of customer satisfaction (service quality, service features, customer complaint handling and situational factors), and future intentions in the retail bank sector. Bloemer et al. (1998) investigate how image, perceived service quality and satisfaction determine loyalty in a retail bank. In all these studies, customer satisfaction is presented as solid bedrock of bank longevity and profitability. Continuing from the segmentation thinking espoused by (Kaynak and Kucukemiroglu ;1992), it might be fair to say that undergraduates constitute an attractive segment for retail banks in many countries of the world (Gerrard and Cunningham 2001) and this is the rationale for the conduct of this study. Thwaites and Vere (1995) argue convincingly about the special features and increasing essence of the undergraduate market to bankers. Perhaps, however (Gerrard and Cunningham 2001), provide an even more forceful justification for the legitimacy of studying undergraduate student bank consumption idiosyncrasies when they posit that: (1) once graduates commence their careers, they generally enjoy a higher salary compared with non-graduates of the same age. This would be true in both developed and developing economy contexts; (2) As graduates would normally expect to have a more progressive career, so their income should be generally higher than non-graduates of the same age; (3) Graduates may be considered as being more financially sophisticated and, hence will need/use a wider range of financial services as they pass through their own life cycle. A review of the literature on bank service quality and patronage and financial services consumption in respect of the student segment in the developed western economies, reveals fairly scanty contributions (see Gray 1977, Lewis 1982, Lewis and Bingham 1991, Schram 1991, Chan 1993, Lewis, Orledge and Mitchell 1994, Thwaites and Vere 1995 Gerrard and Cunningham 2001).

Service quality studies have been greatly influenced by the works of scholars like (Gronroos, 1983; Lehtinen and Lehtinen, 1992; Horovitz,1990; Oliver; 1980; Parasuraman et al, 1985; Berry et al, 1985). In studying the undergraduate perception of service quality in Ghana, we adopt the definition by Donnelly et al (1995) who define service quality as the degree of excellence or superiority that an organization's product possesses. This definition considers the customer as the key perceive of quality. It also encompasses both the tangible and intangible aspects of a firm’s products which include traits such as features, performances, reliability, durability, aesthetics, serviceability and conformance to specifications. In the light of Donnelly et al (1995)'s definition of service quality, we propose that an undergraduate's perception of bank service quality in Ghana will be influenced by three service quality dimensions: (i) Customer Service (ii) Service knowledge (iii)Service Infrastructure and Technology
Figure 1: Bank Service Quality Model

Source: Authors’ own conceptualization

In this model we conceptualize bank service quality as having three sub-components. First, customers are demanding more human contact or human interface in the delivery of service Coskun and Frohlich (1992). This position notwithstanding, there is the danger of downplaying the importance customer contact, in an era where digital technologies is making it increasingly possible and convenient for customers to transact business with their banks without having to physically visit their bank offices. Secondly, our service quality model caters for hard-side non-human elements of the banking experience as well. Hard-side service elements like technology infrastructure and soft-side elements like quality of customer service all of which are important determinants of quality. Thirdly, we are of the position that effective customer-specific knowledge is critical in customer value chain creation in professional service organizations (Natti et al, 2006). It is therefore reasonable to postulate that more knowledgeable bank service providers might resonate better with an undergraduate student segment because they tend to be more knowledgeable and demand convincing explanation than matured segments. Curry and Penman (2004) argue that technological development in the U.K. banking sector has led to the depersonalization of the service delivery process and the "human factor" between the banker and customer at the local level can thus be lost. This position espoused by Curry and Penman (2004) captures the spirit of the service quality model conceptualized for this study; a focus on customer service, bank knowledge and bank technology. It is this situation which has made the call by Lewis et al (1994), Colgate et al (1996) and Gerard and Cunningham (2001) for more research into the student segment even more relevant and urgent. This study employs a new service quality conceptual framework to investigate the research issues.

Methodology: Data Description

Data were obtained from undergraduate first time bank customers in the University of Ghana Business School via a questionnaire using simple random sampling. Although a structured questionnaire containing 12 service quality statements was designed and administered to 600 first time bank consumers (via e-mail) to measure their perception of service quality in Ghanaian banks, only 519 of them responded to the questionnaires. We pretested the questionnaire on 50 students from our proposed sample and we ended up dropping some of the initial proposed data instrument questions because of their complexity or inapplicability to the undergraduate first time bank customer. The respondents were made to indicate the extent to which they agreed or disagreed (Strongly Disagree [SD], Disagree [D], Neither Disagree nor Agree [NDA], Agree [A], Strongly Agree [SA]) with the statements in the questionnaire regarding the service quality practices of their respective banks. Also, categorical data on demographics of customers including; sex, bank type of respondent (local, international), age (15 – 24; 25 – 34; 35+) were collected.
Measurement of variables

We group the 12 structured statements along three major dimensions of service quality, (See Table 2), namely

(i) Customer service   (ii) Service knowledge   (iii) Service infrastructure and technology

For convenience we adopt the notation given in Table 1 overleaf

Table 1: Service Quality Dimension Notations

<table>
<thead>
<tr>
<th>Notation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1</td>
<td>A collection of ( n_1 ) customer service related statements</td>
</tr>
<tr>
<td>D2</td>
<td>A collection of ( n_2 ) service knowledge related statements</td>
</tr>
<tr>
<td>D3</td>
<td>A collection of ( n_3 ) service infrastructure and technology related statements</td>
</tr>
</tbody>
</table>

In this paper \( n_1 = 3; \ n_2 = 5 \) and \( n_3 = 4 \)

Now let \( x_{ijk}(i = 1, ..., n, j = 1, 2, 3, k = 1, ..., n_j) \) be the score of respondent \( i \) to the \( k \)th statement within \( D_j(j = 1, 2, 3) \). We define

\[
x_{ijk} = \begin{cases} 
-2 & \text{if respondent } i \text{ strongly disagrees with the } k \text{th statement of the } j \text{th quality dimension} \\
-1 & \text{if respondent } i \text{ disagrees the with } k \text{th statement of the } j \text{th quality dimension} \\
0 & \text{if respondent } i \text{ neither agrees nor disagrees with the } k \text{th statement of the } j \text{th quality dimension} \\
1 & \text{if respondent } i \text{ agrees the with } k \text{th statement of the } j \text{th quality dimension} \\
2 & \text{if respondent } i \text{ strongly agrees with the } k \text{th statement of the } j \text{th quality dimension}
\end{cases}
\]

Let \( \mu_{ij} = E_k(x_{ijk}) \) be the expected score of respondent \( i \) for \( \Omega_j, j = 1, 2, 3 \), the population version of \( D_j \). We define the “expected overall score” for \( \Omega_j \), the \( j \)th service quality dimension as

\[
\mu_j = E_i \{E_k(x_{ijk})\}
\]

We note that \( \mu_{ij} \) takes values between -2 and 2. This interval can be viewed as a service quality continuum, with values near -2 and 2 respectively representing “bad” and “excellent” service quality scores. A natural estimate of \( \mu_{ij} \) is given by

\[
\tilde{u}_{ij} = x_{ij} = \frac{1}{n_j} \sum_{k=1}^{n_j} x_{ijk}
\]

The dimension of service quality that is perceived to be better than the other dimensions by first time bank consumers is then given by

\[
j^* = \arg \max_{j \in \{1, 2, 3\}} \tilde{u}_{j}
\]

The Repeat Measures ANOVA model

In answering the question of whether or not there exist any perceived differences in the service quality dimensions (bank customer service, service technology and infrastructure and service knowledge) among undergraduate first time bank customers in Ghana, we note that because of difference in background, exposure, etc of first time bank customers differences in response to the same questions may be very large. This variability of responses between respondents may make it difficult to detect real differences in the three service quality dimensions. In this study we control for the above variability using the repeated measures design. We consider the repeated measures design below:

Let \( Y_{ij} \) be the service quality score of the \( i \)th respondent for the \( j \)th service quality dimension. The statistical model for repeated measures design is given by:

\[
Y_{ij} = \mu_\cdot + \alpha_i + \tau_j + \epsilon_{ij}, \quad i = 1, ..., n, \ j = 1, 2, 3
\]

where \( \mu_\cdot = \) overall mean effect
In the above model, $\alpha_i$ is the respondent $i$ effect, $\tau_j$ is the $j$th service quality dimension effect, and $\varepsilon_{ij}$, the random error term and $\alpha_i$ are independent. We also use $x_{ij}$ as our observed $Y_{ij}$. Under the above formulation, it is easy to see that the estimate of the $j$th quality dimension effect is $\hat{\tau}_j = \bar{u}_{j} - \bar{u}$, where

$$\bar{u}_{j} = \frac{1}{nm} \sum_{i=1}^{n} \sum_{k=1}^{m} x_{ijk}$$

We note that the question of whether or not there any perceived differences in the service quality dimensions (bank customer service, service technology and infrastructure and service knowledge) among first time bank customers in Ghana is equivalent to testing the null hypothesis $H_0 : \tau_1 = \tau_2 = \tau_3 = 0$ against the alternative $H_a : \text{Not all } \tau_j \text{ are equal to zero}$. 

**Presentation and Discussion of Findings**

We present the distribution of responses (Strongly Disagree [SD], Disagree [D], Neither Disagree nor Agree [NDA], Agree [A], Strongly Agree [SA]) of first time bank customer to each of the 12 service quality statements in Table 3.

<table>
<thead>
<tr>
<th>Table 2: Distribution of Responses of first time bank customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITEM</td>
</tr>
<tr>
<td>Customer Service</td>
</tr>
<tr>
<td>The staff at my bank are friendly and polite to me</td>
</tr>
<tr>
<td>My bank is prompt and efficient in dealing with me</td>
</tr>
<tr>
<td>The staff at my bank are professional when dealing with me</td>
</tr>
<tr>
<td>Service Knowledge</td>
</tr>
<tr>
<td>An enquiry I recently made was handled quickly and well</td>
</tr>
<tr>
<td>A complaint I recently made was handled quickly &amp; well</td>
</tr>
<tr>
<td>The staff at my bank have the knowledge to advice me</td>
</tr>
<tr>
<td>My bank is proactive in identifying my needs</td>
</tr>
<tr>
<td>My bank understands my needs/requirements</td>
</tr>
<tr>
<td>Service Infrastructure And Technology</td>
</tr>
<tr>
<td>I like the environment in my bank</td>
</tr>
<tr>
<td>It is easy and convenient to access services from my bank</td>
</tr>
<tr>
<td>I can get advice easily from bank (by phone online and person)</td>
</tr>
<tr>
<td>My bank efficiently provides solutions to the requests I make</td>
</tr>
</tbody>
</table>

About 60% of first time bank customers in Ghana perceive their banks as prompt and efficient in dealing with them. Between 71% and 74% of first time bank customers perceive their banks’ staff as “friendly and polite” and professional when dealing with them. Whereas 69% of first time bank customers say it is easy and convenient to access services from their banks, 59% say they can easily get advice from their banks via phone, the internet or in person. The percentage of bank customers who like the environment of their banks and those who see their banks as efficient in providing solutions to their request are respectively 74% and 57%. Only 38% of first time bank customers see their banks as proactive in identifying their needs. 68% of first time bank customers in Ghana believe their bank staffs have the knowledge to advice them but only 55% believe their banks understands their needs/requirements. 56% of bank customers say their recent enquiries were handled quickly and 46% say recent complaints were handled quickly and well.
Figure 2: 95% Confidence Interval of mean service quality scores by age group and service quality dimension

Service knowledge

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Mean</th>
<th>StDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>0.4021</td>
<td>0.8406</td>
</tr>
<tr>
<td>25-34</td>
<td>0.4160</td>
<td>0.9620</td>
</tr>
<tr>
<td>35+</td>
<td>-0.0526</td>
<td>0.9161</td>
</tr>
</tbody>
</table>

Pooled StDev = 0.8625

Customer Service

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Mean</th>
<th>StDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>0.729</td>
<td>0.994</td>
</tr>
<tr>
<td>25-34</td>
<td>0.478</td>
<td>1.203</td>
</tr>
<tr>
<td>35+</td>
<td>0.076</td>
<td>1.002</td>
</tr>
</tbody>
</table>

Pooled StDev = 1.026

Service Infrastructure & Technology

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Mean</th>
<th>StDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>0.6453</td>
<td>0.9210</td>
</tr>
<tr>
<td>25-34</td>
<td>0.5000</td>
<td>1.1037</td>
</tr>
<tr>
<td>35+</td>
<td>0.3158</td>
<td>0.9496</td>
</tr>
</tbody>
</table>

Pooled StDev = 0.9488

Table 3: Mean service quality scores for the three service quality dimensions

<table>
<thead>
<tr>
<th></th>
<th>Customer service</th>
<th>Service Knowledge</th>
<th>Service Infrastructure &amp; Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean(M)</td>
<td>0.67</td>
<td>0.39</td>
<td>0.62</td>
</tr>
<tr>
<td>Stdev(SD)</td>
<td>0.99</td>
<td>0.85</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Evidence in Table 4 reveals that, first time bank consumers in Ghana see the service knowledge dimension of service quality as the least performing area of Banks in Ghana, and customer service as the best performing area. It is important to note that the overall mean score for each of the service quality dimension is less than one, indicating that service quality of banks in Ghana is far from excellent. A repeated measures Analysis of Variance revealed a main effect for service quality dimension, \( F(2, 964) < 0.0001 \). This indicates first time bank customers perceive the performance of Ghanaian banks in the area of customer service, service knowledge and service infrastructure and technology to be significantly different. Post hoc analyses using Tuckey post hoc criterion for significance indicated that the average service quality score for Ghanaian banks is significantly higher in the area of customer service (\( M = 0.67, SD = 0.99 \)) than service knowledge (\( M = 0.39, SD = 0.85 \)), \( t(964) = 10.64, p < 0.0001 \). Also, the average service quality score is significantly lower in the area of customer service (\( M = 0.67, SD = 0.99 \)) than service infrastructure and technology (\( M = 0.62, SD = 0.91 \)), \( t(964) = 7.75, p < 0.0001 \). Finally, the average service quality score is significantly lower for service infrastructure and technology (\( M = 0.62, SD = 0.91 \)) than for customer service (\( M = 0.67, SD = 0.99 \)), \( t(964) = -2.79; p = 0.015 \).
Table 4: Mean service quality scores for the various service quality dimension segmented by bank type and sex of first time bank customers

<table>
<thead>
<tr>
<th>Service quality dimension</th>
<th>Mean score (SD)</th>
<th>Mean score difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Local</td>
<td>0.320 (1.03)</td>
<td>-0.569***</td>
</tr>
<tr>
<td>• International</td>
<td>0.889 (0.89)</td>
<td>0.021</td>
</tr>
<tr>
<td>Customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Male</td>
<td>0.683 (0.97)</td>
<td>-0.363***</td>
</tr>
<tr>
<td>• Female</td>
<td>0.662 (1.00)</td>
<td>0.025</td>
</tr>
<tr>
<td>Service knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Local</td>
<td>0.162 (0.88)</td>
<td>-0.479***</td>
</tr>
<tr>
<td>• International</td>
<td>0.525 (0.80)</td>
<td>0.117</td>
</tr>
<tr>
<td>Service knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Male</td>
<td>0.414 (0.81)</td>
<td>0.025</td>
</tr>
<tr>
<td>• Female</td>
<td>0.389 (0.89)</td>
<td></td>
</tr>
<tr>
<td>Service infrastructure &amp;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Local</td>
<td>0.324 (0.97)</td>
<td></td>
</tr>
<tr>
<td>• International</td>
<td>0.803 (0.81)</td>
<td></td>
</tr>
<tr>
<td>Service infrastructure &amp;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Male</td>
<td>0.691 (0.85)</td>
<td></td>
</tr>
<tr>
<td>• Female</td>
<td>0.574 (0.96)</td>
<td></td>
</tr>
</tbody>
</table>

*** represents 0.001 significance

No significant differences in mean service quality attributable to the sex of the bank customer were observed. As shown in Table 4, although the mean service quality score for male first time bank customers appear to be higher than that of their female counterparts in all three service quality dimensions, the differences in mean service quality score observed were however not significant, even at 10% significance level. On the other hand, the mean service quality score for first time bank customers who bank with international banks ($M = 0.89, SD = 0.89$) operating in Ghana are significantly ($p < 0.0001$) higher those who bank with local banks ($M = 0.32, SD = 1.03$) for the customer service quality dimension. The story is the same for the two other service quality dimensions; that is service knowledge and service infrastructure and technology (see Table 4). Note that the mean service quality scores for first time bank customers who bank with international banks are more than double those of the local banks.

The mean and standard deviation of service quality scores of the service knowledge dimension for first time bank customers in the 15-24, 25-34 and 35+ age groups are ($M = 0.40, SD = 0.84$), ($M = 0.42, SD = 0.96$) and ($M = -0.05, SD = 0.92$) respectively. Weak significance ($p < 0.10$) exists among the above means. The negative mean score for the 35+ age group implies that this age group perceive “service knowledge” in their banks as non-existent. The mean service quality scores for the service infrastructure and technology dimension appear to be decreasing with age, though the observed decrease was not significant ($p = 0.24$). The observed decreasing trend in the mean service quality scores for the customer service dimension, were however significant ($p = 0.007$). On all three service quality dimension, international banks scored higher than local banks in Ghana and this performance could be attributable to factors such as the presence of services standards that must be rigidly adhered to; irrespective of the geographical context in which the bank is operating. These international banks also have very structured training regimes and are generally exposed to best practices from all over the world. All banks operating in Ghana however, need to revamp their service delivery propositions to properly attract, retain and cultivate members of the undergraduate student population in Ghana.
Managerial Implications and Directions for Future Research

It is fairly instructive to note that the overall mean scores for each of the service quality dimensions we measured is less than one; indicating the fact that the total service quality the undergraduate students we sampled are receiving; is average at best. In terms of human interaction, knowledge to delight customers and bank technology and infrastructure, there are clear service shortfalls that need to be addressed by banks operating in Ghana. Again, all said, bank service knowledge is also the weakest service performance parameter for banks operating in Ghana and this shortcoming needs to be addressed because weak service and product knowledge could lead to:

a) Poor performance of bank employees in critical moments of truth
b) Dissonance between corporate service promises made by banks in advertising and communication media and the way these promises are delivered or underdelivered by bank employees.
c) Employee dissatisfaction because of dysfunctional and disharmonious working relationships
d) Increases in customer discontent
e) Increases in customer attrition; and other service failures; too numerous to name within the space constraints of this article.

Banks in Ghana should establish learning and training development centres and generally foster a learning orientation in all their staff. This learning orientation should be focused on developing superlative knowledge of the employee’s own bank’s products and services, an understanding of key competitor profiles and an astute understanding of current and future customer needs. From a research standpoint, we propose to test our service quality model on a wider variety of banking audiences to ascertain the robustness of our service quality model. Also, we propose to ascertain bank executives’ perception of the service they render to the undergraduate first time customer in their bid to improve their corporate bottom-line.

References


Marketing mix elements as tools for achieving competitive advantage in Nigerian market places: multi-national and indigenous companies in perspectives

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The study investigated how Nigerian multinational and indigenous foods and beverage companies utilized marketing mix elements competitively to achieve competitive advantage, and how these variables influenced the perception of consumers to the companies’ achieving effective performance in market places. Relevant theories were employed. Two hypotheses were investigated through the survey of randomly selected forty multinational and one-hundred and twenty indigenous companies. Findings revealed that multi-national companies achieved competitive advantage and yielded better performance compared to indigenous counterparts. It was recommended that indigenous companies should adopt competitive use of elements of marketing mix, and government policies should support their economic emancipation.

Introduction/Background Information:

As at 2006, there were forty-five multi-national, and one hundred and seventy-one indigenous companies operating in Nigeria (MAN, 2007). Amanze (2008) classified three most reputable of multinational companies in order as Nestle Nigeria Plc, started operation in 1961, incorporated in 1969, listed on Nigerian Stock Exchange in 1978 and number of employees was over 3500; with net assets valued at N9.03b. Gross earning was N51.74b and net profit was N8.33b. Followed by Unilever Nigeria Plc. which started operation in 1923, was incorporated in 1924, listed on Nigerian Stock Exchange in 1973 and number of employees was over 3000; with net assets valued at N6.682m and share capital at N1.892m. Gross earning was N37,378m and net profit was N2.597m. Cadbury Nigeria Plc. started operation in 1956, was incorporated in 1965, listed on Nigerian Stock Exchange in 1976 and number of employees was over 2450; with net assets valued at N23.901m. Gross earning was N24.299m and net profit was (N2.752m). Amanze (2008) also classified indigenous companies in the order as Lisabi Mills Nigeria limited that started operation in 1936, was incorporated on 1938; the number of employees stood at 108, authorized share capital stood at N1m. Cocoa Industry limited started operation and was incorporated in 1965. Its share capital stood at N6m; with 205 employees. Consolidated Food and Beverage Limited was incorporated in 1994, and the number of employees was 600. None of these three is yet to be placed on Nigerian Stock Exchange. Based on the above background information and competitive advantage status of the respective companies, consumers perceived the companies and their products in different perspectives. Hence, two objectives this study will be setting out for are (i) to determine how marketing mix elements could be competitively used by Nigerian multi-national and indigenous companies to earn the desired competitive advantage in market places, and (ii) to show the effects of corporate image on food and beverage categories of companies vis –a- vis their industry’s performance as a result of their competitive advantage position in market places. Lagos based companies in food and beverage industry were concentrated upon.
Literature Review/Conceptual Framework

Goi (2005, p.8) defined marketing mix as the set of the marketing tools that firms use to pursue their marketing objectives in the target market; the view which was earlier expressed by (Kotler, Ang, Leong, and Tan, 1999, Gronroos, 1999, and Osuagwu, 2006). Palmer (2004) claimed that product, price, place, and promotion are set of controllable variables that marketers use to develop marketing plans and programmes, as well as long term strategies and short term tactical programmes. Rich and Eppinger (2003) defined a product, tangible or intangible, as something sold by an enterprise to its customers. Monroe (2003) defined price as the amount of money we must sacrifice to acquire something we desire. He considered price as a formal ratio indicating the quantities of money (or goods and services) needed to acquire a given quantity of goods or services as signified in the formula below:

$$\text{Price} = \frac{\text{Quantity of money or goods and services received by the seller}}{\text{Quantity of goods and services received by the buyer}}$$

Bowersox and Closs, (1996) gave ‘distribution’ as another name for place. According to them, it encompasses all these decisions and tools which relate to making products and services available to customers. Four distribution channels useable in either good or service industry were given as (i). Zero channel, (ii). One-channel, (iii). Two-channels, and (iv). Multiple channels. Collinger (2002, p.32), Mathouse and Blattberg (2005, p.4), and Fill (2006) asserted that making the products or services known to the prospective customers is the prerogative of promotion. According to them, it comprises advertising, sales promotion, personal selling (sales force), public relations and publicity, and direct marketing. Booms and Bitner (1981) suggested additional 3Ps in the context of service marketing. These are people, physical evidence, and process. The four traditional elements of marketing mix and their components are shown in fig. 1 below.
Firms in an industry tend to compete among themselves with their respective brands of a product in order to gain competitive edge (Bovee and Thill, 1992, Stokes, 2000, Adindu 2005, Stigler, 2006, Appel, 2009). The sole aims to gain higher hands in market places according to (Grant, 1995, Ferrier, et’al, 1999, Dube and Renaghan, 1999, and Kin and Oh, 2004) is called competitive advantage over other producers of similar products, and is to earn and control higher market share of the product.

**Theories of Marketing Mix:** Chisnall (1997) revealed that marketers rely on Connectionist theories when it comes to product, place and promotion as elements of marketing mix. Two objects are connected by the prospect of a reward being given as a result of certain action. Alternatively, some punishment may follow in specific situations. The theory on product and place is called pleasure pain; and the most popular ones are Pavlov’s famous experiments on conditioned reflexes in dogs. He was able to get dogs salivate by ringing a bell, signifying the availability of food (products) at a time, even when no food was available. The food (products) must have been attested to be of required quality, and a place. Thorndike postulated into the behaviour of cats enclosed in puzzle boxes (place) from which they could escape by clawing at a string or lever in order to obtain food (product). He enunciated the ‘law of effect’ which states that the creation of a strong stimulus-response association depended on the effects (reward or punishment) that followed the respond. Hull extended the ‘law of effect’ relating it closely to motivational factors. He claimed that both association and selective trial-and-error learning occur because they are able to satisfy needs. Skinner developed theory of conditioned reflex by distinguishing between responses to stimuli (elicited) and an activity actually taking place in terms of purchases (emitted responses). However, the stimuli-response model was popularized in advertising business by John B. Watson (Chisnall, 1997). Linder (2007, p.1) justified the objective of pricing for profit maximization. He postulated that (i) human beings performing any economic activity rationally aim at utility maximization. Utility can be measured in terms of profit. Thus profit maximization is justified on the ground of rationality, and (ii) economic survival; and social welfare.

**Theories Supporting Competitive Advantage**

Resource-based (RB) theory of competitive Advantage by Grant (1991): According to Grant (1991) resource-based (RB) theory of competitive advantage is seen as an “inside-out” process of strategy formulation whereby resources of the firm are first assessed into, next potential for value generation, and lastly defining a strategy that will capture maximum value in a sustainable way are put in place. Also, Porter’s (1990) theory of national competitive advantage states that with globalization, it is possible that a company in a certain part of the world producing a given product will have to deal with competition from other companies producing a similar product in other parts of the world. The theory helps firms achieve international success in a certain industry through the understanding of the combined impact of Porter’s diamond. From the review of literature, the following hypotheses were formulated:-

**Hypothesis 1:** (Ho) The usage of marketing mix elements by multinational food and beverage companies would not result to earn higher competitive advantage over their indigenous counterparts in Nigerian market places.

**Hypothesis 2:** (Ho) There is no significant difference in the customers’ perceived image and performances of multinational and indigenous companies as a result of their respective competitive advantage in Nigerian market places.
Methodology
Survey method was adopted with a well structured questionnaire; used to gather information from top executives/management staff involved in marketing activity in the two categories of companies sampled. Sample frame available was 216, (45) multinational, and (171) indigenous registered food and beverage companies. By simple random sampling technique, sample sizes of (40) multinational, and (120) indigenous companies were selected using Yard’s formula and popularly postulated by Guilford and Fruchter (1973) with 95% confidence level at 5% error tolerance. Validity and reliability of the instrument were measured at Cronbach’s alpha of 0.69 and alternative form validity of 0.62. Descriptive and statistical analyses were used in analyzing the data collected with the aid of Statistical Package for Social Sciences (SPSS). Analysis of Variance (ANOVA) was used in testing the stated hypotheses. All the steps recommended in using ANOVA were observed. Based on 8 copies for a company, 300 copies of questionnaire were distributed to multinational companies. 231 copies were returned, 18 were rejected for impropriety, while 213 (71%) copies were used. 500 copies of questionnaire were distributed to indigenous companies. 340 copies were returned, 16 were rejected, while 324 (64.80%) copies were used.

Results and Discussion
Table 1: Summary of Mean and Standard Deviation Using Marketing Mix Elements of Multinational and Indigenous Companies to Earn Competitive Advantage. MNC\textsubscript{SN} = 213, INC\textsubscript{N} = 324

<table>
<thead>
<tr>
<th>Competitive Advantage Components</th>
<th>Marketing Mix Elements</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean MCs</th>
<th>Mean ICs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Growth of Companies Profits.</td>
<td>Product</td>
<td>537</td>
<td>3.5140</td>
<td>1.14128</td>
<td>3.06</td>
<td>2.08</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>537</td>
<td>3.1564</td>
<td>1.12706</td>
<td>3.01</td>
<td>2.36</td>
</tr>
<tr>
<td></td>
<td>Place</td>
<td>537</td>
<td>3.3557</td>
<td>1.16147</td>
<td>3.22</td>
<td>2.36</td>
</tr>
<tr>
<td></td>
<td>Promotion</td>
<td>537</td>
<td>3.3371</td>
<td>1.19701</td>
<td>3.06</td>
<td>2.01</td>
</tr>
<tr>
<td>Accrued Market Shares of Companies.</td>
<td>Product</td>
<td>537</td>
<td>3.3687</td>
<td>1.12219</td>
<td>3.53</td>
<td>3.31</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>537</td>
<td>3.3259</td>
<td>1.14928</td>
<td>3.45</td>
<td>2.08</td>
</tr>
<tr>
<td></td>
<td>Place</td>
<td>537</td>
<td>3.3501</td>
<td>1.16717</td>
<td>3.64</td>
<td>3.06</td>
</tr>
<tr>
<td></td>
<td>Promotion</td>
<td>537</td>
<td>3.3</td>
<td>1.25740</td>
<td>2.24</td>
<td>3.06</td>
</tr>
<tr>
<td>Accrued Returns on Capital Employed.</td>
<td>Product</td>
<td>537</td>
<td>3.4209</td>
<td>1.09006</td>
<td>3.00</td>
<td>2.08</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>537</td>
<td>3.2365</td>
<td>1.05711</td>
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<td>2.16</td>
</tr>
<tr>
<td></td>
<td>Place</td>
<td>537</td>
<td>3.4525</td>
<td>1.15338</td>
<td>3.42</td>
<td>2.18</td>
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<tr>
<td></td>
<td>Promotion</td>
<td>537</td>
<td>3.4637</td>
<td>1.09233</td>
<td>3.44</td>
<td>2.26</td>
</tr>
<tr>
<td>Use of Modern Technology</td>
<td>Product</td>
<td>537</td>
<td>3.5214</td>
<td>1.14116</td>
<td>3.00</td>
<td>2.04</td>
</tr>
<tr>
<td>Companies Sales Achieved.</td>
<td>Price</td>
<td>537</td>
<td>3.5531</td>
<td>1.19914</td>
<td>3.00</td>
<td>2.18</td>
</tr>
<tr>
<td></td>
<td>Promotion</td>
<td>537</td>
<td>3.3352</td>
<td>1.16515</td>
<td>3.24</td>
<td>2.16</td>
</tr>
</tbody>
</table>

Source: Researcher’s Analysis of Field Survey, 2007/2008

As shown in table 1 above, the means of multinational companies were higher in the use of marketing mix elements to achieve all the four components of competitive advantage in market places compared to those of indigenous counterparts.

Test of Hypotheses: Hypothesis One: The usage of marketing mix elements, product, price, place, and promotion by multinational food and beverage companies would not result to earn higher competitive advantage over their indigenous counterparts in market places.
Table 2: Mean and Standard Deviation on the Use of Marketing mix Elements, Based on Competitive Advantage Status by Multinational and Indigenous Companies.

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing mix elements adopted by multinational companies</td>
<td>213</td>
<td>42.64</td>
<td>0.42</td>
</tr>
<tr>
<td>Marketing mix elements adopted by indigenous companies</td>
<td>324</td>
<td>28.46</td>
<td>1.64</td>
</tr>
<tr>
<td>Competitive Advantage accruable to multinational companies</td>
<td>213</td>
<td>61.34</td>
<td>1.14</td>
</tr>
<tr>
<td>Competitive Advantage accruable to indigenous companies</td>
<td>324</td>
<td>44.28</td>
<td>1.42</td>
</tr>
</tbody>
</table>

Source: Researcher’s Analysis of Field Survey, 2007/2008

Table 2 above shows that using four elements of marketing mix, multinational companies had higher means and standard deviations than indigenous companies. Equally, in terms of competitive advantages multinational companies performed better than indigenous ones. The question now is, was the difference significant enough or was it as a result of sampling error? The answer is presented in table 3 below.

Table 3: Summary of ANOVA on the Adoption of Marketing Mix in form of Product, Price, Place, and Promotion and Returns on Competitive Advantages Accrueable to Multinational and Indigenous Companies.

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>240.973</td>
<td>9</td>
<td>26.775</td>
<td>26.774</td>
<td>.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>3479.758</td>
<td>1</td>
<td>3479.758</td>
<td>3479.629</td>
<td>.000</td>
</tr>
<tr>
<td>Company Types</td>
<td>2.823</td>
<td>1</td>
<td>2.823</td>
<td>2.843</td>
<td>.092</td>
</tr>
<tr>
<td>4Ps of Marketing mix</td>
<td>28.489</td>
<td>4</td>
<td>7.122</td>
<td>7.172</td>
<td>.000</td>
</tr>
<tr>
<td>Company Types * 4Ps of Marketing mix</td>
<td>11.107</td>
<td>4</td>
<td>2.777</td>
<td>2.796</td>
<td>.026</td>
</tr>
<tr>
<td>Error</td>
<td>523.309</td>
<td>527</td>
<td></td>
<td>.993</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7357.000</td>
<td>537</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>698.004</td>
<td>536</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R Squared = .250 (Adjusted R Squared = .237)*significant at 0.05 two tailed test

Source: Researcher’s Analysis of Field Survey, 2007/2008

Table 3 above shows the Competitive use of marketing mix elements by multinational and indigenous companies culminated into significant difference in competitive advantage earned at $f_{(4, 537)} = 7.172$, at 0.05 significant level. The fact that these two organizations are significantly different in operation equally contributed to significant difference in competitive advantage earned $f_{(1, 537)} = 2.843$, at 0.05 significant level. In testing this hypothesis, the findings indicated that there was a significant difference in $f_{(4, 537)} = 2.796$ at 0.05 significant level. This implied that the first hypothesis was rejected and alternative hypothesis retained; which meant that the Competitive use of marketing mix elements as adopted by multinational companies yielded higher competitive advantage than those of indigenous companies using same elements.

Hypothesis Two: There is no significant difference in the customers’ perceived image and performances of multinational and indigenous companies as a result of their respective competitive advantage in Nigerian market places.
Table 4: Mean and Standard Deviation of Corporate Image and Performances of Multinational and Indigenous Companies Based on their Advantage Status.

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived corporate image</td>
<td>213</td>
<td>22.12</td>
<td>0.42</td>
</tr>
<tr>
<td>of multinational companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived corporate image</td>
<td>324</td>
<td>12.32</td>
<td>1.54</td>
</tr>
<tr>
<td>of indigenous companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multinational companies’</td>
<td>213</td>
<td>68.20</td>
<td>0.22</td>
</tr>
<tr>
<td>Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous companies’</td>
<td>324</td>
<td>26.12</td>
<td>0.96</td>
</tr>
<tr>
<td>Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Analysis of Field Survey, 2007/2008

Table 4 above shows the difference between means of corporate image and resultant performances of multinational and indigenous companies. Multinational companies had better corporate image than indigenous ones as perceived by consumers. Equally, the performances of the two indicated that multinational companies performed better than indigenous ones. The question now is, was the difference significant enough or was it as a result of sampling error? The answer is presented in table 5 below.

Table 5: Summary of Analysis of Variance of Perceived Corporate Image of Multinational and Indigenous Companies Based on their Advantage Status

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>240.973</td>
<td>9</td>
<td>26.775</td>
<td>26.427</td>
<td>.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>3479.758</td>
<td>1</td>
<td>3479.758</td>
<td>4179.421</td>
<td>.000</td>
</tr>
<tr>
<td>Perceived corporate image</td>
<td>2.823</td>
<td>1</td>
<td>2.823</td>
<td>4.746*</td>
<td>.042</td>
</tr>
<tr>
<td>Company Types</td>
<td>19.015</td>
<td>1</td>
<td>4.754</td>
<td>5.230*</td>
<td>.000</td>
</tr>
<tr>
<td>Company Types * Perceived corporate image</td>
<td>11.107</td>
<td>4</td>
<td>2.777</td>
<td>6.224</td>
<td>.026</td>
</tr>
<tr>
<td>Error</td>
<td>523.309</td>
<td>527</td>
<td>.993</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7357.000</td>
<td>537</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>698.004</td>
<td>536</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a R Squared = .250 (Adjusted R Squared = .237)*significant at 0.05 two tailed test

Source: Researcher’s Analysis of Field Survey, 2007/2008

Table 5 above shows the perceived corporate image of multinational and indigenous companies culminated into significant difference in performance at f (4, 537) = 4.746, at 0.05 significant level. The fact that these two organizations are significantly different in operation equally contributed to significant difference in performance at f (1, 537) = 5.230, at 0.05 significant level. In testing this hypothesis which combined the two variables together, the findings indicated that there is a significant difference in performance at f (4, 537) = 6.224 at 0.05 significant level. This implies that hypothesis two was rejected and alternative hypothesis retained. This meant that favourable corporate image of multinational companies’ as perceived by consumers was as a result of their higher competitive advantage in market places; hence they were perceived to have better performance than indigenous companies.

Conclusion from the Findings

The evidence from the findings suggested that multinational and indigenous companies, using the 4Ps elements earned comparative advantages, and were distinctly perceived. These influenced favourably performances of multinational companies in Nigerian market places. (i) multinational companies’ use of the elements of marketing mix yielded higher competitive advantage than that of indigenous companies in market places, and (ii) the favourable corporate image of multinational companies as perceived by
consumers yielded better performance compared to that of indigenous companies due to accrued higher competitive advantage.

Implication of the Findings: (ii) Operators of indigenous companies must produce superior products; charge competitive prices, position appropriately, promote widely, and provide other distinctive functional benefits to consumers. Today's indigenous marketers must find new ways of differentiating their products and services, adopting relationship marketing.

(iii) Federal and State governments would be guided on the appropriate policies to be formulated for effective emancipation of indigenous food and beverage companies’ operations in Nigeria which could lead to technological and scientific ways of tapping the abundant human and natural resources for the administration, distribution, and marketing of finished goods. This practice will assist development of small and medium enterprises in diverse areas of food and beverage; consequently the Nigerian economy will improve.

(iv) Federal and State governments, with their appropriate agencies need to re-orientate Nigerians on patronizing locally produced goods and services. Leaders in fields of endeavour particularly should exhibit positive examples on this freely to the knowledge of citizenry.

(v) What this research study has done is to reveal numerous research opportunities in the field of marketing, particularly focusing on the development of Nigeria’s indigenous companies. Opportunities for research also abound in the contents of inter-relationship between marketing, management, and technological programmes to achieve acceptable performance of different sectors of the economy. From the types of companies studied, this study revealed the wide gap performance ratio of multinational and indigenous companies; hence multinational companies were found to dominate the industry with their brands of foods and beverages. There is therefore need to intensify efforts on studying the paths for growth and development of Nigeria’s indigenous companies. Marketing is still relatively new among the numerous operators of indigenous companies. There’s need by the academics/researchers to popularize its concepts, philosophies, and other practices for adoption.

REFERENCES


The effects of service recovery on Consumer Satisfaction and Customer Loyalty

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komundafred@gmail.com

The study investigated the effects of service recovery (SR) on customer satisfaction and loyalty in Banks. A survey questionnaire was used in the study. The results showed that communication had a significant relationship with SR and effective SR results into complainant satisfaction. Successfully recovered customers recommend the company to others or demonstrate a strong propensity to share positive information about their experience. Levels of significance of communication and customer loyalty in banks were significantly high for those respondents who were satisfied with the SR. Service failures should be handled quickly to attain customer satisfaction and training bank staff for communication effectiveness.

Background to the study

From surveys, recovering effectively from service failures contributes to customer evaluations of firms. When firms carry out effective complaint handling, this may lead to a great impact on customer retention rates, deflect the spread of damaging word of mouth and improve bottom line performance (Hoffman, 1999). When customer complaints are well resolved and the relationship between firms and customers is improved, this may lead to improvement in terms of customer satisfaction, trust and commitment to the firm (Morgan and Hunt, 1994). The major aim of complaint management approaches of service quality leaders is the desire to provide just resolutions/fairness in service recovery when there is dissatisfaction on the side of customers. Consumer complaints enable disappointed customers a chance to vent their unhappiness (Nyer, 2000). Alicke et al, 1992) adds that complaining was to vent negative emotions. Complaints are a very useful form of consumer initiated market information that can be used to make strategic and tactful decisions (Nyer, (2000 p. 9).

Service recovery and complaint handling can be seen as critical “moments of truth” for organisations in their efforts to satisfy and keep customers (e.g. Stauss and Deidel, 1998; Schoefer and Ennew, 2005); have repatronage intentions, keep customers happy (Priluck and Lala (2009); and have positive word of mouth recommendations (Blodgett et al, 1997; Ballantyne and Varey, 2006). In sufficient numbers, consumer complaints may stimulate regulatory action against a company and destroy a product, dilute or erode a brand equity and in the process market share (Jacoby and Jacard, 1981; Ian and Sari, 2004). For these reasons, it’s clearly evident that customer complaint behaviour needs serious attention. This research therefore employs the justice dimension theory to classify service failure incidents. In this study, the underlining justice dimensions are distributive justice where most customers who are dissatisfied with the outcomes they received believe that there is a problem of inequity and may result in dissatisfaction if a service provider does not recognize the cost in time and effort that a customer spends to seek compensation for the inequity (McCollough et al, 2000; Smith et al; 1999); procedural justice for example, if a customer finds it difficult to engage in a process, and there is prolonged time involvement or cost, a complaint can be classified as falling into procedural justice dimension like failing to honour promises by sales people (Schoefer, Ennew, 2005). And interactional justice is a situation where some customers may feel unfairly treated even when the decision procedure and outcomes were fair (Blodgett et al, 1997; Tax et al, 1998).
PROBLEM STATEMENT

An avoidable breakdown in relationship may occur because the buyer’s complaints have not been handled appropriately (Hart et al, 1990; Bamford, 2006). Despite the negative impact of dissatisfaction and high cost of acquiring new customers (Hart et al, 1990), many Companies still assign relatively low priority to dealing with customer complaints, to the extent that customers are often actively discouraged from complaining (Naylor, 2003). Fewer than 50% of the complainants receive a reply from the company and those that do often view the organisation’s response as unsatisfactory with slow responsiveness (Nayor, 2003) and rudeness (Bamford, 2006). Andeassen (2001) adds that only 30% of complaining customers are happy with the Company’s complaint handling efforts. It is not necessarily the initial service failure which leads to dissatisfaction and consequently to disloyalty, but the organization’s subsequent lack of satisfactory response to the situation (Bamford, 2006). The complainants who perceive a lack of justice are unlikely to repatronize the seller and may attempt to get even (Hart et al, 1990) by engaging in negative word of mouth behaviour, stop buying and warning others not to shop there. Customers with complaints get more angry when they get ignored, regret their wasted time, may feel guilty for complaining and may fight to get heard consequently they may join other banks (Bamford, 2006).

Purpose of the study

The purpose of the study investigated the effects of service recovery on customer satisfaction and customer loyalty.

Research objectives

I. To establish the influence of customer satisfaction, on customer loyalty.
II. To investigate the effects of service recovery and communication on customer satisfaction.
III. To establish the relationship between service recovery, attitude to complaining and customer loyalty.
IV. To establish the relationship between attitude towards complaining, conflict management and customer loyalty.

Significance of the study

The study examined the concepts of relationships in service recovery, customer satisfaction and customer loyalty in the banking services sector in Uganda. The results obtained was used by bank managers, other employees and consumers to proactively address problems which would otherwise lead to breaking relationships between customers and the banks.
Customer loyalty
And customer loyalty is established when the customer makes a commitment to the brand and makes a repurchase decision (Reichheld and Sasser, cited in Lovelock, 1992); and its not just repurchasing due to inertia (Bloemer and Kasper, 1995). Customer loyalty is a complex multi-dimensional concept defined as a deeply held commitment to re-buy or repatronise a preferred product/service consistently in the future (Oliver, 1997). Many researchers and consultants argue that there must be strong “attitudinal commitment” to a brand for true loyalty to exist (Day, 1969; Foxall and Goldsmith, 1994; Mellens et al., 1996; Reichheld, 1996). Also, Customer loyalty is seen as taking the form of a consistently favorable set of stated beliefs towards the brand purchased. These attitudes may be measured by asking how much people say they like the brand, feel committed to it, will recommend it to others, and have positive beliefs and feelings about it – relative to competing brands (Dick and Basu, 1994). The strength of these attitudes is the key predictor of a brand’s purchase and repeat patronage. Oliver (1997, p. 392) refers to customer loyalty to mean “A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior. And repeat patrons are less expensive to target since names, addresses and other data are known (Reid and Reid, 1993). Since competition in markets has intensified, Singh and Sirdeshmukh (2000) suggest that customer loyalty is rapidly becoming the market place currency of the 21st century.
WORD OF MOUTH

Word-of-mouth (WOM) refers to the informal communication between consumers about the characteristics of a business or a product. It provides consumers with information about a firm that assist them to decide if they should patronize it (Lundeen et al., 1995). In a service setting, it is important that if failure occurs steps must be taken to pacify the dissatisfied customers. If not, it is highly likely that they will either exit or engaged in negative WOM to the detriment of the service provider. The end result would be lost sales and profits. On the other hand, consumers who receive fair service recovery are more likely to repatronize the service provider and even engage in positive WOM behavior, thus spreading goodwill for the service provider. As such, satisfaction with service recovery would encourage positive WOM communication.

CUSTOMER SATISFACTION

Satisfaction is commonly defined using the expectancy disconfirmation paradigm (Oliver, 1996), which claims that when consumers receive a service that is better than expected, they will be satisfied. Alternatively, service that is worse than expected leads to dissatisfaction. According to the disconfirmation theory, satisfaction results when the consumer has an encounter that is better than expected. In service recovery research, two evaluation phases occur. Customers evaluate the initial service, whereby satisfaction is generally lower if a service failure happened. After a service failure happens, customers may go through a recovery process with the firm, which leads to a second evaluation.

CONFLICT HANDLING

Conflict handling refers to a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise (Reynolds and Harris, 2005). How well the conflict and dissatisfaction is handled will determine whether the outcome is loyalty, “exit” or “voice”. Chan, (2005) asserts that the likelihood of these behaviours depends on the degree of prior satisfaction with the relationship and the customer's investment in the relationship.

COMMUNICATION

By communication, we refer to written communications such as personalized letters, direct mail, Web site interactions, other machine-mediated interactions, and e-mail, as well as in-person communication with service personnel before, during, and after service transactions. In these communications, “good” is defined as helpful, positive, timely, useful, easy, and pleasant. The service provider, in short, provides information in such a way that the customer personally benefits with a minimum of effort necessary to decode the communication and determine its utility. Such communication is often personalized or delivered in a person-to-person format.

SERVICE RECOVERY

In case of any service failure, firms need to go through a recovery to improve on their relationships with customers. A service failure refers to “any service-related mishaps or problems (real and/or perceived) that occur during a consumer's experience with the firm” (Maxham, 2001). Cranage (2004) Service recovery refers to actions taken by a service provider in order to try to resolve the problem that caused the service failure. Effective service recovery results into complainant satisfaction and recovery (Karatepe & Ekiz, 2004). Service recovery is a neglected aspect of service marketing and one which warrants much greater research attention (Singh and Sabol, 2002). Service recovery involves: interaction between a service provider and a customer; a shortfall in the provision of the original service; a response on the part
of the provider to the service shortfall; and a desired result, to turn a dissatisfied customer into a satisfied one. In conclusion, due to the unique nature of services, it is impossible to ensure 100% error free service (McCollough; Berry and Yadav, 2000). And service failure and recovery is a crucial issue for both service managers and researchers.

METHODOLOGY

Both the qualitative and quantitative research was used to capture the views and opinions of respondents. The successive triangulation (use of both qualitative and quantitative methods) was used in the study. This lead to getting quality and quantity information about the subject under study. The respondents were mainly covered using questionnaires and interview guides to enable them to describe the customer’s feelings, beliefs and attitudes regarding the services got from bank stores. The unit of analysis was the customers who benefit from the services of the selected banks. The Human Resource Manager was contacted to get permission to interview the customers. Participation of the respondents was voluntary.

Area of study
The study was carried out in selected districts in Uganda with visits to banks in the selected banks of Kampala. The unit of analysis was customers to the banks.

Tools of data collection
Secondary and primary data collection methods were used. The qualitative and quantitative research was used to capture the views and opinions of respondents for the study. Customers of the bank were the unit of the sample. Sample size was determined basing on the Krejcie and Morgan (1970) and it was 120. With the primary data, semi-structured questionnaires with both structured and unstructured questions were filled by respondents that were selected to participate in the study. Questionnaires were used because they cover a large number of respondents in a relatively short time and reliable data can be generated since the questions asked can be responded to at the respondents appropriate time. Interviews were carried out using an interview guide to the customers in various banks as the researcher found appropriate. The customers were interviewed individually and encouraged to speak freely about the research topic in order to get the fullest descriptions of their experiences. After collecting data, it was edited and the validity and reliability tests were run; and then the data from the reliable instruments was entered in the SPSS packages and analyzed, and a report presented.

Data collection.
Data were collected through questionnaires administered at Makerere University Business School where all the staff are paid through the banks. The systematic sampling procedure was employed to ensure that sample included different demographic and socio-economic groups. The researcher approached every fifth university staff that entered the main building. The instrument was first designed; pilot tested to check for ambiguities and incomprehensiveness. Changes were incorporated into the final version. The questionnaire consisted of three sections. The first section contained questions regarding demographic characteristics of the respondents such as their gender, age, the highest level of their education and their gross personal income per month. In the second section, respondents were asked to recall an unsatisfactory purchase experience within the last 12 months. They were asked about service and to specify the complaint actions they had taken in response to the dissatisfaction. Questions using a five point Likert scale ranging from strongly agree to strongly disagree was adopted regarding service recovery, communication, conflict handling, customer satisfaction and customer loyalty.
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Data analysis
Reliability estimates: Cronbach's alpha was used to assess measurement reliability. The cronbach alpha of loyalty was at 0.8700; the cronbach alpha of customer satisfaction was 0.6084; the cronbach alpha of service recovery was 0.7857; the cronbach alpha of communication was 0.6100 and the cronbach alpha of conflict handling was 0.5777. The instrument was reliable and valid.

FINDINGS

a) The findings indicated that Service Recovery has a significant relationship with customer loyalty at r=0.641**; P=0.000.

b) The findings indicate that Service Recovery has a significant relationship with communication at r=0.731**; P=0.000.

c) The findings indicate that communication has a significant relationship with customer satisfaction at r=0.700**; P=0.000.

d) The findings indicate that Communication has a significant relationship with conflict handling at r=0.576**; P=0.000.

Discussion

The findings showed that the customer’s complaints level of satisfaction with service recovery was significantly affected by loyalty were also found to be affected by customer’s satisfaction with communication and service recovery (Morgan and Hunt, 1994; Tax, Brown and Chandrashekaran, 1998). Further, Spreng et al. (1995) found that service recovery performance influenced overall satisfaction and behavioural intentions such as word-of-mouth communications and repurchase intentions. Further evidence of satisfactory problem resolution resulting in enhanced repurchase intentions is provided by Singh and Sabol (2002). These findings imply that strong service recovery may enhance customer loyalty, a conclusion which is supported by other authors (Michel, Stringfellow, Sukumar, 2004).

The findings indicated that satisfaction has a significant relationship with customer loyalty at r=0.000**; P=0.000. Error free, “very satisfying” initial transactions are the best way to derive customer satisfaction (Michel, 2004, Michel and Meuter, 2008). The levels of communication and loyalty were significantly higher for those respondents who were satisfied with the service recovery compared with those who were dissatisfied. It is therefore essential to provide service right at the first time. This is confirmed by various researchers that due to the increasing competitive pressures in many service industries, coupled with declining perceptions of customer service, have led to increased attention to customer satisfaction and service recovery in recent years (Maxha,, 2001; Maxham and Netemeyer, 2002, 2003; McCollough et al, 2000; Swanson and Kelly, 2001).

Conclusion

The levels of significance of communication and customer loyalty were significantly very high for those respondents who were satisfied with the service recovery. The importance of communication in service recovery was confirmed as it positively impacts on customer loyalty. Communication effectiveness should affect all aspects of the relationship, satisfaction, and loyalty. And customer satisfaction with service recovery leads to a high level of customer loyalty through positive word of mouth behavior and repurchase intentions.
Recommendations

1. The banks should target to provide the service right first time to aim at winning the trust of the customers or handle customer complaints quickly to improve on the attitudes of the customers.
2. Employees should be trained to improve on their interpersonal relations to create an understanding between the customers and the bank.
3. Bank managers need policies and systems to work on service recovery with improved communication to attain more reliable customers.
4. Service recovery can be improved with modern communication methods like use of telephone; internet can nurture loyalty and provide scope to establish enduring relationships with customers and a wider network of contacts.
5. Quick and timely service recovery is important for banks to have loyal customers and handling any conflicts between employees and customers.

Practical implications

From the survey, the findings in the study confirmed the importance of communication in service recovery. Satisfaction with service recovery also leads to a higher level of customer loyalty through positive word-of-mouth behavior and repurchase intention. Quick timely service recovery is important for banks to have loyal customers and handling conflicts between employees and customers to achieve cost benefit of customer loyalty as advocated by Lee, and Cunningham (2001).

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Attitudes, behaviour consistency and the role in consumer behavior

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This paper explores attitudes in relation to behaviour consistency and the role in consumer behaviour. Components of behaviour, the four main functions of attitude provide for individuals, attitude formation, sources of attitude, the importance of interrelationships between attitudes, factors affecting attitude change and attitude consistency were discussed addressing its various applications. Finally, the paper addressed significant areas of attitudes and how it can be successfully applied in marketing (implications for marketing).

INTRODUCTION

It is obvious that businesses and social agencies alike often succeed in altering behaviour by changing attitude toward a product, service, or activity. These changes however can result in injurious or beneficial consumption decisions. Attitudes are shaped by our values and beliefs which are learned. An attitude is a person’s point of view toward something. A person may have positive attitudes toward Jacuzzi Whirlpool bathtubs but has no intention of buying.

In addition, people have attitudes also regarding religion, politics, clothes, music, food and almost just about everything else.

Finally, attitude is any enduring organization of motivational, emotional, perceptual and cognitive processes with respect to some aspect of our environment (Hawkins, Best and Coney 2001). It is a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object. Thus, an attitude is the way we think, feel, and act toward some aspect of our environment such as a retail store, television programme or product. Today, there are two prevailing schools of thought regarding the structure of an attitude the trilogy approach and the affect global approach

ATTITUDE FORMATION

Attitudes tend to develop selectively. People pick and choose according to their needs, past and present. As they develop and gain experience of life, increasing, their responsibilities, and acquiring an ever growing number of needs, attitudes towards persons, products, and other phenomena are likely to change.

SOURCES OF ATTITUDES

Attitudes may be acquired or modified by influences arising from four principal sources: information exposure, group membership, environment, and want satisfaction. The role of cognition in individual behaviour is widely recognized and it s too well known that personal factors, such as subjective perception affect the reception of information by individuals.

FOUR MAIN FUNCTIONS ATTITUDES PROVIDE FOR INDIVIDUALS

The four key functions attitudes serve for individuals include:

- **Knowledge function:** In this knowledge function, attitudes serve primarily as a means of organizing beliefs about objects or activities such as brands and shopping. These attitudes may be accurate or inaccurate with respect to “objective reality, but the attitude will often determine subsequent behaviour’s rather than reality.
• **Value – Expressive Function:** Other attitudes are formed and serve to express an individual’s central values and self concept. So, consumers who value nature and the environment are likely to develop attitudes about products and activities that are consistent with that value.

• **Utilitarian function:** This function is based on operant conditioning. Here, we tend to form favourable attitudes towards objects and activities that are rewarding and negative attitudes towards those that are not.

• **Ego-defensive function:** In this regard, attitudes are often formed and used to defend our egos as well as images against threats and short-comings.

**COMPONENTS OF ATTITUDES – THE TRILOGY APPROACH**

The trilogy approach recognizes that a person’s complete attitude toward an object consists of three components: cognitive (beliefs), affective (feelings), and behavioural (response tendencies). Each of these attitude components will be addressed in more detail. The trilogy approach suggests that the complete measurement of attitudes cannot be achieved using a single-item or multiple-item global scale design but rather requires the development of some type of multiplicative additive model. In other words, to measure attitudes, the market researcher must collect several types of attitudinal data and then, through a modeling process, derive a composite attitude score. Several types of multiplicative-additive models have been developed, and the two most commonly used ones are attitude-toward-object and attitude–toward–behaviour.

**COGNITIVE COMPONENT**

The cognitive component: consists of a consumer’s beliefs about an object. For most attitude objects, we have quite a number of beliefs, for example we may have the belief that Indomie noodles are popular with younger consumer, convenient and quick to prepare, has variety of sauces, reasonably and competitively priced against spaghetti, make by a very reputable large multinational firm. The total configuration of beliefs about this brand of food represents the cognitive component of an attitude toward Noodles Dew. This logic underlies what is known as the multiattribute attitude model.

**AFFECTIVE COMPONENT**

The Affect Component deals with feelings or emotional reactions. For instance, a consumer who says, I like Schweppes or Schweppes is a terrible drink is expressing the results of emotional or affective evaluation of the product. Thus the statements, Schweppes taste bad and Schweppes is not good for your health, simply imply a negative affective reaction to specific aspects of the product that, in combination with feelings about other attributes, will determine the overall reaction to the brand.

**BEHAVIOURAL COMPONENT**

The Behavioural component of an attitude is ones tendency to respond in a certain manner toward an object or activity. For example, in deciding whether to shop at a warehouse – type food store, a consumer might obtain information about what the store offers from advertising, trial visits, and input from family, friends, and associates (cognitive component). Thus for retail outlets, it is possible and common to react behaviourally to specific beliefs about the outlet.
### FIGURE 1: ATTITUDE COMPONENT AND MANIFESTATIONS

<table>
<thead>
<tr>
<th>INITIATOR</th>
<th>COMPONENT</th>
<th>MANIFESTATION</th>
<th>ATTITUDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimuli: Products, situations, retail outlets, Sales personnel, advertisement, and other attitude objects</td>
<td>Affective</td>
<td>Emotions or feelings specific attributes or overall object</td>
<td>Overall orientation toward object</td>
</tr>
<tr>
<td></td>
<td>Cognitive</td>
<td>Beliefs about specific attributes or overall object</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Behaviour</td>
<td>Behavioural intentions with respect to specific attributes or overall object</td>
<td></td>
</tr>
</tbody>
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Behaviour learning generally is the process of developing automotive responses to a situation built up through repeated exposure to it. Four variables are commonly central to how consumers learn from repeated experience: **drive, Cue, response and reinforcement.** A **drive** is a need that moves an individual to action. Drives such as hunger, might be represented by motives. A **Cue** is a Stimulus or symbol perceived by consumers. A **response** is the action taken by a consumer to satisfy drive and reinforcement is the reward.

### CONSISTENCY IN RELATION TO THE ATTITUDE COMPONENTS

Significantly, all three attitude components tend to be consistent. Simply out, this means that a change in one attitude component tends to produce related changes in the other components. This tendency is the basis for a substantial amount of marketing strategy, all three components maintain a relatively stable and balanced relationship to one another. Together, they form an overall attitude about an object or idea.

- The links between the measurements of cognitive, Affective and behavioural is important to market researchers. Market researchers tend to have mixed feeling about the strength of the relationships between the cognitive and affective components as they are used to explain or predict market place behaviours. Some researchers have found that when people’s beliefs toward an object (eg; the 1999 Mazda Millenia) coincide with their associated feelings, then attitude consistency exits and behaviour is more likely to be predictable. Yet others have found only limited relationships among the three components. Today’s markets should be aware of several factors that can operate to reduce consistency between measures of beliefs, feeling, and observation of marketplace behaviour. Such factors are that:
  - A favourable attitude requires a need or motive before it can be translated into action.
  - Translating favourable beliefs and feelings into ownership rewrites ability.
  - Some attitude scales measure only on concept, construct, or object at a time.
FACTORS AFFECTING ATTITUDE CHANGE

Not all attitudes are likely to be subject to the same susceptibility to change. Variations will be affected by the characteristics of attitudes already held by an individual, and also by his personal characteristics. The following attitudinal characteristics have been noted as important in determining attitude change.

1. **Extremes**: More extreme attitudes tend to resist change.
2. **Multiplicity**: Complex attitudes are relatively easier to move in a congruent direction than simplex.
3. **Inter-connectedness**: The systematic organization of attitude into personal value systems may render particular attitudes very difficult to change in an incongruent direction. An isolated attitude, on the other hand, may be more susceptible to change, because it has no related attitudes to support it.
4. **Consonance**: Consistent attitudes tend to be stable; there is mutual support among their components. This theory of consonance was developed by Zajono (1960).
5. **Strength and Number of Wants Served by Attitude, and Centrality of Values**: Attitudes serving many important needs which are closely related will be less susceptible to change of an incongruent nature. But concurrent change would be likely to be more easily affected. In addition, some personality characteristics which appear to influence attitudinal change include:
   1. **Intelligence, General Persuasibility, self –defensiveness**: It has been studied at some length by neo-Freudian researchers. Cognitive Need and Styles: (Kelman, 1961; Katz (1960))
   2. **Group Affiliation**: (Kelley and Volkart 1952) (Holland and Janis 1953)

MARKETING IMPLICATIONS ASSOCIATED WITH ATTITUDES

The theories of attitude presented in this paper suggest a number of basic strategies that could be applied by the marketer.

1. He could try to modify those attitudes that strongly influence the purchase of a particular produce class, so as to bring consumer attitudes in line with his company’s offerings.
2. He could try to change the consumer’s choice criteria by adding to the product characteristics already established as being important to the consumer.
3. Alternatively, if a brand is rated higher than competing brands for a particularly product attribute, the marketer may seek to change consumers’ perceptions of the importance of this particular attribute in relation to other product characteristics.
4. Another strategy would be to attempt to bring consumer’s perception of a particular brand in line with his gesture of the ideal brand.

CONCLUSION

Attitudes play a major role in the purchase decision process. Attitudes are characterized therefore, by a predisposition or state of readiness to act or react in a particular way to certain stimuli. Because they are relatively enduring in nature, they have particular interest for marketing strategies. They do not guarantee that certain types of buying behaviour will occur, but they are useful as guides to what buyers are likely to do in certain circumstances. Attitudes influence the lives of everyone, and affect the ways in which individual’s judge and react towards other people, objects and events. So, much of live is governed, by the attitudes-favourable or other wise-which are held by people. In the recent years, interest has been focused particularly on the influence of attitudes on buying behaviour, and researchers have attempted to acquire deeper knowledge of the attitudinal characteristics of particular types of buyer. In advertising research, for instance, the changing of consumers’ attitudes towards specific products and services was considered to be a very useful method of assessing the effect of advertising. Further, once awareness is obtained, advertising can influence the creation of attitudes. A weak attitude can be easily influenced by
information from either advertising or other sources. Advertising can strengthen beliefs about a product;
thereby strengthen the position or weaker beliefs held about a competitive product.

Finally, attitudes are learned predispositions to respond to an object or class of objects in a
consistently favourable or unfavourable way. Attitudes are based on a person’s values and beliefs
concerning the attributes of objects. Also, attitudes are mental states used by individuals to structure the
way they perceive their environment and guide the way they respond to it. There is general acceptance
that there are three related components that form an attitude: a liking or affective component and an
intentions or actions component. Each component provides a different insight into a person’s attitude.

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Perceptions as influencer of consumer choice behavior: The case of Tourism in Nigeria.

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Consumers will form opinion(s) on a particular product based on information at their disposal, which will determine whether such product is selected. Destination images influence a tourist's travel decision-making, cognition and behavior at a destination as well as satisfaction levels and recollection of the experience (Jenkins, 1999). A survey was conducted in the United States, of potential tourists aimed at understanding the role perceptions of potential American outbound tourists to Nigeria and how consumers choose their destinations; based on information at their disposal. Descriptive statistics were used to examine the distribution of variables. All statistics were two-tailed at 0.05 significance level.

Introduction

For the past three years, international tourism has been booming. According to the World Tourism Organization, (WTO, 2009), International tourist arrivals reached 922 million in 2008, up 18 million over 2007, representing a growth of 2%. International tourism receipts rose by 1.7% in real terms to US$ 944 billion (642 billion euros). Following four years of consecutive strong growth, an abrupt shift in trend occurred in the middle of the year, with tourism demand falling significantly under the influence of an extremely volatile world economy (financial crisis, commodity and oil price rises and sharp exchange rate fluctuations), the evolution of the influenza A (H1N1) outbreak, and above all the fear of terrorism.

International tourist arrivals have continued to grow – from 25 million in 1950, to 277 million in 1980, to 438 million in 1990, to 684 million in 2000, and reaching 922 million in 2008. (WTO, 2009). Africa has been one of the strongest growth markets, with most destinations showing consistently above average increases in arrivals and receipts. Between 2000 and 2005, international tourist arrivals to Africa increased from 28 million to 40 million - an average growth of 5.6 % a year, compared to a worldwide 3.1
% a year. In the same period Africa's International tourism receipts doubled from US$ 10.5 billion to US$ 21.3 billion (WTO, 2008). Figure 1 below shows the growth trend.

The state of tourism in Nigeria:

While tourism industry in Nigeria has never been fully developed in a large scale capacity, it has suffered a great deal during the past military and civilian rule. According to (Gray, 1989, p.121), “Nigeria is still not a popular tourist destination. Unlike Kenya, with its vast game preserves, or the Ivory Coast, services in Nigeria are not geared in as large degree to tourists”. Many countries have invested heavily in tourism and have acquired a high level of economic dependence on inbound tourism, but the opposite is true in case of Nigeria. Tourism, although beginning to perform well in other African countries such as Ghana, South Africa, Kenya, and even Tanzania; is almost non-existent in Nigeria. Owing to the country's poor international image, combined with the obstacles placed in the way of visitors, for example difficulties in obtaining visas and the lack of suitable accommodation, few people visit Nigeria solely as tourists.

In late 2002 the government declared tourism as one of its six key areas for economic development in 2003-07. Therefore, it is the intention of this study to see how tourism could be well developed and promoted in order to attract tourists to the country. Tourism as an industry has been considered to be a vital part of the world economy. Everyday people move from one location to the other. Tourism is therefore, considered as the world’s largest industry. There has been steady increase of tourist throughout the world. Despite the depressed nature of international economy, over US$464 billion (excluding international airfare payments) were generated in the international tourist receipts in 2001 (Dieke, 2003). However, Africa recorded only 2.5% of the market; out of which, Nigeria received only 3%.

Not much work has been done extensively in the area of marketing tourism in Nigeria; therefore, few literatures are available for review; however, extensive body of literature in the field of tourism is incorporated, especially in the area of tourism information. Many destinations with a variety of attractions have failed to attain their tourism potentials because their promotion is not themed or effectively targeted. Promotion is particularly invaluable in tourism because of its intangible and immobile nature and, quite importantly, tourism is an experience that cannot be inspected or tested before purchase. Thus, unlike manufacturing, which distributes products to market, tourism moves market to products (Fakeye, 1991). These peculiarities in tourism pose challenges that require articulated promotional strategies, planning and management practices (Awaritefe, 2003).

With an estimated 2.6 million international tourist’s arrival in 1999, West Africa accounted for just 10% of the regional total. Six countries out of the 14 in the sub-region recorded more than 100,000 international tourists in 1999. Nigeria attracted the major share - with close on 770,000 arrivals it captured a sub-regional market share of 30%. Of all international arrivals in West Africa, 45% originate from within the region itself, followed by the Americas with 5%, and East Asia, Southeast Asia, and the Pacific together with 4.7%. (Nevin, 2003). In order to increase her share of the market for tourism, Nigeria must understand that “a whole range of changes in society and the global economy will need to be taken into consideration in planning and managing tourism destinations and enterprises in the era of globalization” (Wahab & Cooper, 2001, p. 69). Tourism is still being developed in Nigeria; as a result, there is a new federal policy in preparation which recognizes the vast potential of the sub-sector. With the government's renewed interest and new private sector initiative, there are indications that there are more exciting days ahead for every tourist (Craig, Olumhense, Oyo, Tanoloju, & Utomi, 1990).

According to UNWTO (2010), “the long-haul travel worldwide will grow faster, at 5.4 per cent over the period 1995-2020, than the interregional travel, at 3.8 per cent. Consequently, the ratio between interregional and long-haul travel will shift from around 82:18 in 1995 to close to 76:24 in 2020.”
“Tourism is not a clear-cut sector but an all-embracing and pervasive domain of service and industrial activities. It touches upon almost all spheres of national life within the country and that is particularly the reason why a sound state policy of tourism should be essentially formulated before any significant tourism investment projects are launched.” (Wahab & Cooper, 2001, p. 5). As rightly put by MacCannell, tourism is an ideological framing of history, nature and tradition; a framing that has the power to reshape culture and nature to its own needs (MacCannell, 1992). Some writings already maintain that globalization, as a mega trend, is changing the nature of international tourism (Keller, 1996).

Tourism has become a landmark in human activities reaching 800 million international tourist visits in 2005 and registering receipts totaling $444 billion without the cost of international transport which may reach US$180 billion. The continued expansion of tourism in the world due to world population growth, increasing affluence of many nations, the expansion and diversification of travel motivations and expectations, great technological achievements in information and communication, the fierce competition between an increasing number of tourist destinations, and deregulation movements, is an important playground for global forces. The new technologically advanced distribution channels permit anyone to receive the most up-to-date multimedia information on the best connections, and at the best prices, for most attractive destinations in the world (Keller, 1996).

Populations of various countries respond to this globalization of economies, markets, systems and cultures by looking at their own identities, as in contrast to globalization lies localization which is an opposing force. These two adverse forces cannot be averted by the state, the market or communities by acting alone (Cleverdon, 1998). Moreover, increased awareness of physical and cultural heritage safeguards have induced various tourist destinations to engage in the complex planning process for sustainable development in tourism. In addition, the Free Trade in Services Agreement is another difficult tunnel for globalization to go through (Wahab and Pigram, 1997). Cultural differences between individual tourist destinations will continue to play an important role, among other factors, in the choice of a holiday destination. However, a transcending global cultural understanding might eventually emerge cutting across various cultural diversities with each having its local flavor.

The marketability of individual destinations and global tourism is vulnerable to sudden changes in market perceptions. Acts of man or nature can transform the reputation, desirability and marketability of the most popular tourism destinations overnight (Beirman, 2003, p. 3). The attacks of September 11, 2001, in which hijacked Boeing 767 and 757 commercial aircraft were used as flying missiles which blew up the Twin Tower of the World Trade Center in New York City and part of the Pentagon in Washington DC, massively disrupted global tourism. This 2001 attacks generated panic, thereby, compromising the security of commercial aircraft and global tourism safety worldwide.

For most international travelers, tourism is a discretionary act. Events which compromise the viability of a destination may result in considerable economic disruption to the country, state or region. For individuals, this situation could result in loss of income, unemployment and poverty. However, few tourists will consider these implications in determining their choice of destination. Their prime concern is to travel to a destination satisfying their own desires with a minimum of complications or threats to their safety and well-being. Global tourism crises, including those mentioned above, are evidence that destination crisis marketing can no longer be treated as a problem confined to a few specific destinations; it is now a global issue. Since September 11, destination crisis marketing has been moved beyond the cloisters of academia to become a critical economic, political and social priority for many nations to which tourism is a significant industry. (Beirman, 2003).

While Nigerians look for ways to alleviate their problems, they are becoming increasingly confident that some newly implemented measures to boost tourism and foreign participation in business will not only strengthen their prospects for the future but also attract the attention of African-Americans. In January
1989 a new industrial policy was introduced to simplify the process of investing in Nigeria, and it also opens up more areas of the economy to foreign investors. (Leavy, 1990). Usually, the travel market is often divided into four segments: personal business travel, government or corporate business travel, visiting friends and relatives, and pleasure vacation travel (Nesbit, 1973). This study focuses on the pleasure vacation travel segment. The objectives of the research were to identify motives which directed respondents' selection of destination, and to develop a conceptual framework that would integrate such motives. It was anticipated that the motives might provide a basis for subdividing or segmenting those traveling for pleasure.

In the study reported here, the concern was to identify states of tension or causes of disequilibrium which provoked respondents' decisions to select particular vacation destinations. It is recognized that perception is only one of many variables which may contribute to explaining tourist behavior. To expect perception to account for a large portion of the variance in tourist behavior is probably asking too much since there may be many other interrelated influences operating. Nevertheless, perception is considered a critical variable because it is the impelling and compelling force behind it all.

**Literature Review**

Tourism as an industry requires a diverse range of information and lends itself well to the support offered by developing multimedia, communication technologies and information systems (Sheldon, 1993; Poon, 1993; Cho, 1998). Therefore, information communication technologies (ICTs) have been changing the global tourism industry rapidly. The implications of the internet and other growing interactive multimedia platforms for tourism promotion are far reaching and alter the structure of the industry. Information communication technologies (ICTs) have revolutionized the travel industry in the last decade. E-tourism reflects the digitalization of all processes and value chains in the tourism, travel, hospitality and catering industries. It emerges as a term describing the entire range of applications of ICTs on tourism and the implications for the tourism value chain. Major opportunities and challenges have emerged and need to be addressed by all industry players. The level of e-tourism developments, however, varies between regions, countries and continents e-tourism, therefore, is emerging as a way forward for many destinations and organizations around the world. (Buhalis & Deimezi, 2004).

In the dynamic global environment of today, understanding how travelers acquire information is important for marketing management decisions (Srinivasan 1990; Wilkie & Dickson 1985). For destination marketing managers, understanding information search behavior of travelers is crucial for designing effective marketing communication campaigns because information search represents the primary stage at which marketing can provide information and influence travelers’ vacation decisions. Since, consumers will use that information to form a perception of a particular destination on which such information is gathered. Perception is defined as the psychological processing of information received by the senses. Often, perception is used to refer to the content of the consumer's beliefs about a product; for example, it is sometimes said that an advertisement led the consumer to develop a favorable perception of the product (Mullen & Johnson, 1990, p. 12). A number of fundamental principles characterizing the perceptual process were developed by German psychologists near the turn of the century. These researchers emphasized the innate organizing processes that seem to direct perception (Mullen & Johnson, 1990). The term *gestalt* refers to form, pattern, or configuration. These early experimental psychologists studied the processes by which separate, distinct stimulus elements were perceptually merged into forms or configurations (Koffka, 1935). Perception attributes included: information, preferences, hearsay, and experience.

Therefore, conceptual and empirical examinations of tourist information search behavior have a long tradition in tourism marketing literature (Etzel & Wahlers, 1985; Fodness & Murray, 1997, 1998, 1999; Perdue, 1985; Schul & Crompton, 1983; Snepenger & Snepenger 1993; Woodside & Ronkainen, 1980).
Even though several studies examined travelers' information search behavior and the factors that are likely to affect it, they all examined travelers’ prior product knowledge as a one-dimensional construct, most often referred to as destination familiarity or previous trip experiences (Woodside & Ronkainen, 1980). However, consumer behavior literature suggests that the prior product knowledge is not a uni-dimensional construct (Alba & Hutchinson, 1987). Alba and Hutchinson (1987), therefore propose that prior product knowledge has two major components, familiarity and expertise, and cannot be measured by a single indicator. In addition, in tourism, little research has been done on the factors that are likely to influence travelers’ prior product knowledge and, therefore, their information search behavior.

One of the most commonly examined factors that are likely to influence travelers’ information search behavior and decision-making process is their prior product knowledge (familiarity and expertise) about the destination. Despite the recognized importance of prior product knowledge (familiarity and expertise) on travelers’ decision-making and information search process, tourism researchers have been treating prior product knowledge as a uni-dimensional construct, most often referred to as destination familiarity or previous trip experiences (Woodside & Ronkainen, 1980). This construct is mostly operationalized by measuring the number of previous trips taken to a particular destination. Although, the number of previous trips taken to a certain destination is an important indicator of familiarity with the destination, it fails to capture travelers’ total prior product knowledge about the destination. This single indicator does not account for the prior product knowledge gained about the destination through different sources other than previous trips taken to the destination such as reading guidebooks, talking to friends and relatives, etc. Indeed, prior trip experience is only one of the indicators of the traveler’s familiarity with the destination and that familiarity itself is only one of the dimensions of prior product knowledge. In order to expand the concept of tourist information search behavior, in this study, prior product knowledge is treated as a multidimensional construct having two components, familiarity and expertise. Familiarity comes before expertise due to the fact that you have to be familiar before you can be expert (Alba & Hutchinson 1987).

It is important to identify the factors that are likely to influence travelers’ familiarity and expertise and, therefore, travelers’ information search behavior prior to making a purchase. Identification of those factors may enable destination marketers to develop better communication and targeting strategies. Review of the consumer behavior and tourism literature revealed that previous visits, travelers’ involvement, learning, word of mouth, and cost of information search are likely to influence travelers’ prior product knowledge (familiarity and expertise) of destinations and the way they search for information, internally and/or externally (Alba & Hutchinson 1987; Brucks 1985; Celsi & Olson 1988; Etzel & Wahlers, 1985, Fodness & Murray, 1997, 1998; Perdue, 1985; Schul & Crompton, 1983; Snepenger & Snepenger 1993; Vogt & Fesembaier, 1998; Woodside & Ronkainen, 1980).

Consumer information search has been one of the most enduring literature streams in consumer research (Beatty & Smith 1987). Marketing and consumer behavior researchers have been examining consumer’s pre-purchase information seeking behavior since at least 1917 (e.g., Copeland, 1917), and even today most consumer information processing and decision making models include pre-purchase information search as one of the key components (e.g. Bettman 1979a; Bettman, Johnson, & Payne 1991; Engel, Blackwell, & Miniard 1993; Howard & Sheth 1969; Olshavsky 1985). Like the consumer behavior and marketing fields, conceptual and empirical examination of the information search behavior has a long tradition in tourism literature (Etzel & Wahlers, 1985; Fodness & Murray, 1997, 1998, 1999; Perdue, 1985; Raitz & Dakhil, 1989; Schul & Crompton, 1983; Snepenger & Snepenger 1993; Woodside & Ronkainen, 1980).

Past research in the area of information search has focused on developing typologies of consumer information search strategies using nearly 60 variables that are likely to influence external information search (Srinivasan & Ratchford 1991). These typologies often include aspects of the environment (e.g.,
difficulty of the choice task, number of alternatives, complexity of the alternatives), situational variables (e.g., previous satisfaction, time constraints, perceived risk, composition of traveling party), consumer characteristics (education, prior product knowledge, involvement, family life cycle, socio-economic status) (Schmidt & Spreng 1996) and product characteristics (e.g., purpose of the trip, mode of travel) (Fodness & Murray 1998, 1999). Even though several researchers concluded that information search behavior can be conceptualized as a series of interrelated behaviors, there have been only a few attempts to model the interrelationships among these factors. Notable exceptions are Maute & Foresster (1991); Moorthy, Ratchford, & Talukdar (1997); Punj & Staelin (1983); and Srinivasan & Ratchford 1991) in the field of consumer behavior and marketing and Vogt and Fesenmaier (1998) and Fodness & Murray (1999) in the field of tourism. There are three major theoretical streams of consumer information search literature (Schmidt & Spreng 1996; Srinivasan 1990) in the consumer behavior and marketing fields. The first is the psychological/motivational approach, which incorporates the individual, the product class, and the task related variables such as beliefs and attitudes (Beatty and Smith 1987; Duncan and Olshavsky 1982) and involvement (Beatty and Smith 1987). The second is the economics approach, which uses the cost-benefit framework to study information search. The economic theory of search states that consumers weight the cost and benefits of search when making search decisions, and thirdly, one is the consumer information processing approach which focuses on memory and cognitive information processing theory.

Research Methodology:

Research questions were specifically asked to determine how potential tourists get their information about Nigeria. It is believed that the information will lead to how potential tourist will form their perception on destination selection. Participants were eligible to participate if they (1) were 18 years and older; (2) were students or workers in the university; (3) had a history of visiting other places; (4) could read, speak, and understand English. Participants were excluded if their family members were victims of terrorist acts and were emotionally challenged or diagnosed with any emotional disorder that may interfere with sessions. After appropriate approval from the relevant Institutional Review Board, we conducted a cross-sectional study based on a prospective cohort from the intervention designed to reduce bias based on the information at respondents' disposal, we used a cross-sectional design to examine the baseline data in a prospective cohort of two Universities.

In order to empirically test the applicability of information gathered on Nigeria as a destination and how potential tourists form their perceptions based on such information will help the self-theory to an understanding of tourist behavior. Students, faculty and staff of University of Houston and Texas Southern University (both in Houston, TX), were surveyed. Specific questions were asked to determine how respondents will react in certain situation especially when it comes to selecting a destination, based on the information at their disposal. Thus, respondents were required to indicate on a five-point scale their perception of how they will react based on the information they received about the destination. Questions were also included in the self-completion questionnaire regarding respondents' travel behavior, together with some demographic characteristics. Specifically, subjects were asked to indicate how they get information about this destination and from what source. Demographic variables included age, gender, education, income and occupation. Potential respondents were then randomly presented the survey and told that information obtained through the questionnaire would be used to help in the development of better travel products and services. From the 100 questionnaires given to two assistants, a usable sample of 92 responses were returned out of which 3 questionnaires were unusable, due to non-completion, and thus were not used to be part of this research. This gave a total of 89% useable returns. Given the length of the questionnaire, the complexity of some questions (particularly the self-concept scale) and the lack of an incentive or prize draw for completed survey forms; this was considered a good response.
Findings:
According to the data collected 33 men and 56 women responded to the questionnaire. Eighteen per cent are married, sixty-five per cent are single, five per cent are divorced and one percent widow. The average age of people surveyed is 27 years. Most of the respondents are students which explained the mean income of $25,000 to $30,000. The data collected was analyzed on SPSS using regression analysis. Travel intentions, attitude, and barriers. To assess travel intentions, we selected an item measuring intent to travel (past and current), was used to score the item for actual intention to travel: I like to travel to new places. Participants were required to respond to a four-point scale ranging from 1 (strongly disagree) to 4 (strongly agree). A positive attitude towards travel was determined by the lowest score. The travel attitude and barriers scale was internally consistent in the present study sample at Cronbach \( \alpha = 0.88 \).

Statistical analysis
Descriptive statistics were used to examine the distribution of variables that may be associated with intention to travel. To test for independence or association of the independent variable with the outcome variable, we used Pearson chi square statistic and Fisher’s exact to compensate for small cell counts. A univariable logistic regression model was then used to examine the potential predictors of intention to travel as well as the possible confounders. To simultaneously adjust for potential confounders, we used the multivariable logistic regression modeling. To enter into this model, we determined a priori that only independent variables that were statistically significant at \( p < 0.25 \) and were biologically relevant such as age or gender would qualify (Hosmer & Lemeshow, 2000). Next, we tested for interactions at \( p < 0.10 \) for entry into the model (Hosmer & Lemeshow, 2000). Finally, to test for the fitness of the model with or without interaction, we performed the goodness-of-fit test following Hosmer and Lemeshow’s criteria. All statistics were two-tailed at 0.05 significance level and were performed using SPSS statistical package, version 16.0.

R Square is .985 and adjusted R is .981. External validation was conducted by comparing the results of the remove method with the enter method of the data. The regression variance of mean is significant at sig. level of .000 was obtained. Test of homogeneity of variances is significant, while Levene's Test of Equality of Error variance is also significant and the calculated F score of 256.000.

Conclusion
In examining consumer information process and destination perceptions, Bolfing (1988); recommended segmentation implication for individuals at different involvement levels in the context of general consumer behavior. Dimanche, Havitz, & Howard (1993), applied consumer involvement profiles as a tourism segmentation tool to classify individuals and predict attitudes and behaviors. There is strong support for the relationship between involvement and search behavior. Literature suggests that, when making decisions, highly involved individuals will go through an extended problem solving process: recognizing the problem, actively searching for information, evaluating the alternatives, and then making the purchase decision (Clarke and Russell, 1978). About 90% of the respondents indicated that they will make plans to travel as tourists to Nigeria based on the information they received. The findings of this study lend further support disposable income will lead to whether a destination is selected specifically during the pre-trip stage of the tourist decision-making process. Types of information contents can improve the effectiveness and efficiency of destination selection.

Practical implications of these results are further enhanced by the study's finding that there were significant relationships between different levels of tourist purchase decision involvement and the use of information collected. People at the high level income will make decision to likely visit a destination based on the information.
References


Factors Influencing the choice of Nigeria as a tourism destination

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Despite the continued media reportage that Nigeria is a potential terrorism enclave and unsafe location, some international tourists are seen yearly in some of the Nigeria’s notable tourism sites. This somewhat communicates some pull factors to Nigeria despite her apparent weak image as a tourism destination. Accordingly, this paper surveys 220 international tourists in two tourism locations in Nigeria with a view to identifying these pull factors. Factor analysis was used to specifically identify factors with the strongest pull, and safety and security featured as major factors. This finding is interesting as it extends the literature by showing that some locations within countries perceived as weak tourism destinations can still pull tourists by enhancing their safety and security status. Such revelation in the case of Cross River and Bauchi States has serious implications to other states tourism bureaus and agencies.

INTRODUCTION

Globally, tourism has been recognised as important source of wealth for nations even beyond natural resources in some instances. This is evidenced by the growing evidence that tourism is a major creator of quality jobs and substantial wealth for economies around the globe (WTTC, 2005). In 2008, global tourism registered approximately 924 million international tourist arrivals worldwide with a concomitant spiral economic effects on world economy (UNWTO, 2008). This has heightened tourism research in recent time to identify factors that promote a nation as a tourism destination. Evidently, Nigeria has the potentials to become a leading regional destination for tourism judging by her many natural tourism locations such as parks, game reserves, sandy beaches, waterfalls, international golf courses, ranch resort, art and craft and a vast array of cultural festivals. Yet, despite the various tourism related policy initiatives and tourism diplomacy since 1962, these strategic acts seem not to have materialised into vibrant tourism sector, resulting to stagnation and near comatose in the sector since 15 years ago UNWTO (2006).

Researchers (see for example: Baloglu and Uysal, 1996; Kim et al., 2003; Law, Cheung and Lo, 2004) discussed factors influencing tourists’ choice of tourism destinations under pull and push factors. According to Law et al (2004:356) “push factors are the intrinsic socio-psychological inspirations like escape from routine surroundings, relaxation, and social interaction. The pull factors are the attractiveness that draws travellers to visit the destination”. The pull factors can be tangible (e.g. sports facilities) or intangible (destination image) factors (Law et al., 2004). Even though many studies have been undertaken to unearth pull factors in a tourism context, yet, findings from such studies are not easily generalised across contexts. This is particularly the case in highly challenged environment as Nigeria that is increasingly reported as a destination with potentials for terrorism. Previous studies identify safety and security-related factors as attributes that inform destination selection by tourists (see for example: Mok and Armstrong, 1995); but, it is still fuzzy if isolated safe locations in a perceived unsafe country can pull tourists to such isolated locations. To the best of our knowledge, no study in Nigeria has investigated if safe locations in Nigeria can overcome the general unsafe feeling towards Nigeria and pull international tourists to such locations. Using this as a point of departure, this paper seeks to determine factors that attracted tourists to two tourist locations in Nigeria despite the rising reportage that Nigeria is graduating into a terrorism state. After the foregoing introduction, the rest of the paper discusses the following themes: literature review, methodology, analysis, discussion and conclusion.
LITERATURE REVIEW

THE FORMATION OF DESTINATION CHOICE
Choosing the travel destination is a very important and long-way decision process for a tourist and understanding the factors that influence decision-choice process is extremely important for the tourism industry. Accordingly, tourism managers and policy makers must understand how these decisions are made if they must remain competitive (Costa & Ferrone, 1995). Such understanding would help in explaining the choice formation processes by tourists.

Choice has been defined as a transformation of motivation in purchasing action (Buhalis, 2000). The destination choice is made by alternative evaluation based on individual preferences and goals, while evaluation of tourist product is based on individual evaluative criteria (Moutinho, 1987). Factors that influence consumer behaviour can be internal and external to the individual. Among the internal determinants are social and personal, while the external ones include confidence in the travel agency, the overall image of alternatives, previous travel experience, travel constraints (time, cost, etc), degree of perceived risk, etc. Among the major influences of individual travel behaviour are family, reference groups, social classes, culture and subculture that determine individual’s personality, learning, motivation, perception (of alternatives) and attitudes (Moutinho, 1987). Eilat & Einav (2004) add destination risk to be one of the factors that influence destination choice, which, according to them, is important for both developed and less-developed countries, while fashion, common border, common language, and distance are also important determinants especially in less-developed countries (Eilat & Einav, 2004). To understand consumer behaviour, it is necessary to examine the complex interaction of many influencing internal and external factors (Moutinho, 1987). Moutinho’s study (1987) deals with determinants of behaviour, culture and reference group influences, the relationships between individuals and their environments, perceived risks, and family decision processes.

Among the social factors are reference groups, family, roles and status. Reference groups - family, religion, ethic groups, trade union, neighbourhood etc - can be classified by primary (personal contact with a group) and secondary (occasionally), formal (trade union) and informal (neighbourhood) (Moutinho, 1987). Personal factors include age, life cycle stage, occupation, economic circumstances, lifestyle, and personality. Psychological factors are perhaps the most complex and difficult to understand and consist of motivation (theories of human motivation: Veblen, 1994, Herzberg, 1923, Maslow, 1943), perception, learning, beliefs and attitudes. Another important determinant of tourist’s behaviour towards destinations and services is the tourist’s self-image – what a person thinks he or she is and what a person wants to be. There is a relationship between self-image and product image that determines tourist’s behaviour towards destinations and services. Perception and cognition influence the evaluation and judgemental process. Attitude and intention, created by learning and experience are other important concepts in tourists’ behaviour discussions (Moutinho, 1987).

Furthermore, another major factor that exerts great influence on tourist’s choice in selecting a tourism destination is their familiarity with the destination (Hyde, 2008). Familiarity with the destination could be based on prior visits, or based on considerable pre-vacation information search by the traveller. The study shows that over 50% of travellers research destinations, activities and prices online prior to making any vacation decision.

TRAVEL MOTIVATION
Tourist motivation is the reason why a tourist will make the decision to choose one destination over another and the attributes that governs that behaviour and Knowledge of people's travel motivations and its association with destination selection plays a critical role in predicting future travel patterns.
Tourist motivation can be defined "as the global integrating network of biological and cultural forces which gives value and direction to travel choices, behaviour and experience". (Pearce, Morrison & Rutledge, 1998). According to Seaton (1997) motivation is a state of arousal of a drive or need which impels people to activity in pursuit of goals. Once the goals have been achieved the need subsides and the individual returns to the equilibrium-but only briefly because new motives arise as the last one is satisfied. Krippendorf (1987), as cited in Seaton (1997) suggests that the motivation of the individual person to travel, to look outside for what he cannot find inside have been largely created by society and shaped by everyday life. People who live in cities, for example, are motivated to travel as tourists to wilderness areas because they need to escape from an artificial, monotonous environment (Mansfeld 1992).

DISTANCE

Another factor that determines tourists’ choice of destinations for vacation is the distance. There are two key concepts covered under distance: physical distance and cultural distance. Crouch (1994) argued that distance and attractiveness of a destination has a positive relationship because tourists are more likely to perceive distant destinations as more interesting to visit. On the other hand, Mayo et al. (1988) assumed distance is frightening to tourists considering of the travel time and financial cost; therefore, tourists would prefer a more neighbouring destination with lower cost of travel. On the other hand, McIntosh & Goeldner (1990) theorized that cultural distance refers to the extent to which the tourists’ home culture differs from that of the destinations. This perfectly explains the different travel behaviour between Asian and Western tourists (McKercher & Chow, 2001).

Furthermore, Pizam & Jeong (1996) explained that; nations, organizations, industries and occupational groups have their own culture and argued that tourists from different nations possess simultaneously both tourist cultures as well as national cultures. The significant difference of perception among Koreans, Japanese and Americans was a perfect proof. Many cross cultural studies indicated that travellers with different cultural backgrounds or nationalities have different motivations for travelling, decision time in vacation planning, choice of activities in the destination, and length of trip and information search behaviour.

METHODOLOGY

A total of 220 international tourists that visited Obudu Mountain Resort and Yankari Game Reserve were surveyed. Data were factor analysed using principal component method.

ANALYSIS

Factor analysis was employed to test the hypotheses.

Hypothesis One: Nigeria’s numerous tourism sites are not the major factor that influences international tourist’s choice of Nigeria as a tourism destination.
Table 1: Principal component factor analyses for factors that influence the selection of Nigeria as a tourism destination.

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen Values</th>
<th>Extraction Sums Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of variance</td>
</tr>
<tr>
<td>1</td>
<td>5.192</td>
<td>23.598</td>
</tr>
<tr>
<td>2</td>
<td>4.042</td>
<td>18.373</td>
</tr>
<tr>
<td>3</td>
<td>2.602</td>
<td>11.826</td>
</tr>
<tr>
<td>4</td>
<td>2.142</td>
<td>9.738</td>
</tr>
<tr>
<td>5</td>
<td>1.651</td>
<td>7.504</td>
</tr>
<tr>
<td>6</td>
<td>1.284</td>
<td>5.838</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Major factors that influence tourists’ destination selection were obtained from literature, and these were subjected to factor analysis with principal component extraction. Six factors emerged, these factors with initial Eigen values greater than one were selected in accordance with the literature (Nnedum, 2009). The first factor has Eigen value above five, and accounted for 23.6% of the total variance out of the cumulative variance of 76.9%.

Table 2: Component factor matrices and the communalities

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Communalities</th>
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<tbody>
<tr>
<td>ITEM 1</td>
<td></td>
<td>.55</td>
<td>.59</td>
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<td>.65</td>
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<td>.764</td>
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<td>ITEM 3</td>
<td>.66</td>
<td></td>
<td>.48</td>
<td></td>
<td>.54</td>
<td></td>
<td>.868</td>
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<td>ITEM 4</td>
<td>.66</td>
<td>.49</td>
<td></td>
<td>.43</td>
<td>.60</td>
<td></td>
<td>.774</td>
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<tr>
<td>ITEM 5</td>
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<td>.54</td>
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<td></td>
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<td>.828</td>
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<td>.63</td>
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<td></td>
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<td>.966</td>
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<td>.63</td>
<td>.63</td>
<td>.43</td>
<td>.76</td>
<td>.47</td>
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<td>.72</td>
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<td>.50</td>
<td>.50</td>
<td>.72</td>
<td>.47</td>
<td>.36</td>
<td>.36</td>
<td>.772</td>
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<td>ITEM 17</td>
<td>.50</td>
<td>.50</td>
<td>.72</td>
<td>.47</td>
<td>.36</td>
<td>.36</td>
<td>.763</td>
</tr>
<tr>
<td>ITEM 18</td>
<td>.50</td>
<td>.50</td>
<td>.72</td>
<td>.47</td>
<td>.36</td>
<td>.36</td>
<td>.630</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Analysis.

a. 6 Components Extracted.
Table 2 above indicates that the key determinant of tourists’ selection of Nigeria as a tourism destination is found in factor one loadings. Item 9 (Personal safety and security) has the greatest factor loading of .83 and the highest communality value of .90 among all other factors, therefore is the major determinant of tourists’ selection of Nigeria as a tourism destination.

In recognition of the limited number of pages required in this conference paper, the researchers have deemed it fit to state only hypothesis one.

DISCUSSION

Personal safety and security (eigen value = 0.83 and commonality value = 0.90) featured as the highest factor that determine tourists’ choice of Nigeria as a tourism destination. Safety considerations have been found in the past as a major determinant of destination selection (see for example Law et al., 2003). In a way, the current finding extend the literature by showing that safe locations within an unsafe context can still pull international tourists irrespective of the overall national image. Nigeria as a federation has 36 states with the federal capital territory and the incidence of civil violence is not evenly distributed among the states. While some are notorious, a few others have recorded long years of peace. In particular, the Cross River and Bauchi States that respectively host Obudu Mountain Resort and Yankari Game Reserve have been striving to maintain peaceful atmosphere conducive to tourism. They have equally developed tourism infrastructures of international standards. The present finding has the implication of encouraging other states to carve a niche for themselves by fostering safety as this will pay by way of enhanced tourism as in Cross River and Bauchi States. Also, the current findings confirm the previous findings by Moutinho (1987) that perceived risk about the destination is among the major factors that influence tourists’ choice of a tourism destination.

CONCLUSION

This study, sought to empirically identify the positive factors that is driving international tourists’ choice of Nigeria as a tourism destination despite the notion that Nigeria is not a prime tourism destination. In contrast with the negative news about Nigeria, by some media, this study shows that some international tourists still consider some locations in Nigeria as safe and secure locations to visit. Therefore, the two states surveyed are exemplary and is being presented as model tourism states for other states to emulate. Accordingly, the issue of insecurity in Nigeria should not be generalized for all the Nigerian states.

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Technology transfer, adoption and integration – A review

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Technology often needs to migrate from its place and culture of origin to other places through transfer/valorization/commercialization, innovation, adoption/diffusion and integration. This review paper defines these terms and relates them to one another. It discusses the technology transfer process, traditional and new models of technology adoption, technology adoption/diffusion participants and their characteristics, the needs of technology adopters, principles of networked learning environment, reward/recognition and technology innovation in educational community, the differences between the adoption of ICTs and that of previous technology innovations, theories of technology adoption and diffusion, and adoption/diffusion versus integration of technology innovation in an institution’s curriculum.

INTRODUCTION

In the globalizing world market economy, driven by technology, including the information communications technologies (ICTs), the transfer/valorization/commercialization, innovation, adoption/diffusion and integration of technology have become more compelling. Countries that neglect these development strategies are simply lagging behind others.

Rich but scattered literature materials are available, and in many cases, aging. There is the need to update and add to the literature on the subject. This paper reviews and updates the literature on the subject. The rest of the paper is structured as follows. Technology transfer (and its process) and the related valorization and commercialization concepts are discussed, followed by traditional and new models of technology adoption, technology adoption/diffusion participants and their characteristics, the needs of technology adopters, principles of networked learning environment, reward/recognition and technology innovation in educational community, the differences between the adoption of ICTs and that of previous technology innovations, theories of technology adoption and diffusion, adoption/diffusion versus integration of technology innovation in an institution’s curriculum, and conclusion.

TECHNOLOGY TRANSFER/VALORISATION/COMMERCIALISATION
Technology transfer is the process of sharing skills, knowledge, technologies, methods of manufacturing, samples of manufacturing and facilities among governments and other institutions to ensure that scientific and technological developments are accessible to a wider range of users who can then further develop and exploit the technology into new products, processes, applications, materials or services. It is closely related to (and may arguably be considered a subset of) knowledge transfer. Related terms, used almost synonymously, include “technology valorization” and “technology commercialization”. Conceptually, the practice dates back to ancient times (Archimedes applied science to practical problems) (Wikipedia, 2001).

**Technology transfer process**

Many companies, universities and governmental organizations now have an “Office of Technology Transfer” (also known as “Tech Transfer” or “TechXfer”), which identifies researches with commercial interests and strategies for exploitation. A research result may be of scientific and commercial interest, but patents are normally issued for practical processes. Therefore, someone – not necessarily the researcher – needs to come up with a specific practical process. Commercial value is of essence over and above laboratory possibilities. For example, of the numerous ways to accomplish nuclear fusion, only those that generate more energy than they require to operate are of commercial value (and, therefore, commercialisable) (Wikipedia, 2001).

The process to commercially exploit research varies widely. It can involve licensing agreements or setting up joint venture and partnerships to share both the risks and rewards of bringing new technologies to market. Other corporate vehicles, e.g. spin-outs, are used where the host organization does not have the necessary will, resources or skills to develop a new technology. Often these approaches are associated with raising of venture capital (VC) as a means of funding development process, a practice more common in the US than in the EU, which has a more conservative approach to VC funding (Wikipedia, 2001).

Technology transfer offices may work on behalf of research institutions, governments, and even large multinationals. Where start-ups and spin-outs are the clients, commercial fees are sometimes waived in lieu of an equity stake in the business. As a result of the potentially complexity of the technology transfer process, technology transfer organizations are often multidisciplinary, including economists, engineers, lawyers, marketers and scientists. The dynamics of the technology transfer process has attracted attention in its own right, and there are several dedicated societies and journals. In recent years, there has been a marked increase in technology transfer intermediates specialized in their fields. This was stimulated in large part by the Bayh-Dole Act and equivalent legislation in other countries, which provided additional incentives for research exploitation (Wikipedia, 2001).

**The White Paper**

The “White Paper” is the document that should go with technology transfer. It is a comprehensive account of the technology creation process. It should be complete to the point that a reviewer should be able to make sense of the change with its assumptions, scope and context and have confidence in assigning resources to the new technology. All claims should be statistically validated through appropriate test, such as T-test and the like, which can easily be done on statistical software, such as JMP (Wikipedia, 2001).

The success criteria should be clearly spelt out to ensure that the technology has been transferred correctly, verified against success criteria. Also, equally important are the quality or process control measures, such as adequate SPC limits and rules that should be defined and followed. Process specification document needs to be attached (Wikipedia, 2001).

The White Paper should also outline the people, who are the content experts and the committee member that approved the document. In summary, this document is a blue print of what is to be built. It should be
as complete as possible to avoid misinterpretation and attendant costly mistakes. It should also be critically peer-reviewed by experts other than those doing the change (Wikipedia, 2001).

**TECHNOLOGY INNOVATION, ADOPTION/DIFFUSION AND INTEGRATION**

“Technology adoption” refers to the stage in which a technology is selected for use by an individual or an organization. “Technology innovation” is used with the nuances of a new or “innovative” technology being adopted. “Technology diffusion” refers to the stage in which the technology spreads to general use and application. “Technology integration” connotes a sense of acceptance, and perhaps transparency, within the user environment (Carr, 2001).

Typically, past adoptions of a new technology for education have signaled a confidence in its potential to alleviate a particular problem or to make a job easier or more efficient; rarely has bringing about new social and functional conditions been a consideration. However, the ICTs may provide a means of creating totally new learning environments – and it may be to that end that adoption is initiated. In such instances, “innovation” and “adoption” may be seen as virtually synonymous elements of the adoption/diffusion process (Carr, 2001).

**The Traditional and New Models of Technology Adoption/Diffusion**

Various educational technologies were touted as revolutionary pedagogical wave of the future. Classroom films, programmed learning devices, language laboratories, educational television, computer-assisted instruction and, more recently, interactive videodisc technology have been adopted and integrated into the curriculum with varying degrees of success. Each technology was widely perceived as meeting a need, and each gained a measure of initial commitment of resources from a high level administrative or legislative entity. Their adoption and diffusion process generally followed what has been termed the “traditional model,” a “top-down” process in which administrative “mandate” introduced the technology and administrative perceptions, decisions and strategies drove adoption and diffusion. Successful adoption was highly dependent on the degree, stability and wisdom of administrative sponsorship (Carr, 2001).

None of these technologies, however, has been generally available for individual or private use due to cost, scope or application. This deterred “grass roots” technology adoption cycle, as it was nearly impossible to generate movement from the bottom-up by influencing faculty peers and administrators with demonstrations of successful applications (Carr, 2001).

Today’s education generation, however, sees the ICTs as technology’s new wave. Distributed learning environments and distance learning with ICTs hold innovation at all levels and in all areas of education. The impetus for the ICTs innovation grows from individual users of the technology, and as their communication and influence moves laterally through their contacts, a body of support can grow and exert “pressure” on the institutional administration to commit to adoption of the technology. There is, therefore, a high potential for a “bottom-up” or “grass roots” adoption/diffusion process to succeed. Since the ICTs is individual user-based in application, the adoption/diffusion process should start at that level. It should focus on the potential adopters and address their characteristics in the context of environment in which they will be using the technology (Carr, 2001).

The ICTs offers opportunities for creating new and significantly different educational applications. In addition to technological functionality and technical superiority, the hope in the education community that new ways of teaching and learning are made possible by the ICTs appears to drive its rapid adoption (Carr, 2001). On the other hand, resistance to asynchronous learning networks (ALNs) – which includes many ICTs-based learning applications – is based on the perception of ICTs as a threat to the classroom teaching as an established practice and cultural tradition of the teaching faculty (Jaffee, 1998).
overcome this challenge to ICTs adoption/diffusion process, focus should be shifted to the potential adopter and the organization into which the technology will be integrated. An adopter-based, instrumentalist approach incorporating both macro- and micro-level perspectives is now most widely used to promote the adoption and diffusion of ICTs.

Burkman (1987) presents the user-oriented development approach consisting of 5 adopter-focused steps: 1) potential adopter identification, 2) measurement of their relevant perceptions, 3) user or adopter-friendly product design and development, 4) informing the potential user or adopter of the product, and 5) support after adoption. An alternative model (Stockdill and Morehouse, 1992) recommends a complete analysis of educational need and user characteristics along with the identification of a new educational technology’s relevant and appropriate features and factors.

Carr (2001) stresses the need to analyse the environment in which the potential adopter is expected to use the technology, with a view to ensuring actual, correct and continual product use. This process includes identifying the relevant physical and use characteristics of both the instructional situation and the support system.

An adoption analysis approach (Farquhar and Surry, 1994) considers the process from the broader perspective of both user-perception and organization attributes, resulting in a plan for carrying out the adoption of technology that is rooted in an organizational context and addresses issues of concern to the intended user. Product and application design and development are also significantly influenced by this approach.

Technology adoption/diffusion participants and their characteristics

The traditional adoption/diffusion continuum recognizes 5 categories of participants: 1) innovators who tend to be experimentalists and “techies” interested in technology itself; 2) early adopters who may be technically sophisticated and interested in technology for solving professional and academic problems; 3) early majority adopters who are pragmatists and constitute the first part of the mainstream; 4) late majority adopters who are less comfortable with technology and are the skeptical second half of the mainstream; and 5) laggards who may never adopt technology and may be antagonistic and critical of its use by others. The distribution of these groups within an adopter population typically follows the familiar bell-shaped curve (Rogers, 1995).

These groups are significantly different “markets” in the “selling” of an innovation to faculty adopters (Moore, 1991). Transition from the early adopters to the early majority adopters is essential to an innovation’s success and offers potential for breakdown because the differences between the 2 groups is so striking (see Table 1).

<table>
<thead>
<tr>
<th>Early adopters</th>
<th>Early majority adopters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology focused</td>
<td>Not technically focused</td>
</tr>
<tr>
<td>Proponents of revolutionary change</td>
<td>Proponents of evolutionary change</td>
</tr>
<tr>
<td>Visionary users</td>
<td>Pragmatic users</td>
</tr>
<tr>
<td>Project oriented</td>
<td>Process oriented</td>
</tr>
<tr>
<td>Willing to take risks</td>
<td>Averse to taking risks</td>
</tr>
<tr>
<td>Willing to experiment</td>
<td>Look for proven applications</td>
</tr>
<tr>
<td>Individually self-sufficient</td>
<td>May require support</td>
</tr>
<tr>
<td>Tend to communicate horizontally (focused across disciplines)</td>
<td>Tend to communicate vertically (focused within a discipline)</td>
</tr>
</tbody>
</table>

Source: Adapted from Geoghegan (1994)
The needs of technology adopters
Addressing the needs implied by the early adopters-early majority adopters differences when addressing diffusion strategies can greatly enhance the likelihood that a technology will be successfully integrated into the curriculum by groups beyond the innovators and early adopters. Meeting these needs is an essential part of any successful diffusion strategy. According to Geoghegan (1994), the needs are:

Need for recognition and process involvement: The chances of successfully “selling” an innovation to the pragmatic early majority adopters will significantly increase if their differences are addressed in terms of their perceptions and needs. They should be recognized as a distinct group within the community and made part of the planning and policy making processes. Attempts to “convert” them to the point of view of the innovators and early adopters are likely to be futile, not to mention the certainty of disaster to result from imposing the technology on them. Diffusion of the innovation to the late majority adopters and laggards is more likely to occur through this early majority adopters’ involvement, since the vertical lines of communication between the 3 groups are more direct than with the innovators and early adopters.

Need for vertical support structure to overcome technophobia: When adoption begins from the grass roots, innovators and early adopters, with their strong technology orientation, may be able to get by on their own initiative. Narrowly focused technical support staff may not pose a threat or discouragement to them, and their needs for initial training and support may be relatively easy to accommodate. Early majority adopters, however, tend to have no interest in the technology per se and some may exhibit a form of technophobia. Their introduction to the technology should be related to their perceived programme and process needs. Since they tend to focus vertically within a discipline, training and support provided by staff, who enjoy discipline/content credibility, will likely be best received. Correspondingly, such training and support will be more transferable to the late majority adopters and laggards.

Need for well-defined purpose or reason: The very existence of a technology may be reason enough for innovators and early adopters to pursue it. Their bent for experimentation and their innate interest in technology may dispose them to adopt it and be content with “finding a problem to fit the solution”. Early majority adopters (and others by extension), however, tend to derive their purposes from problems related to their disciplines. If the innovation can be demonstrated as an effective, efficient and easily applied solution to those focused needs, it is more likely to be adopted and integrated into the programme.

Need for ease of use and low risk of failure: The early majority adopters’ aversion to risk quite naturally translates into a need for ease of use and early success if they are to adopt and diffuse the technology. The overlap with support and training requirements is obvious.

Need for institutional/administrative advocacy and commitment: In the top-down adoption effort, institutional sponsorship and support is a given. The innovation may be mandated and grant moneys or other funds committed. Without advocacy and resource commitment by the institution’s “policy setters” and “holders of the purse strings”, other issues become moot as the process is likely doomed to stalemate, if not to an early demise.

But, innovation that occurs from the bottom-up also requires institutional attention, and an administration as an entity (except for some possible rare exceptions) tends to emulate the early majority adopters rather than the innovators and early adopters. And, even when an institution initiates an innovation from the top, their perspective tends to be a pragmatic one based on a problem or need that a given technology promises to alleviate. It may relate to staffing, financing, scheduling, teaching, distance or communication. In any case, the mindset is similar to that of the early majority adopters and, as always, there is a need for advocacy to occur if the conditions and activities that can promote adoption by the early and late majority adopters and laggards are to prevail.
**Principles of Networked Learning Environment (NLE)**

Several principles apply particularly to situations in which students and faculty are introduced to networked learning environments. According to Carr (2001), these principles (for ICTs) are:

**First-time success:** No one enjoys frustration or failure. An innovation is most likely to be accepted and integrated by the early and late majority adopters if success is experienced initially and subsequently built upon. E-mail is typically introduced early on because of its ease of use, and its success is almost guaranteed. It also extends to peer network, both within and outside the institution, thereby magnifying its impact on adoption and diffusion.

**On-going peer support:** Complementing the experience of initial success, there should be ample “hand-holding” along the way of integration as other ICTs applications are introduced. Live peer support not only serves as assistance and encouragement; it contributes to the person-to-person communication that promotes diffusion throughout an educational community. In addition to a training cadre of recognized peers, a network of online mentors can expand the potential of the support structure to promote the exchange of innovative techniques.

**Real task activities:** The early and the late majorities are pragmatists who see technology in terms of real problem and task solutions. Activities designed to introduce and teach the technology should address those needs. Institutional administrations tend to emulate this pragmatic perspective. Internet access to information and resource, and its use for intra and inter-institutional communication can address many administrative needs in addition to those of the faculty, as well as establish a well-defined and recognizable need for adopting the technology.

**Ownership and identity on the Internet:** Encouraging and enabling faculty and students to “create an active presence” on the Internet is important. Participating in listservs, creating a personal home page, publishing electronic papers all contribute to the electronic world-community and help ease “cultural assimilation”. As with using e-mail to ensure early success with the technology, this “presence” extends the peer network impact on its adoption and diffusion. Beyond that, it also creates a professional identity and a credibility standing similar to that derived from traditional publication.

**Variety of incentives:** Attempts to impose a technology through explicit mandates and requirements, as in the top-down scenario, are not likely to be effective. This is particularly true with ICTs that is so generally available to anyone with the mindset to adopt it. Policies and procedures promoting the technology should grow naturally from its application, and incentives for using it likewise should be tied to its practical use. Adoption/diffusion is more likely to occur where incentives and policies encourage a natural acceptance and use of the new technology.

**Reward/recognition and technology innovation in educational community**

Technology innovation in the educational community has often been hindered by the lack of a reward structure. Written publication has long been held as evidence of scholarly work that is worthy of recognition through promotions or tenure. In contrast, time consuming directed to pragmatic problem solving, instructional material design and development or innovative classroom teaching has rarely received similar recognition. Integrating a technology like the ICTs into one’s teaching is time consuming and “effort intensive,” usurping time and energy that otherwise could be devoted to more traditional – and more rewarded – endeavours. If innovative behaviour is to be sustained, there must be a recognised and acknowledged system of rewards parallel, and equal, to that associated with “traditional” academic pursuits.

**The differences between the adoption of ICTs and that of previous technology innovations**
The author of DOI, Everett Rogers (1986) reveals 3 important ways in which the adoption of ICTs differs from that of previous innovations. For ICTs adoption: 1) a critical mass of adopters is required to convince the “mainstream” teachers of the technology’s efficacy; 2) regular and frequent use is necessary to ensure success of the diffusion effort; 3) ICTs is a tool that can be applied in different ways and for different purposes and is part of a dynamic process that may involve change, modification and reinvention by individual adopters (Carr, 2001).

Theories of technology adoption and diffusion

The “top-down” and “bottom-up” models of adoption/diffusion provide a directional perspective to the process. Another theory dichotomy relates to the scale of innovation efforts by distinguishing between macro-level theories and micro-level theories. The former focuses on the institution and systemic change initiatives. Innovation typically involves broad aspects of curriculum and instruction and might encompass a wide range of technologies and practices. Micro-level theories, on the other hand, focus on the individual adopters and a specific innovation or product rather than on large scale change (Carr, 2001).

Rogers (1995) presented 4 additional adoption/diffusion theories. Each of these theories can be considered in the context of either top-down or bottom-up, macro-level or micro-level dichotomy. According to Carr (2001), the additional theories are:

**Innovation decision process theory:** Potential adopters of a technology progress over time through 5 stages in the diffusion process. They must 1) learn about the innovation (knowledge); 2) be persuaded of the value of the innovation (persuasion); 3) decide to adopt it (decision); implement the innovation (implementation); and 5) reaffirm or reject the decision (confirmation). The focus is on the user or adopter.

**Individual innovativeness theory:** Innovative people or risk takers will adopt an innovation earlier in the continuum of adoption/diffusion.

**Rate of adoption theory:** Diffusion takes place over time with innovations going through a slow, gradual growth period, followed by dramatic and rapid growth, and then a gradual stabilization and finally a decline.

**Perceived attributes theory:** There are 5 attributes upon which an innovation is judged: that it can be tried out (trialability), that results can be observed (observability), that it has an advantage over other innovations or the present circumstance (relative advantage), that it is not overly complex to learn or use (complexity), that it fits in or is compatible with the circumstances into which it will be adopted (compatibility).

Carr (2001) talks of yet another adoption/diffusion theory dichotomy: the determinist (developer-based) focus and the instrumentalist (adopter-based) one. Determinists regard technology as the primary cause of social change. The technology adoption/diffusion process is seen as a series of revolutionary advances that are thought to be out of direct human control. The innovation’s developer is viewed as the primary change agent. Focus is on an innovation’s technical characteristics. Successful adoption/diffusion is the assumed result of an innovation’s technological superiority.

For the instrumentalists, the technology adoption/diffusion process is evolutionary, and the causes of change are in social conditions and in human aspirations for change and improvement. The focus is on the user (adopter) of a technology and its value as a tool to bring about desired change. Human control over the innovation is a key issue, and it is considered essential to understand the social context in which it will be used and the function that it will serve.
Adoption/diffusion versus integration of technology innovation in an institution’s curriculum

The adoption and diffusion of an innovation within an institution does not guarantee its successful integration into the curriculum or its continued use. Decades ago, the once ubiquitous classroom film was used in public schools as a “Friday afternoon filler” rather than a planned learning experience; and lack of appropriate and adequate teacher training inhibited the full use of language laboratories in public schools. Therefore, if ICTs’ glitz, popularity and apparent ease of use are allowed to preempt careful planning, or if teachers and students do not receive proper training in its use, its integration as an information and learning resource as well as a communication tool, will likely be subverted. Strong advocacy is needed to ensure that the conditions necessary for technology adoption and diffusion are put in place. Training in technical aspects and applications to real needs is crucial to a technology’s integration beyond the innovators and early adopters. Time for experimentation and development of applications is essential. Successful peer users are needed to lead the technology’s integration into the curriculum. If the technology is perceived as difficult to learn and/or too time-consuming to prepare and use, or is in some other way perceived as threatening, it probably will not be used. Institution’s administration needs to nurture a perception of value in terms of needs/problem solving and academic or other rewards through establishment of policies, incentives, recognition and online presence in the Internet culture and environment (Carr, 2001).

CONCLUSION

No nation is an island unto itself that has no need of other nations. In the globalizing world market economy, all nations are important, and need one another. A glaring area of this need is technology transfer/valorization/commercialisation, adoption/diffusion, innovation, and integration. Nations that disregard these strategies are lagging behind in development. This review paper has attempted to define, relate to one another and discuss these strategies.

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Digital Application of Web Engineering in Developing Economy: Implications for Business Informatics Systems in Africa

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A challenge that is facing businesses every day is that of how to promote themselves on the still vastly growing electronic stage. A company’s web presence connotes a great deal to its customers, including how professional and reliable the organisation is. Companies are usually quite successful at making their websites look the part and creating a successful corporate image for themselves through their website. There are a vast number of website designers out there who can create a fantastic and aesthetically pleasing website to promote a company’s image. But that is not all there is to a successful website. When a website is to be used as a marketing tool and additional line of income things are not so simple. The website provides the gateway to products and services as well as information required by the customer. The true knack to a successful website is to promote these as effectively as possible, and ensuring repeat visits goes hand in hand with customer loyalty.

Introduction

Throughout this study the aim will be to establish how this can be accomplished most effectively. This study will be an application to Access Networks, a Sage Business Partner who aims to implement a new website to achieve specific objectives.
- Bring in more business
- Increase customer awareness of the company, its products and services
- Develop the corporate image in the sector.

This is a good example as it is in a highly competitive technical area where the factors of effective product, service marketing and extensive customer information resources are paramount to winning over customers.

This study’s Literature Review looks at what makes a web page popular, focusing on the direct effects on the end user. It does this through recognition of established key quality factors that have been seen to promote good website design. The Literature Review will then go through how to apply these key quality factors using a recognised methodology.

Using all of the findings in the Literature Review, a framework of effective website design will be apparent. This will then be applied to the Access Networks website as a test of how effective this framework truly is.

The Research Methodology will aim to establish two things. The first is to find out the information necessary to apply the framework to the Access Networks website. The second will be to look at whether or not the framework was in fact successful in creating an effective website.
This study will then analyse the research results to see if the framework was in fact successful, and if so, answer the question of ‘what makes effective business website design’, in order for it to be applied to future websites.

**Literature Review**

E-commerce is being implemented and used on a global scale. The use of the Internet as a means of communicating Information, as well as the ability to place transactions online is dramatically increasing. Cox and Dale (2002).

People have come to realise that the internet is a quick and easy means of finding product information as well as actually being able to purchase the product from the comfort of their own home. Businesses have taken advantage of this ease and along with the benefits of a faster sales cycle and cheaper running costs, have realised that online shops produce an effective revenue stream.

With web search engines such as Google it has become even easier for a customer to discover a number of different online shops promoting the same product or service and as such it has become easier for customers to switch from competitor to competitor. “The element of competition has taken a new diversion.” (Cox and Dale (2002). This means that in order for a web page to be effective, it must give the customer what it wants and meet or exceed their expectations; otherwise they will be lost to a rival web site.

Effectiveness of a website is determined by whether it meets its objective. The main objective being in the example of the Access Networks web page is to bring in more business, with other objectives being to increase customer awareness of the company, its products and services and to develop the corporate image in the sector.

**Web Page Popularity**

Dhokalia et al. (1998) did a study on the popularity of web pages. They looked at a number of determinants of web page effectiveness and formulated a set of hypothesis, which they aimed to prove by means of assessing their effect on web page hits. Some of their hypothesis include; whether greater content would make a site more popular, whether monthly or quarterly changes to the site made it more popular. They also considered if the more links to and from other web sites made it more popular, or the use of Java, animations or audio files made the site more popular.

These were interesting hypothesis but their means of assessing the determinants effectiveness were not accurate. Dhokalia et al. chose to use the daily hit rate as the determinant. They chose a sample of about 300 random web pages out of which they got results back from 135. They noted that the variation between the number of hit rates from the different sites in their sample was considerable with a standard deviation of 69,468.

Although Dhokalia et al. did attempt to make their results more ‘tractable’ by trying to group their findings in ranges, the hit rates alone where subject to too many overlooked variables, such as; customer spending habits, promotions the sites were offering at the time, any advertising campaigns the companies may have launched, publicity of the companies– i.e. any news items at the time. These could all affect the hit rates greatly.

The sample used was also relatively small when considering the amount of web pages out there and given that it was meant to be representative of all types of organisations from small businesses to fortune 500 corporations. Consequently, any results they would have gathered may not accurately resolve whether
their determinants/hypothesis were true or not, and little merit can be placed in their determinants of web page popularity.

Web page hits could have been an effective means of determining their hypothesis. If they had simply chosen to limit their sample to a specific type or size of company the reliability of their results could be increased considerably as this would effectively cut out a fair amount of variables effecting the end result. Substantiating their findings with other forms of research could have also helped to fortify their argument.

**Establishing Design Criteria**

In order to understand what makes an effective web site one would first have to determine criteria that the web site should conform to. There have been many studies on the subject of web site effectiveness, Kim *et al.* (2003). An abundance of criteria have been established as a means of evaluating web site effectiveness. In a recent study, Kim *et al.* listed these from 22 different research papers ranging from 1996 to 2001.

They helped to establish a coherent set of criteria that can be used to evaluate existing web sites. This study acknowledged criteria from a variety of different research papers that were focused on the effectiveness of websites and as such one can expect an all round view.

They established three main categories that should be considered when developing a website: Task, Performance and Development.

- Task related factors include presentation quality, content and function adequacy, navigability
- Performance related factors include response time, transaction throughput, reliability and robustness.
- Development related factors include code complexity, code reliability, flexibility, portability and modifiability.

Although all these factors can be seen as important, in light of the objectives of the Access Networks web site, the factors that this study will focus on those that directly affect the end user, and their perception of the web site.

This includes items based mainly on Task related factors as well as some Performance factors. Development factors are important, but would not directly affect the end user in the same way. (A website could have been developed in two completely different ways but still have the same end result for example)

As such this study will use the following categories when considering quality factor criterion: Appearance, Content, Navigation and Performance.

As stated earlier Kim *et al’s* study reviewed a number of websites and so a lot of useful information was gathered from a wealth of sources. An extract of their findings can be found in the appendix of this study.

For the purpose of this study the following table has been constructed. The criteria established by Kim *et al* is in the left hand column and an explanation of each of these has been supplied in the right hand column. The following table shows the criteria highlighted as well as questions these criteria are supposed to provoke when designing an effective web site:
Kim et al went on to evaluate a number of websites against their criteria. Their findings indicate there have been many evaluation categories defined but little evidence displayed of ‘real-situation applications’ meaning that no study of directly applying their findings of successful criteria in real life.

These criteria have proved to be a good starting point for this study and furthermore this study can be seen to address a real life application, something seen to be lacking in past studies. From here this study can go on to answer some of the questions posed in order to establish key quality factors that lead to website effectiveness.

**Key Quality Factors**

Cox and Dale (2002) defined the main objective of the design was to make sure it was meeting customers needs. They went on to explain that once the web site function is clear, you can then assess the type of customer that will be attracted and therefore, can judge the correct content, graphics, effects and other matter to be added in order to increase value.
The Access Networks web site function is already defined, and so are its objectives.

*The first step in respect to the framework will therefore be to establish what type of customer it will be aimed at.*

Once Access Networks target customers have been identified - recognising and understanding their expectations is key to producing a web site that will not only attract them initially, but also sustain customer loyalty and repeat visits.

Below is a short list of the key quality factors established in the various research papers, and grouped by the categories already outlined in this study:

**Content**

Everything that the customer would want to know about the products or services should be available. If it is there should be no reason for them to look elsewhere. Quality of content also determines customer satisfaction:

- Clear, as to what its function is - information only or transactional
- Legal Requirements. Place brick and mortar address on the site - for formal complaints
- Current/ Up to Date. Providing the last updated date on the page gives customers assurance of this.
- Reliable, seen to be from a trusted source
- Informative, actually provide sufficient relevant and useful information.

**Appearance**

Provides the first impression, the more attractive the better as this will make it more appealing for customers to return:

- Design, should be consistent to promote familiarity and ease of use.
- Graphics, to be relevant, clear, not too large. Suitable for use as links.
- Colour, In line with what the customer would expect – corporate image
- Animations should not distract, need to download plugins may frustrate users

**Navigation**

This influences ease of use and must not be overlooked:

- Links, minimum number to find information or products on the site.
- Structure, clearly and logically organised makes for easier navigation.
- Procedure, should be similar for related items – familiarity avoids confusion
- Navigation Bar, should be in the same place on each page with general main links
- Home, a link for the home page should be on every page – perhaps the logo
- Search, adequate search facilities are a must - e.g. key word searches

**Performance**

Performance factors are important in each of the above sections:

- Speed, as fast as possible
- Links, no broken links should be on the site - loses customer trust
- Reliable and Robust, must not break down and must not allow ‘clumsy’ customers to break it - even if they are not using it properly
These are all generic factors which should be considered, but may need to be applied to each web site differently. As part of this study’s framework these key quality factors will need to be applied to the Access Networks web site in such a way that promotes end user satisfaction.

Creative Good (2000) established that in order to achieve customer loyalty and repeat visits, the web site must satisfy customers needs - “common ground between the site’s goals and the customer goals; this reveals the ideal customer experience.”

A real emphasis has been based on customer needs and expectations. Webb and Webb (2004) also identified that consumer’s expectations and perceptions should serve as a basis for creating and improving B2C web sites.

It is apparent that customers’ needs should be considered when designing a web page, but how easy is it to apply these to the actual design?

**The User Based Design Approach**

Abels *et al.* (1997) acknowledged the importance of user-based web site design in their two part research paper. The first part defined a set of design criteria, based on what the consumer wanted rather than the web designer’s point of view. The second part of their paper went on to produce a user-based methodology of producing a web site based on the criteria established. They recognised that ‘software engineers had begun to work more closely with researchers in computer human interaction to enhance identifying and defining user requirements’. (Johnson and Jones, 1997)

The first step was to identify the criteria that users consider in using a web site. This includes characteristics that affect use as well as whether the site is meeting their information needs. They did this by means of a focus group which identified the positive and negative features of web sites.

They categorised these features in to six main groups, arranged in order of rank/importance based on their feedback from the focus group, for example:

- **Use** - Ease of use, ease of navigation
- **Content** - Usefulness, currency, concise and non repetitive
- **Structure** - Well organised, straightforward, innovative presentation.
- **Linkage** - Linkage to sites with relevant information
- **Special Features** - Search capability
- **Appearance** – Visually attractive

The candidates chosen for the focus group were esteemed professionals in the field. This included people teaching masters and doctorate business degrees in Baltimore and Washington USA.

Initially they all entered their data in the form of ideas rankings and ratings. This was then subject to scrutiny by the group in order to clarify the data and remove duplicates. They then went on to look at a number of factors affecting their preference of the different web pages.

Through the form of a discussion they analysed their views and managed to rank different areas in terms of importance.

They were evaluating web sites that sourced scholarly and professional literature so some of the criteria they established may not be applicable directly to the Access Networks web site however their research
brought up some very interesting issues and emphasised that the user based approach counts. The very nature of this exercise proved that it is in fact the users that are able to determine if a web site is effective or not.

By establishing what the end user truly wants, the web designer is in a much better position to create a web page that will meet their expectations.

Abels et al. can be seen to have produced some very thorough research into the topic of user based criteria for web pages which holds merit, and can be applied to this studies own example.

Ease of use was ranked highest in their findings closely followed by content. Appearance was mentioned many times and a popular subject raised but when it came to ranking it was considered not so important. If a web page looks fantastic but does not have what you are looking for it is useless to you.

This suggests that content is the fundamental consumer need, with ease of access to that information what makes one web site more effective than another.

The second step of the framework will therefore be to establish the right type of content based of course on what the consumer is after.

Conclusions

From the start, this study acknowledged that businesses are facing the challenge of how to promote themselves on the electronic stage, namely the internet. In lieu of this, the main aim of this study was to establish what makes effective business web site design.

In order to further acknowledge the intricacies of this topic, as well as to answer questions lacking in similar studies conducted to date, a real life application was chosen, namely the Access Networks web site, and the answer to the main question could be seen to have been applied to it.

It was noted that the effectiveness of the web site was to be examined in tandem with its ability to meet the business objectives, as achieving these is fundamentally its purpose. It is further noted that the web sites design is of course paramount to its ability to meet these objectives.

As such, many relevant research papers were reviewed in order to establish a framework which could be used to produce the effective business website design, and therefore be seen to answer the question of what makes effective business web site design.

Key quality factors were established and the key areas of Content, Appearance, Navigation and Performance were identified as elements directly affecting end user satisfaction. End user satisfaction and fulfilment was established as paramount to a business web site’s success as it was through this that a company experienced customer loyalty and repeat visits, ultimately leading to business objective fulfilment.

The user based design approach was applied in response to this and the various key elements of Content, Navigation, Appearance and Performance were explored in detail, in order to identify how these could be implemented in to a real life web site application. The customer, content and task ranking method was the practical means by which this was effectively accomplished and a usable model was illustrated to encompass the criteria identified.
This lead on to the application of the entire framework established, by means of the research conducted in part one. This research could be seen to have been very effective as it lead to the successful design of the Access Networks website.

Once this website was constructed according to the said framework, all that was left to do was evaluate its performance. If it was seen to be effective in its function and ultimately in achieving the business objectives then the answer to the question of what makes effective business website design, could be seen to have been established as the framework itself.

As already established, the research gathered in part 2 of this study supports the fact that the framework was in fact successful in producing a successful website.

A large amount of customers agreed that the information they were looking for was ‘easy’ to ‘very easy’ to find. They also agreed that the website allowed for the various tasks involved were ‘easy’ to ‘very easy’ to perform.

These factors lead to extremely high customer satisfaction. Customers thought that the first impression of the website was of high quality as well as the general appearance. They also rated Navigation extremely high as well as performance. The website received 4.9 out of 5 in its entirety, an exceptional result.

The website was also assessed on whether it was meeting its business objectives through a number of different factors. 80% of customers were made aware of additional Sage products. 95% were made aware of additional services and 90% could see how the entire Sage solution could be applied to their business. The main business objectives of increasing customer awareness of the company’s products and services could definitely be seen to be achieved.

85% of customers were interested in finding out more about the products and services for their company, and 85% of customers were influenced to buy products/services from Access Networks, showing high fulfilment of yet another business objective that being to bring in more business for Access Networks.

The general appearance and first impression of the company were rated extremely high and 100% of customers liked the tools available on the website, 95% would use the website again and 95% would recommend the website over other website. This significantly enhances the corporate image in the sector, meeting yet another business objective. This will also lead to customer loyalty and potentially repeat visits to the website, ultimately leading to increased profitability for Access Networks.

Some limitations were acknowledged during this study. One aspect was that no participants in part 2 of the research opted to search for any ‘other’ content or perform any ‘other’ tasks. One reason could be that they found it easier to stick to the list, or it could be the fact that they truly could not think of any at the time. However when they were asked whether they had found all of the information they were after, 10% said no, and website content received the lower score of 4.3 / 5 compared to the overall website score of 4.9 / 5, suggesting that the content needs to be slightly improved to come up to the standard of the rest of the web site.

Seeing as content has been established as one of the most important factors then further research specifically on website content will be required in the case of the Access Networks website. More detail may have to be considered and further study could be performed. A comparative / discussion based study may be appropriate such as a focus group for example. This would allow several end users / customers to talk about ideas on content which could be more productive than asking just individuals.
Another limitation could be seen to be the relatively small sample size used for the research in part 2. The sample size could be made bigger, however it was hard enough finding the 20 customers that did participate due to the amount of time they had to devote. The exercise itself was however very thorough and so the quality of information could be seen to outweigh the potential quantity from a different sample size.

One way to improve on this would be to send the research questionnaire used in part 2 of the study out to a larger population. This would only include the general website experience and Yes or No questions as the other parts of the questionnaire would not be effective. The results from this larger population could then be used to corroborate the results received from the smaller sample. Time required for this to be accomplished was beyond the scope of this initial study however. This could also be the basis of further research.

Another limitation was the fact that the informal interviews with the Access Networks staff were not conducted due to time constraints, mainly due to the fact that the staff were experiencing a very busy period and so were unable to devote the time necessary to give accurate and relevant feedback.

This is unfortunate as the interviews would have given some good insight into the website's capability of not only a shop front but also if it could be used by staff when talking to customers on the phone as a visual aid. This can be the focus of future research however and this study is not directly affected by this.

Despite these limitations this study could be seen to be successful in answering the question of what makes effective business website design. The web design framework established in this study was applied to a real life business website and this website has been found to be very successful. It is therefore the conclusion of this study that the answer to what makes effective website design can be found in the framework established throughout this entire study.

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Africanization of Digital Informatics Application of Problem Structuring in Problem-Solving

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The study involves three problem solvers structuring a problem individually, and as a group. Problem structuring is a process that begins with an interpretation of the problem and draws upon deductive reasoning. The findings from an empirical study show that problem structuring has to be incorporated in the design of a human system interface for a generalized problem-solving framework to solve problems with a systematic approach in any organization.

Introduction

A problem is an obstacle or difficulty in the path ahead of us [1] and where all the elements of the solution are already there. All that one has to do is to structure what has been given. In this sense, a problem is structured based on one's perception and understanding. The problem solver attempts to structure the problem in a form that can lead to a solution [2]. Problem structuring is a process that begins with an interpretation of the problem and draws upon deductive reasoning [3]. Thus, the process of recognizing and understanding takes precedence to representing the structure of the problem [2], [4]. The emphasis of problem structuring is on shaping some general statements and turning these statements into a clear and transparent representation of the problem which can be mathematically formalized. The problem structuring requires knowledge abstraction in whatever way possible to enable rigorous representation [5].

Problem structuring when done in a group may give rise to conflict. One innovative approach to conflict resolution is through collaborative learning [6]. Collaborative learning uses a systems approach to the problem and emphasizes constructive individual and group communication through dialogue, argument, and negotiation. It encourages participants to work through conflict, think systematically, and learn from one another about a particular problem situation. It emphasizes common understanding of the situation at hand. People have the capacity to think systematically and creatively when given the opportunity to do so [7]. In addition, they are capable of presenting and understanding a situation visually through system thinking [7], [8].

The research issue addressed by the paper is an examination of how problem solvers view a problem and the strategy used as a group to more complete understanding of systems relationships, leading to better problem resolution. The paper is organized as follows: First, we present the problem situation. Second, we discuss the individual perspectives of the problem. Third, we discuss the group strategy and perspective of the problem. Then, we present a system architecture that incorporates a problem structuring system. Some conclusions regarding the use of the intelligent system to future problem structuring are drawn.
the problem situation

The problem “Who owns the zebra?” by [1] was used to elucidate the steps taken in problem structuring. The world record for solving this problem is 10 minutes [1]. There were 15 statements presented verbally for the problem:

1. There are five houses, each with a front door of a different color, and inhabited by people of different nationalities, with different pets and drinks. Each person eats a different kind of food.
2. The Australian lives in the house with the red door.
3. The Italian owns a dog.
4. Coffee is drunk in the house with the green door.
5. The Ukrainian drinks tea.
6. The house with the green door is immediately to the right (your right) of the house with the ivory door.
7. The mushroom-eater owns snails.
8. Apples are eaten in the house with the yellow door.
9. Milk is drunk in the middle house.
10. The Norwegian lives in the first house on the left.
11. The person who eats onions lives in the house next to the person with the fox.
12. Apples are eaten in the house next to the house where the horse is kept.
13. The cake-eater drinks orange juice.
15. The Norwegian lives next to the house with the blue door.

Two questions: Who drinks water and who owns the zebra?

the problem solvers

Three problem solvers in their fifties comprising a senior manager in a public listed company, a senior chemist in a government agency, and a senior engineering consultant in private company were engaged for this exercise.

The Senior Manager (SM)

Images provide a means to analyze and structure the problem. These early representations have a great influence on how the process continues – the use of the given information. Fig. 1 shows the initial representation of the captured information of the senior manager while Fig. 2 shows an organization of the information after second reading of the statements.
**The Senior Chemist (SCH)**

Fig. 3 shows a tabulation done by the chemist after the first reading and Fig. 4 shows further organization of the information.
The Senior Consultant (SC)

The initial representation of the information of the senior consultant is shown by Fig. 5. Fig. 6 shows his organization.

Fig. 5 INITIAL REPRESENTATION OF SC

Fig. 6 ORGANIZATION OF SC

Each problem solver had a strategy and articulated how he visualized the problem. Each figure forms the basis of the individual understanding. After 20 minutes of structuring the problem individually, the senior consultant suggested a collaborative learning approach to focus the problem-solving activities, set priorities, promote unity of effort, and facilitate an understanding towards the problem. There were much conflict and interpretation of the information, with their three different expertise background, until the chemist volunteered to piece their joint effort into a congruent structure. Fig. 7-12 shows the developing representation that informed a collaborative process of problem structuring.
Fig. 7 CONFIRMATION OF FACTS

Fig. 8 SLOTTING IN THE FACTS (a)

Fig. 9 SLOTTING IN THE FACTS (b)

Fig. 10 ESTABLISHING RELATIONSHIPS (a)
Fig. 12 STRUCTURE OF THE PROBLEM

Fig. 12 shows a visualization of the constituted parts of the problem. The constituted parts were consolidated and merged in a co-operative manner to define the eventual outcome of the problem.

The Human system interface

In this problem-solving exercise, problem structuring is a process that arranges and rearranges inputs (rules of the problem). The 15 statements represent the initial state. Each problem solver deliberates one or more solution paths between the initial state and the desired goal state (answers to the two questions). Every solution path is a possible path to the desired goal with a chain of intermediate states. These intermediate states are activities of the problem structuring process.
The grouping, or formation of states, enables solution paths to be formed. Each problem solver assesses the situation from their perspectives and considers related information accordingly. Ideas and information are exchanged simultaneously between different aspects in order to reach a compromised solution. Different paths were proposed for comparison and discussion. The problem structuring may either take the path 1-2-5, path 1-3-5, or path 1-4-5. The eventual outcome is a path from the initial state to a formation in the desired goal state.

The human system interface thus requires the input of variables to the problem. In this case, five variables are required in a 5X5 matrix. A mouse over shows the rules associated with each value of the variable.

The system architecture
There are four primary modules to consider in the proposed system configuration.

Case base module
Case base knowledge that uses past knowledge acquired from past experience provides the context to interpret accumulated content in a specific problem domain. This module configures cases that can be retrieved to assist in solving new problem.

B. Heuristic module
Heuristic module is used to reference heuristic pattern or formation. In general, heuristic knowledge is encoded in a set of problem-solving rules or forms. As heuristic is tacit knowledge and experience or expertise is subconsciously understood and applied, it is difficult to explain with language. Heuristics are learnt from events and problem-solving and are not easy to record nor codify. Thus, it is demonstrated by referencing images, diagrams, patterns, or formations. These can offer a clue or reference to problem-solving with concise knowledge content.

C. Rule base module
Rule base module is operated to search for domain specific existing rules. The rules are precisely and formally articulated by experts to describe relationships and states.

D. Learning module
Learning module is used to record new case that is useful as an aid to new problem. In contrast to case base module, a new result of problem-solving or a new knowledge can serve as advice for the next problem. The architecture records it as a new case in the case base module. Thus, the learning module records new case and updates the case base module.

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Fig. 14 AN OVERVIEW OF THE SYSTEM ARCHITECTURE
The architecture enables different modules to function through a system manager. The system manager is always in command and control at the data process level (input) where the human system interface is. Once the problem is structured for solving, the system manager invokes the case base module. If there is a match or a partial match in the case similarity, that particular case will be retrieved. Otherwise, the heuristic module will be invoked. The rule base module will only be called as a last resort. The learning module will record the results of the problem-solving as a new case for learning. Fig. 14 shows an overview of the system architecture.

Conclusion

Problem-solving activities take place in a certain problem space. Such a space should contain complete information about the initial state (the problem), information to move from the problem to the solution, and information about the goal. Problem structuring which occurs mainly in the beginning of problem-solving requires devising future states, recognizing initial states and finding paths to bridge the initial state to the goal. The information for problem structuring requires much more active interpretation and manipulation. The problem structuring process in problem-solving enables different expertise working together in collaborative learning. It enables planning for more efficient ways of using, sharing, and managing information. Understanding the process of problem structuring could provide further insight into the designing of information systems to support this task. Once the problem is structured, it is ready for solution. The solution can be invoked through the system manager for problems that have multiple variables. Otherwise, it is just a simple exercise requiring ample time.

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Spinning off the Culture of Social Entrepreneurship toward Sustainable Development in Nigeria: a focus on Poverty Reduction

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The aim of this paper is to discuss and promote the need for imbibing the culture of social entrepreneurship towards poverty reduction in Nigeria. Social entrepreneurs can contribute in so many ways to reduce social problems especially the incidence of high poverty among the poor and disadvantaged in the society. Social entrepreneurs alone cannot provide the needed drivers for social change, unless and until their effort has been complemented by government and other agencies through various policies and programmes. The conceptual model developed in this paper will help in providing the necessary framework and explanation of what is expected to be the contribution, impact and outcome of social enterprise in Nigeria. The seminal contribution of this paper is not limited to providing understanding of the role of social entrepreneurs in alleviating social problems but perhaps it’s potentiality in arousing interest and curiosity of other researchers to ascertain by measuring the impact and performance of social entrepreneurs in different environment or societies.

Introduction

Poverty remains one of the endemic social problems that are receiving attention globally. The most recent global commitment toward poverty reduction is the millennium declaration of the world leaders, in which eight millennium development goals (MDGs) were set, amongst others is poverty reduction by 2015 (Sach, 2005; MDGs report, 2009; Akpomi, 2009; Kalirajan and Singh, 2009; Akoum, 2008; Curtis, 2006). Quite a number of poverty reduction strategies were put in place particularly in developing countries where the scourge of poverty is conspicuous. Sueld (2005) it is evidently clear that various government at all levels, civil society, international donor agencies, civil societies, NGOs etc were directly involve in the fight against poverty. In fact, some people suggest the need for global compact to end poverty (Sach, 2005; Yar’adua, 2007). People continued to express pessimism on realization of this global dream as envisaged by the world leaders’ base on situation on ground. It is highly unlikely that the fight against poverty as enshrined in the MDGs to be tenable if the approaches “remains business as usual” (Babu and Andersen, 2007) particularly in the Nigeria state (Ewhrudjakpor, 2008; Akpomi, 2009).

All hands must be on deck to ensure successful reduction of poverty in the world. The responsibility of poverty reduction is the business of everybody in both developed and developing countries. It is pertinent to this that social entrepreneurship is identified as one of viable strategy for reducing poverty. The aim of the paper is to discuss and promote the need for imbibing the culture of social entrepreneurship as a means or strategy option for poverty reduction. Babu and Andersen (2007) asserted that “the current challenge is to identify cost effective method of developing a large number of social innovators and entrepreneurs who can contribute to the process of reducing poverty”.

The Concept of Social Entrepreneurship and Social Enterprise

Social entrepreneurship as a field of study and practice provides a ground and opportunity to pose so many questions from different field of Business and Management research (Mair and Marti, 2006). Social entrepreneurship has been recognized as potential strategy in improving the general wellbeing of the disadvantaged or poor in the society. It can be used as a mechanism based on the premise or assumption that social entrepreneurs are out to help in addressing social problem with business acumen (Andersen, 2007;
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Haugh, 2005; Hines, 2005; Thompson, and Doherty, 2006). Also considered as a process that catalyzes social change in which immediate financial benefit is not the priority of the entrepreneur (Mair and Marti, 2006; Duff, 2008). The concept of social entrepreneurship has been receiving attention globally largely because of the anticipated role they are playing in solving myriad of problems. The sector plays desirable and important role in improving economic situation as well as social regeneration (Thompson, 2008, Babu and Andersen, 2007; Urban, 2008). It is particularly concern with those activities associated with exploiting opportunities to create value and also creation of social purpose organization to pursue them (Haugh, 2005).

Social entrepreneurs came into being out of their sheer desire to contribute positively in addressing social problem and as such initiate a variety of ways. Babu and Andersen (2007) suggest that social entrepreneurs can provide or develop new approaches which will help and hasten the process of poverty eradication. Although various arguments have been advanced pertaining proper distinguishing between social entrepreneurship, social enterprise and social entrepreneurs, the differences is immaterial because they remains inter linked and highly inter woven. The social entrepreneurs took up the challenges voluntarily to face the issue by setting of social enterprise (Seanor and Meaton, 2007; Shaw and Carter, 2007). Haugh (2005) “Social entrepreneur is considered as any person that created social enterprise”. They highly needed in all spheres of life to enable the effective design and implementation of poverty reduction programmes (Babu and Andersen, 2007). Social enterprise is quite distinct from other not for profit organizations especially in term of entrepreneurial strategy and innovative action in pursuit of both economic and social goals (Haugh, 2005; Seanor and Meaton, 2007; Todres et al, 2006; Spear, 2006; Low, 2006). Social enterprise is part of the social economy that is neither private nor publicly controlled. UK DTA (2002) in Thompson (2008) defined social enterprise as “a business with primary social objectives where surpluses are principally reinvested for that purpose in the business and the community”. If social entrepreneurs will have to take up this challenge by setting a social enterprise, it is important to look at their motivational factors. This will allow understanding of various entrepreneurial attributes of social entrepreneurs. Social entrepreneurs (Haugh, 2005) are quite different from other forms of mainstream entrepreneurs, they possess mixture of both negative and positive attitude. It should be appreciated that this kind of entrepreneurs are not likely to let opportunities to slip through their fingers.

### Conceptual Model for Social entrepreneurship

<table>
<thead>
<tr>
<th>Social problem</th>
<th>Social entrepreneurship</th>
<th>Improved Condition</th>
<th>Overall outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty and hunger, Illiteracy, Unemployment, Poor housing, Poor health</td>
<td>Social entrepreneurs And</td>
<td>Increased income, More employment, Literacy, Good health care,</td>
<td>Achieved required economic growth and development</td>
</tr>
<tr>
<td>Motivational forces Through Govt. policies, programmes and support from other</td>
<td></td>
<td></td>
<td></td>
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</table>

### Opportunity recognition and exploitation

The social entrepreneurs may have to search for opportunities in their pursuit to alleviate the suffering of the poor or disadvantaged. Sometimes resources may not be readily available or adequate at their disposal, but the ability to mobilize these resources is what actually will distinguish entrepreneurs with others. For an
entrepreneur to successfully exploit an opportunity, he/she will have to get and deploy all necessary resources i.e. both human and material (Haugh, 2005).

There are certainly many opportunities available to address the problem of the disadvantaged but this is largely depend on the ability of the entrepreneurs to act differently (Babu and Andersen, 2007). Innovation may be a source of opportunity exploitation to particularly create something of value, indentifying ways of delivering services, develop new strategies to improve the life of others (Hynes, 2009; Haugh, 2005). Like in any form of entrepreneurship innovation remains the key factor for success. Innovation is a fundamental part of entrepreneurship as enunciated in the Schumpeterian literatures. There are many sources through which opportunities can be created. Thompson (2008) the most common is the opportunities created by the government or any other institutions. Social entrepreneurs may recognize this opportunity through call for open tender bidding to all eligible and interested organizations. Perhaps this process can be quite competitive, because large number of organizations will compete for that. But only the innovative and resourceful bidding can emerge at the end of the day. More importantly writing tender bidding requires the art of entrepreneurship (Thompson, 2008) for any person or organization to succeed.

In another circumstance social entrepreneurs may not necessarily wait for such opportunity to exist before they acted but in most cases they go extra miles to identify certain gap that exit which could be seen as an opportunity to be filled. The government may fail in its responsibilities to provide certain social services to the people such as the provision health care, infrastructure, education etc. At various levels be it national or local, social entrepreneurs may intervene to salvage the situation. They have made their footprints by identifying opportunities and respond to this kind of issues, they have responded to social challenges with innovative solutions (Babu and Andersen, 2007; Thompson and Doherty, 2006). They usually came up with simple social innovations that solve millions of people problem particularly the neediest in the society who is the poor and economically disadvantaged. The initiative of Mohd Yunus of Gramen Bank in Bangladesh provides poor rural women access to capital to start small scale business that improve their lives significantly (Babu and Andersen, 2007; Thompson, 2008; Mair and Marti, 2005). The provision of group loan (micro finance) to women was considered to be a major poverty eradication strategy in Bangladesh. The establishment of Aravind eye hospital by Dr. Venkataswamy in India has offered eye care services and cataract surgery at a cheaper cost to the people (Mair and Marti, 2005) around that vicinity and beyond. The setting up of training restaurant by Jamie Oliver in UK to train young aspiring chef to start up their restaurant business (Thompson, 2008). The Rocha’s foundation college that provides free education to thousands of poor children in Nigeria. In fact these efforts represent the most contribution of social entrepreneurs in the recent time across the globe. Opportunities do exist diverse in areas (Pearce, 2003 in Haugh, 2005) such as in business incubation, entrepreneurship training and development, local development and infrastructural regeneration, housing, child care, healthcare e.t.c.

The Nigeria Environment for Social Entrepreneurs

Nigeria as a country is in a critical and trying time which requires different strategy, policies and programmes to overcome. In any situation where the environment in which social enterprise should exist is characterized with so many constraints, then the probability of emergence and survival may be very minimal. As such the desired level of change may not be achieved or rather the anticipated role to play may be difficult if not impossible. Seanor and Meaton (2007) believe that social enterprise alone cannot drive social change, they suggested the need for support of government and other agencies. For better understanding of the role social entrepreneurs, the context within with they operate has to be examined to ascertain its suitability, the motivational incentives and its impact. Here context refers the economic, political, cultural and technological environment that influences social entrepreneurship in general. For instance, where economic situation is said to be in bad shape, which affects the general condition in the market. The mainstream entrepreneurs may find it very difficult to cope with these complexities, and hence they have to quit. Sometime the government may fail in discharging some of its responsibilities (i.e. the provision health
care delivery, education, and social amenities e.t.c) as mostly evidence in developing countries or may choose a number of approaches. The removal of certain regulatory barrier will allow social entrepreneurs to come in and perform some functions. For example, in Nigeria it was made possible by the government policy to established microfinance institutions to support the poor and disadvantaged through the provision of small capital to start up business. So also the effort of Mohd Yunus of Gramen bank in Bangladesh wouldn’t to have been possible without the necessary institutional support. Mostly because of economic down turn, countries that are affected develop certain policy measures to arrest or address the situation. Economic policies such as deregulation of sectors, privatization, and removal of subsidies in education open door or necessitate the intervention of social entrepreneurs. The action of the government to take these kinds of measure may be in good faith to resuscitate the economy, but that could be detrimental to particularly the poor and disadvantaged perhaps in the short run. This action could exacerbate their suffering. In this case social entrepreneurs come in to provide another alternative or generally assist to alleviate the suffering of those affected.

The Socio-economic impact of Social Entrepreneurs

The real intent of social entrepreneurship is to integrate business model to satisfy certain social needs of the people. This means that social entrepreneurs can serve a double bottom line (Hynes, 2009), a blend of financial and social return. They adopt serious financial strategies in order to attain social goals and perhaps will be focusing attention to address diverse social problem such as lack of housing, health care facilities, unemployment (Haugh, 2005) as stated earlier. This clearly indicates that the rationale for their existence is simply creation of value to the society as a whole (Certo and Miller, 2008; Shaw and Carter, 2007; GEM UK, 2007 in Hynes, 2009).

The government may have absolute responsibility of governance which entails the provision of all necessary things that is essential to people’s lives. The government represents the public sector that is concern with a wide range of activities ranging from education, health care delivery, provision of infrastructure, security e.t.c. The private sector also constitutes part of the social economy that contributes significantly. But the aims of private sector to engage in the provision of stated wide range of activities is quite different from that of public. Private sector enterprises are profit driven and basically exist to maximize the wealth of their shareholders (Samuel, Wilkies and Brays, 1999). To a larger extend the performance of the private sector is measured in monetary terms that is the profit they generated over a period of time, not in terms of social problem they solve. While the social entrepreneurs are neither form part of public nor private sector, thus they form the third sector of the social economy. They actually contribute to the nation’s social, economic, cultural and environmental wealth (Shaw and Cater, 2007). In fact social entrepreneurs help in reducing poverty and hunger in many ways and at different levels in a country (Babu and Andersen, 2007). The major problem in developing countries (Luiz, 2006; Dao, 2004) is high rate of poverty which is largely as a result of poor income, lack of basic amenities, and high rate of unemployment e.t.c. To Babu and Andersen (2007) social entrepreneurs could help at macro level to formulate and implement policy at business level, they use their business skills to address social issues. Then at local or micro or community level they help to solve some specific problems. Although, many social entrepreneurs are performing different task with a common goal, they tend to apply different approach and strategies in pursuit of their goals.

Implication and Concluding remark

If you carefully examine the role of social enterprises in this regard, you may conclude that they are value adding organizations. Thompson (2008) stated “that at every basic level it is possible to argue that the real value of any organization is the extent to which it could be missed if it were longer there”. Although this can be applied or associated to every type of organization, be it private or public, or in other word social or economic enterprise. It is much relevant for organizations that have their goal as meeting the social needs. Therefore for us to make any attempt to ascertain what value social entrepreneurs are adding to society, this
may tantamount to measuring their performance. It may be argued that since the general objective or aims is the same, it may be interpreted that adding value to society indicate high performance of social enterprise and vice-versa. But the problem is how to measure or quantify performance or even the impact of social entrepreneurs (Mair and Marti, 2005). Basically as stated earlier, social enterprises are established to solve some existing social problems and their outcome are likely to be uncertain (Parton, 2003 in Haugh, 2005). The criteria for measuring performance of the mainstream entrepreneurs are income they generated over a period of time. The argument here is if you are to measure the performance of social entrepreneurs, what will be the suitable variables against which you will measure. Is it the output or outcome of the social enterprise? This may be debatable but (Thompson, 2008) the real value is the extent to which social entrepreneurs would be missed if it were no longer there. The issue here is that you can only accept or validate this argument only if the organization ceases to exist, but as long as the organization is still functioning or existing it may be difficult for someone to adjudge or justify that position. This paper perhaps would provide yet another opportunity for exploration for its potential in arousing interest and curiosity of other researchers to ascertain impact of social entrepreneurs in different environment or societies by measuring their performance using appropriate tool.

References


Strategic Management in Africa: Rethinking strategy gaps in sustainable Business development.

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This paper explores empirical studies on Strategic Management in Africa in view of identifying gaps in strategy that could explain low business development. The strands in this synthesis were activities of multinationals, firm internationalization, resource views, and adoption of models, strategic planning and strategy in public sector. Africa is a late starter in strategic management and still on journeys of transition from colonial legacy, state controls to liberalization. Changes are borne out of internal and external environment. Some of the tools from developed countries have applied and others have not. This may explain why business is not well developed. The paper contends that contextualized strategy tools will provide a gateway for moving Africa toward sustainable growth and technological development.

Introduction

The definition of strategy and Strategic Management field still eludes scholars. There is consensus that strategy is the aligning of the business to its environment, setting long term goals or the direction setting for long term achievements. Rumelt (2009) was not happy with the wide use of strategy with loose meanings as the set of decisions that define scope of enterprises to survive. Mintzberg (1987) defined strategy as a pattern of a stream of decisions. He argued that relying on one definition of strategy was not a wise move in developing the concept. On the other hand, Porter (1985) had defined strategy in terms of positioning a business in a given industry through an analytical process. Other writers did not add much to this dichotomy when they said that strategy is the firm’s alignment to its environment embodied in its routines, rules and practices (Mintzberg, 1994). It focuses on organizational strengths and weaknesses, against the opportunities and threats in the external environment. Rumelt (2009) was more audacious on what people have called strategy. He emphasized that strategy is a cohesive response to a challenge, not the popularized 5-year market plans or the price cuts over a peak season or even a mission statement. A real strategy is accordingly neither a paper statement nor a forecast, it is an overall synthesis based on an environmentally diagnosed challenge with a view point of the forces at work. Finally, Johnson and Scholes (2006) strategy was defined as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources and capabilities within a changing environment, with an aim of fulfilling stakeholder expectations.

Turning attention to the wider concept of Strategic Management, again the dichotomy in definitions continues to emerge escalating the debate (Rajiv, et al, 2007). Strategic Management is also defined as the process by which general managers of complex organizations develop and use a strategy to co-align their organization’s competencies and opportunities and constraints in the environment. Strategic Management is also defined as an art and science of formulating, implementing and evaluating cross functional decisions that enable organizations to achieve their objectives. Strategic Management, though still in its pre-paradigmatic stages, has become a field for business success worldwide. The debate that has shaped our understanding of strategic management today has stretched over decades (Rajiv, et al 2007). From Business Policy designed by the Harvard group, to financial planning (1950’s), then long range planning, (1960s) and strategic planning in the 1970s saw concept developing, through both theory and practice. With changes in the environment, both practitioners and academics started questioning the
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essence of planning as against action, since the former had thrived in reasonably stable and predictive environments. The urgency to link strategy to other organizational activities opened the windows to strategy implementation, given the high turbulence that was being experienced. Through the 1980’s discussions were extended, redefining the dimensions of both strategy formulation and implementation (Porter, 1985; Mintzberg, 1994). By the fall of the 1990’s organizations were involved in Strategic Management with focus on the changing business environment taking shape through blocks and contributions from other fields like administrative behavior, marketing, economics, and industrial organization.

Placing Africa among Emerging Economies

There is growing literature on emerging economies. Some authors refer to them as developing economies while others as economies in transition or emerging markets. According to Rajesh and Pillama (2009) the term has been extended to mean more or less all developing countries. Yadong and Junkunc (2008) defined emerging economies as countries undergoing significant economic transformation. This definition does not depart much from Elango and Pattnaik (2007) who said that emerging markets are countries experiencing rapid economic development, with their economic institutions concurrently undergoing rapid institutional adaptation to free-market ideologies. Usha and Haley (2006) defined emerging economies as those in low and middle income countries in which most people have lower standards of living, with less access to goods and services as compared to those in high income or developed countries of the World. Strategy research agrees that emerging economies are assuming prominent positions in the World economic system. They are increasingly becoming the growth drivers of the global economy since the 1990’s (Rajesh and Pillama, 2009); some listing identified 64 emerging economies, covering those rapidly growing and others were in transition. However basing on World Bank statistics, Yadong and Junkunc (2008) identified and characterized 72 countries as emerging economies. The numbers notwithstanding, emerging economies are countries previously categorized as least developed (LDCs) which have now taken center stage in economic liberalization. Emerging economies are a host of about 4/5 of the World’s six billion inhabitants, however they account for only 1/5 of the World GDP. The key characteristic is that these economies are transiting from state controls, also characterized by numerous low level business and strategic environment concerns. Eweje (2007) asserted that in developing countries most companies fall short of international standards in legislation and monitoring. According to Usha and Haley (2006) there is poor and low data on markets, low information processing capacity and less attachment to models of reason in business patterns as against the rule based and universal models in developed economies. Elango and Pattnaik (2007) asserted that the characteristics of emerging economies have changed over time. Prior to the year 2000, emerging markets lacked international competition, were dominated by state controlled firms, there were less choices of goods and services, firms lacked international exposure and scattered with localized production. The firms in these economies are relatively small in size, with few organizational resources and low networks. However Pablo and Kohan (2007) posit that today there has been a radical change with increased globalization and openness to international competition. This agrees with Peng, Tan and Tong (2004) who noted that the economic landscape in developing countries has substantially changed featuring more organizational diversity through partnerships and networks.

Synthesis of Strategic Management studies in Africa

After the development of strategic planning in the United States of America that led to rapid development in business, it spread to other regions, with Africa being a late adapter. However many companies in the region were found to be practicing Strategic Management in the 1980’s (Woodburn, 1984; Adegbite, 1986; Aosa, 1982). Wallender (1978) had argued that strategic planning did not appear to be a priority for African Businesses and their concentration was more on formal management functions which defined short term horizons of their businesses. This argument explains the slow pace at which strategic planning
was adapted. Theories and models of Strategic Management applicable in the emerging economies of Europe, Asia, Latin America and Caribbean countries were thought to be applicable in Africa (Amoaka-Gympah and Acquaah, 2007) but the replication of the strategic models do not seem to have had a positive impact on Africa. Africa did not follow the shift to manufacturing and Industrialization and Amoaka-Gympah and Boye (1998) proposed such a shift which, Khanna and Palepu (2006) supported, if Africa is to attain the economic status of those countries. It is however important to note here that Africa may not have been suitable for the strategic models applied in the other countries because of its unique environmental challenges. Strategic Management tools are sensitive to the context in which they are practiced (Ansoff, 1991) which explains why the strategic models developed in western economies may have been partially successful in the other emerging economies and less successful in Africa. The models and tools required to be modified in order to address fully the peculiar political, social and economic challenges. A critical example is cited by Younis, (1996) where the IMF/World bank strategy policy of privatization was rejected in Egypt, Morocco and Tunisia because the term privatization could not readily translate into Arabic language, and it was a foreign model.

Though Strategic Management has gradually been adapted in Africa, countries are at different levels of development and strategic planning practices are not applied uniformly. Some countries have embraced strategic planning fully while others are partially doing so. In Ghana, Acquaah and Adjci (2008) in a study using Porter’s (1980) generic strategies found that Ghanaian firms were pursuing Porter’s differentiation, cost leadership and both strategies simultaneously with varying degrees of success given the turbulence of the local environment. Acquaah and Aldken (2008) supported previous studies that a combination of cost leadership with differentiation yielded better performance. The commitment of many African governments to Structural Adjustment programs imposed by the World Bank and IMF led to many foreign firms entering the countries as direct foreign investors or through joint ventures with local firms (Acquaah, 2005). This was subsequent of the liberalization policies that were adopted. Managers in domestic firms in Africa needed to rely on social networks and social relationships for their strategic business decisions (Acquaah, 2007) in order to compete favorably with foreign firms who adopted Strategic Management much earlier. Ngwana (2002) in a study on strategic planning in higher education in Cameroon posited that adapting strategic planning in Africa required decisions to be on a backdrop of global, regional and institutional reality. Woodburn (1984) indicated the existence of corporate planning among the private and public sector firms in South Africa. In most African Countries, the private sector led in adapting strategic planning while in South Africa both private and public sectors had embraced strategic planning, the obvious fact of the more developed South African economy is thus explained. A study of strategic planning in Nigeria by Fubara (1986) revealed that strategic planning was informal and characterized mainly by budgeting activities with emphasis on profitability. Adegbite (1986) however found contrary views in a study of strategic planning in Nigeria. Findings were that Strategic planning was wide spread among firms. The difference in findings between the two authors can be attributed to the population of study. Fubara (1986) studied local firms while Adegbite (1986) drew the sample from foreign firms. These findings imply that foreign firms in Africa were more involved in strategic planning than domestic firms. This is supported by Aosa (1992) in a study of manufacturing firms in Kenya. Domestic firms in Africa are however progressively learning through exposure to foreign business operations through joint ventures, globalization and internationalization.

**What have been the challenges?**

Some of the challenges inhibiting Strategic Management in Africa have been family settings, poor levels of technology, Government and political environment, low organizational and managerial capabilities, and narrow knowledge space. In Africa, family set up includes extended families and paternalistic authority with individuals loyal to their family and tribe spread within African societies which influence managerial and organizational processes. Education and interaction with people of other cultures has however influenced African societies leading to adoption of western educational systems and
organizational management practices which may open a new gate way to business growth. Governments in African economies tend to be highly centralized which has often led to abuse of power and economic mismanagement. Governments and especially the political elite tend to interfere with private sector business (Aosa, 1992) to the detriment of management operations. Most African states have experienced political instability with military rule, and undemocratic institutions. Government and power play are some of the forces that have inhibited the growth of strategic management. Aosa (1992) posited that political stability has had an impact on strategy development in Kenya. Adegbite (1986) viewed the turbulence in Governments with military takeovers and regimes lasting for an average of three years since independence as affecting Strategic Management development in Nigeria. Organizations lacked resource capabilities that could enable them undertake successful business. Though the countries are endowed with numerous physical and human resources, there are vague strategic views of how to exploit them for sustainable growth. Resource Based View scholars argue that resources need to meet certain necessary conditions (Barney, 1991, Peteraf, 1993, Wenerfelt, 1984) for this framework to yield a sustained competitive advantage, which Africa has lacked. Managerial competencies are inadequate in most countries. Hambrick and Mason (1984) indicated that organizational effectiveness and strategies are reflected in the values of the actors in the organization. The low performance of firms may therefore reflect on the leadership of the organizations. Comparatively, Wang and Chang (2009) in a survey in China on Porter (1980)’s five forces model found wide rejection of this model, they were of the view that leadership and its characteristics of wisdom, courage, strictness, human-heartedness, and sincerity but not reckless, coward, and quick tempered have reflected success of firms that have made China a super power. This business acumen is widely lacking in Africa. Africa’s positioning in the global knowledge system is not articulated. Castells (1996) came up with what he termed a triangular symbolic network of knowledge and innovation which connects America, Europe and the industrialized Asia. Ngwana (2002) supported this view and noted that the Sub Sahara Africa’s lack of place in this space of knowledge flow led to being marginalized and suffering what Brock-Utne (2000) termed as the “new apartheid”. Ngwana (2002) further illustrated that Research and Development scientists in the North went up by 60% while in Sub – Sahara it was 1%. Research publications in Science and Social science shows Sub-Sahara behind with 5,839 papers compared to 249,386 in United States of America. This shows the low participation of Africa in the global knowledge space with continued polarization of her politics, business patterns and education by former colonial masters, further rendering the business growth pace to be slow.

Conclusion and Management implications.

After being isolated from the rest of the World for many decades, African economies are currently making political and economic transitions towards open market systems. This changing environment has made managers to refocus attention on models of survival, hence adopting various tools of Strategic Management, to fit the unique environmental challenges. Multinational companies, mainly from the developed countries have found new business ventures in these economies. This integration with local firms has led to some level of economic growth. This paper has identified and discussed various empirical studies on Strategic Management in Africa, without going into a Meta analysis. It is clear that various dimensions of strategic management such as firm internationalization, capability development, sustainability management and strategic planning were lately adopted. There are still limitations in adopting models from the developed economies; however, with the increasing knowledge space, localized models should be initiated to fit the country specific contexts. This will place Africa on a platform of clear organizational and business operations which are crucial for global competitiveness. This will definitely enhance firm and business capabilities. From this discussion we contend that strategic management tools provide an inherent possibility for breaking into the global economic order from which sustainable growth and technological development will become possibilities for businesses in many African economies.
REFERENCES.


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Econometric analysis of the causal relationship between savings and economic growth in Ghana

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This paper explored empirical evidence regarding the causal relationship between gross domestic savings and economic growth in Ghana using annual time series data from 1961 to 2008. First, time series properties of savings and growth were ascertained using Augmented Dickey-Fuller unit root test; second, long-run relationship between the variables were ascertained using Johansen (1991) Co-integration Test and finally Granger causality test via Vector Autoregressive (VAR) model was done to ascertain the angle of causation. The results indicated one order of integration [I(1)]; the variables were not co-integrated and VAR showed that economic growth positively granger caused domestic savings.

Introduction

Since the works of Lewis (1955) appeared in print, many Third World countries have pursued policies aimed at raising the rate of savings in order to increase their rate of growth of real GDP. The theory behind Lewis's work is that higher rates of savings will increase the availability of loanable funds, which in turn, will increase investment. Higher rates of investment will then increase future economic growth. Harrod (1939), Domer (1946) and Solow (1956) indicate how increases in savings translate into high investment which, in turn, stimulates economic growth. The apparent effect of higher savings is to increase the availability of funds for investment. The more capital goods a nation has at its disposal, the more goods and services it can produce.

Recent works like Saltz (1999), Bacha (1990), DeGregorio (1992) and Stern (1991) have thrown light on the fact that increase in savings will facilitate more rapid expansion of the capital stock and, therefore, higher rates of investment which should lead to higher rates of economic growth.

Indeed, the empirical evidence to date has shown that there is a strong relationship between saving rates and rates of economic growth. During 1984-1994, thirty-one countries had an average annual real per capita GDP growth rate of 2.5% or higher. In these successful countries the median saving rate was 24%. By contrast, the median saving rate stood at 16% in the fifty-nine countries in which per capita income grew at less than 1% a year. The conventional perception is therefore that savings contribute to higher investment and hence higher real GDP growth in the short run.

From another perspective, Kenyes (1936), Japelli and Pagano (1994) argue that higher growth rates of savings may result from higher rates of growth of real income, that is, real GDP. If incomes are rising more rapidly, households can easily increase their consumption and savings levels. Advocates of financial repression (Tobin 1965), argue that savings are not necessarily channelled into investment and that the development of a monetary sector could be damaging. Again, the lifecycle theory of saving and consumption developed by Japelli & Pagan (1994) predicts that changes in an economy's rate of economic growth will affect its aggregate saving rate. In the simplest version of the model in which young people save for retirement and old people consume their previously accumulated assets, an increase in the rate of economic growth will increase the aggregate saving rate in the economy.
Thus, while there appears to be a correlation between economic growth and savings, the question is which way the direction of association runs. Theory and evidence have shown that the direction of association can run both ways (Adebiyi, 2000). The rest of the paper is organized as follows: section two discusses the theoretical and empirical literature while section three explains the data and the methodology of the paper; empirical results are presented in section four with summary and conclusions contained in the last section.

Theoretical Literature

The Solow-Swan Model

The Solow-Swan (1956) model presents a case in which a rise in the saving rate affects the stock of capital and the level of per-capita income, but does not affect the rate of economic growth. An increase in the saving rate increases per capita output and per capita capital stock in steady-state. A higher savings rate will generate more investment per unit of output than it did before- which in turn will lead to an expansion of capital per worker. The process, however, comes to a halt since for a given growth rate of labour, an increasing proportion of investment will be devoted to maintaining this higher capital-labour ratio. The saving rate thus influences the level of per capita capital stock and thus per capita output towards which the economy gravitates in equilibrium, rather than the rate at which either magnitude changes. In sum according to the Solow-Swan model, a change in the saving rate changes the economy’s balanced growth path and hence per capita output in steady state, but it does not affect the growth rate of output per worker on the balanced growth path. Only an exogenous technological change will result in a further increase in output per worker in steady state.

The Romer Model

By contrast, in the Romer (1986) growth model in which technology is endogenised, an increase in the saving rate not only increases per capita output in steady state but also increases the growth rate of per capita output. Thus, since the growth rate of the capital-labour ratio is not declining, it follows that the growth rate of per capita output is not declining in the capital-labour ratio either. Thus an increase in the saving rate, not only increases the growth rate of the capital-labour ratio, and per capita output, but the increase in the growth rate would persist indefinitely.

Harrod-Domar Growth Model

The Harrod-Domar (1956) model may also be used to illustrate the inter-relationship between savings and economic growth from the point of view of economic theory. The Harrod-Domar growth model, in simple terms, states that the growth of output is equal to the rate of savings divided by the incremental capital-output ratio as follows:

\[ g = \frac{s}{v} \]

where \( g \) is the rate of economic growth, \( s \) is savings ratio and \( v \) is the incremental capital-output ratio (defined as \( \frac{i}{\text{change in } y} \); where \( i \) is investment and change in \( y \) is the change in output). According to this model, the government objective is to achieve a target rate of growth of the net national product. For example, assuming the government target rate of growth is 5 percent per annum and its capital-output ratio is 4:1, then for the government to achieve its objective of 5 percent growth rate, it requires a rate of investment of 20 percent. So the average or marginal rate of domestic savings should equal the rate of investment (20 percent). If the saving rate is less than the investment rate of 20%, then obviously domestic saving by itself cannot sustain the desired rate of growth of 5 percent per annum.

In the light of the Harrod-Domar growth model, governments faced with low savings have a number of alternatives. They can adjust the growth rate downwards so that the domestic saving rate exactly balances the rate of investment required to sustain the modified rate of growth. The other alternative can be to raise
domestic savings (e.g. through taxation). Finally, they can go for commercial borrowing both domestically and abroad.

The Life-Cycle Theory of Consumption and Saving
The model developed by Japelli & Pagano, (1994) supports the notion of the direction of association running from growth to saving. The life-cycle saving model has income-earning households saving to finance consumption when they become old, non-earning households. The theory assumes individuals live for three periods and this provides an incentive for intergenerational borrowing. Individuals borrow to finance current consumption when they are young and repay the loan taken out in the first period and save for retirement in their middle age from the income they earn during the period they work. They consume the assets accumulated in the second period of their life when they grow old. With liquidity constraints, the young can borrow at most a proportion of the present value of their lifetime income.

The Absolute Income Hypothesis (AIH)
This was developed by Keynes (1936) in his book titled The General Theory of Employment, Interest and Money. According to him, many factors such as wealth, interest rate, income, expectations, demography (household sizes) etc. may influence consumption but the basic determinant of consumption is current income or current disposable income. This is based on introspection and casual observation. As income increases, consumption, on the average increases, but the increase in consumption is less than the increase in income. This means that the marginal propensity to consume (MPC) – the amount consumed out of an additional unit of income - is between zero and one. This, he referred to as the “Fundamental Psychological Law”. The "fundamental psychological law of any modern community is that, when it’s real income is increased, it will not increase its consumption by an equal absolute amount," and stated that "as a rule, a greater proportion of income is saved as real income increases."

Thus, on one hand, some theories support the notion that savings, through investment, causes economic growth. On the other hand, some other theories support the notion that economic growth (via income) causes savings. In this case we turn to empirical work to find out the angle of causality between savings and growth.

Empirical Literature
Mohan (2006) examined the relationship between savings and economic growth for various economies with different income levels. The results were that for high income countries growth granger caused savings; in upper middle countries it was bi-directional (savings granger caused growth and growth granger caused savings at the same time; in low middle countries economic growth granger caused savings and in low income countries the results were mixed – in some countries savings granger caused growth whilst in other growth granger caused savings.

Anoruo and Ahmed (2002) explored the causal relationship between economic growth rate and growth rate of domestic savings for Ghana and six other African countries (Kenya, South Africa, Congo, Côte d'Ivoire, Zambia etc.) using time series annual data and VAR model of Granger causality test. The results suggested that economic growth granger causes growth rate of savings in Ghana and most of the countries.

Data and Methodology
Sample Data
Annual time series data on gross domestic savings and per capita income (used as a measure of economic growth) from 1961 to 2008 are used for this study. The data from 1961 to 2007 are from World Development Indicators (2009) of the World Bank. The data for 2008 are from Statistical Service of
Methodology
This paper uses Vector Autoregressive (VAR) model and Pairwise Granger Causality (GC) tests suggested by Granger (1969, 1980) to examine the causality between savings and economic growth. However, in order to avoid spurious regression results, stationarity of variables and co-integration between them are tested prior to estimation of VAR model and Pairwise (GC) test.

The GC method regresses variable X on its own lagged values \(X_{t-i}\) and the lagged values of another variable Y \(Y_{t-i}\). Thus, serial correlation in the pair of variables is eliminated, and all that remains is the correlation between them. If the sum of coefficients of the lagged values of Y is significant, then Y granger causes X. Similarly, to substantiate the reverse possibility, one regresses Y on its own lagged values and lagged values of X. Thus, independent variables are the lagged values of X and Y. In this study the independent variables are lags of growth rate of savings \(\Delta LRS_{t-j}\) and the growth rate of income \(\Delta LRY_{t-i}\).

3.3 Model Specification
The operational model is specified in VAR as follows:

\[
\Delta L Y_t = \Omega + \sum_{i=1}^{r} \Omega_i \Delta L Y_{t-i} + \sum_{j=1}^{s} \Omega_j \Delta L S_{t-j} + \mu_t \quad \ldots (3.1)
\]

\[
\Delta L S_t = \Phi + \sum_{i=1}^{r} \Phi_i \Delta L Y_{t-i} + \sum_{j=1}^{s} \Phi_j \Delta L S_{t-j} + \varepsilon_t \quad \ldots (3.2)
\]

where \(\mu_t\) and \(\varepsilon_t\) are the stochastic error terms, and \(r\) and \(s\) represent the operational lag lengths determined by applying the Akaike Information (Akaike, 1973) and Schwartz- Bayesian Criterion, \(\Delta\) represents the difference operator, \(\Delta L Y_t\) is the growth rate of per capita real GDP (defined as the changes in the logarithm of real GDP per capita in period t), \(\Delta L S_t\) is the growth rate of savings (defined as the changes in the logarithm of GDS in period t).

Empirical Results
The first thing to do is to conduct unit root test of the variables to determine whether they are stationary or not. The Augmented Dickey-Fuller test equation is stated as:

\[
\Delta X_t = \varphi_0 + \beta_1 X_{t-1} + \delta t + \sum_{i=1}^{n} \theta_i \Delta X_{t-i} + \varepsilon_t \quad \ldots (4.1)
\]

where \(\Delta\) is the first difference operator, \(t\) is the time trend, \(\varepsilon\) is the stationary random error, \(\varphi_0\) is a constant, and \(\beta_1\) is coefficient. The null hypothesis is that the series contains a unit root which implies that \(\beta_1 = 0\). Thus, the null hypothesis that the series contains a unit root is accepted if the calculated value, in absolute terms, is less than 1%, 5% or 10% critical value. On the other hand, the null hypothesis is rejected if \(\beta_1\) is negative and statistically significant.
Results of Unit Root Tests

Table 4.1 Augmented Dickey-Fuller Test Statistic

<table>
<thead>
<tr>
<th>Variable</th>
<th>Levels</th>
<th>First Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Constant</td>
<td>Constant with Trend</td>
</tr>
<tr>
<td>LSt</td>
<td>-0.105315</td>
<td>-1.204641</td>
</tr>
<tr>
<td>LYt</td>
<td>-0.446726</td>
<td>-0.725281</td>
</tr>
</tbody>
</table>

***indicates significance at 1%.

Table 1 shows the order of integration of the variable. It shows that the variables are non-stationary in their levels. They are, however, stationary in their first difference. The table also shows the variables in their constant and constant with trend. Augmented Dickey-Fuller Test (ADF, 1979, 1981) statistic is used to conduct the unit root test. The next step of our study involves the application of the Johansen procedure to ascertain whether real economic growth and growth rate of savings are co-integrated.

Result of Co-integration Test

Table 4.2 Johansen Co-integration Test Results

<table>
<thead>
<tr>
<th>Eigen value</th>
<th>Trace Statistics</th>
<th>0.05 Critical Value</th>
<th>Max-Eigen Statistics</th>
<th>0.05 Critical Value</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.105671</td>
<td>5.371484</td>
<td>15.49471</td>
<td>5.137339</td>
<td>14.26460</td>
<td>0.7244</td>
</tr>
<tr>
<td>0.005077</td>
<td>0.234144</td>
<td>3.841466</td>
<td>0.234144</td>
<td>3.841466</td>
<td>0.6285</td>
</tr>
</tbody>
</table>

The co-integration test is performed using the Johansen (1991) Co-integration Test. The Max- Eigen Statistic and Trace test results of the null hypothesis that the variables are not CI(0) is tested against the alternative hypothesis that the series are co-integrated. The results of the co-integration test show that the variables are not co-integrated. Given the results of the co-integration tests, one has to estimate the vector autoregressive model to determine the direction of causality between real economic growth and growth rate of savings (Mohan, 2006). The Akaike Information Criterion (AIC) and Schwarz Information Criterion (SIC) are used to determine the appropriate lag length criteria and it is 2.

Results of VAR Model

Table 4.3 Results of VAR Model

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Independent Variables</th>
<th>F-statistic</th>
<th>Adjusted d-R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>ΔLY_{t-1}</td>
<td>ΔLY_{t-2}</td>
<td>ΔLS_{t-1}</td>
<td>ΔLS_{t-2}</td>
</tr>
<tr>
<td>-0.75547</td>
<td>0.65440</td>
<td>2.37097</td>
<td>1.49773</td>
</tr>
<tr>
<td>-2.68690</td>
<td>-0.31506</td>
<td>-3.04972</td>
<td>-0.31506</td>
</tr>
</tbody>
</table>

*indicates significance

From table 4.3 we realise that the F-statistic in savings equation (which represents the sum of coefficients of growth) is significant whereas that of the growth equation is not. Therefore the angle of causation runs from economic growth to savings. This result confirms that of Mohan (2006), Kenyes (1936), Japelli and Pagano (1994) and Anoruo and Ahmed (2002) that the angle of causality between savings and economic growth can run from economic growth to savings.

Conclusion and Recommendation

The objective of this study is to investigate the direction of association between savings and economic growth in the Ghanaian economy over the period 1961-2008. This study is done by the use of GC test via
Vector Autoregressive (VAR) model within the sample period. The null hypothesis of no causality between savings and growth is tested using modern time series analysis of unit root test, co-integration test, and the VAR model over a set of annual time series data covering the period.

In the short run, the traditional view of macroeconomic theory is that higher savings rates lead to higher investment and hence, higher economic growth. The empirical results of this study, however, do not provide evidence supporting this conventional view. On the contrary, this study finds that economic growth rates granger causes growth rates of gross domestic savings. This is consistent with studies similar studies by Sinha (2000), Mohan (2006), Baharumshah et al (2003) and Anoruo and Ahmad, (2002).

The implication of the result is that there could be capital flight as savers in the domestic economy seek higher rates of return on their capital in other countries where savings causes growth and growth is more rapid. Further, introducing policies that simply result in a higher share of savings in real GDP may cause an over supply of goods as insufficient consumption may result if the focus is on increasing savings only.

Again, since savings is not enough to cause the economy to grow but rather it is income (growth) which causes savings, savings is bound to be low and indeed it is low because incomes are low. Therefore, for the economy to achieve an accelerated and sustained growth, government, through careful planning, should promote huge investment from within and outside the country. Macroeconomic and political stability too are necessary ingredients to promote an accelerated growth in the country. Government should also find a way of increasing savings to cause growth in the economy to avert possible capital flight out of the economy.

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Trade openness, Infrastructure, FDI and Growth in sub-Saharan African countries

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Despite the theoretical evidence suggesting the role of FDI in promoting economic growth, existing empirical evidence has been inconclusive. In an effort to add to the literature, this paper assesses the importance of trade openness and infrastructure availability in increasing the sub-Saharan Africa (SSA) countries’ attractiveness with respect to FDI. Using a panel of 42 countries for the period 1980-2003, the results show that the level of FDI inflow depends on trade openness and GDP per capita. The paper also shows the interaction between trade openness and infrastructural availability leads to a slight increase in FDI inflows. The findings indicate that FDI has a positive and significant effect on growth in the sample. Based on the results, this suggest that policy makers in SSA should make effort towards initiating or further increasing efforts towards trade openness and infrastructural development in order to increase the level of FDI inflow for sustainable growth.

Introduction

The slow/stagnant economic performance of the sub-Saharan African (SSA) countries has received considerable attention in recent years such that Easterly and Levine (1997) summarised it as ‘potentials unfulfilled with disastrous consequences’. This region consists of 47 countries, 34 of which are ranked as the world’s poorest countries making it difficult for foreign investors to invest as they are perceived as ‘risky’ because of bad business climate (Mahamet, 2006). Although the countries are differently endowed with natural resources (crude oil, minerals and metals) which in effect should contribute to economic success and development, nevertheless, corruption, unemployment, poor leadership, lack of political legitimacy, bad policies, ethnic diversity, inadequate infrastructure and underdevelopment among others makes it difficult for the countries to realise their full potential. Recent empirical evidence suggests that to achieve sustainable economic growth and to alleviate poverty from the region, there is a need to encourage domestic and foreign investment (FDI) and to develop and modernise the financial markets as deeper and better functioning financial markets can stimulate economic growth (Collier and Gunning, 1999; Agarwal, 2001, Ndikumana, 2001 and Kumo, 2008).

In its survey of FDI, the World Investment Report (2006) by UNCTAD confirms that total FDI inflow into developing countries jumped by 22 per cent to $334 billion in 2005. In addition, total FDI inflow to developing economies reached $499 billion in 2007 of which SSA received about $33 billion. According to figure i, the average inflow of FDI as a per cent of GDP to the SSA between 1980 and 2003 was 1.27 per cent with the highest share recorded in 2003 at 2.94 per cent. Several empirical studies have shown that the role of trade openness and good infrastructure cannot be ignored in the attraction of FDI (Ng’ang’a, 2005 and Asiedu, 2002, 2003, 2006). Many authors argue that international trade or FDI enables host countries to achieve higher levels of investment beyond their own domestic savings level. More importantly, current literature emphasises its role in transferring modern technology and innovation from developed to developing countries (see for example, Mankiw et al., 1992; Feenstra and Hanson, 1997; Zhang, 2001a and b). However, there is convincing evidence that FDI inflow is sensitive to the level of openness and the investment climate in host countries. Previous studies (Wheeler and Mody, 1992; Frankel and Romer, 1999; Kumar, 1994; Dunning, 1988; Neumayer and de Soysa, 2005; Kandiero and Chitiga, 2006 and Asiedu, 2005) demonstrate the positive effects of trade and infrastructure in the
attraction of FDI. Nevertheless, empirical evidence show that the growth effect of FDI varies from country to country and in some cases, the inflow of FDI has a positive (Balasubramanyam et al., 1996 and Borensztein et al., 1995 and 1998), negative (Boyd and Smith, 1995 and Mencinger, 2003) or insignificant (Carkovic and Levine, 2002) effect on economic growth.

Figure i

![Graph showing Total FDI inflow to Africa and SSA between 1980 and 2003](source: World Bank (2008), World Bank, ESDS International, University of Manchester, (MIMAS).)

Apart from recognising the effect of trade openness in attracting FDI, several authors have stressed the importance of other policy variables such as macroeconomic stability and infrastructural development as a determinant of FDI inflow (e.g. Makki and Somwara, 2004). The literature emphasised that countries benefit from FDI inflow in the presence of suitable infrastructure and that in many developing countries, and in particular the SSA, the absence of such infrastructure may lead to the countries unattractiveness to FDI. However, Cheng and Kwan (2000) cite that the quality of infrastructure does not matter in the distribution of FDI in China. According to this statement, substantial investment in infrastructure may not lead to the inflow of FDI. In view of the foregoing, this paper attempts to answer two questions: First, whether trade openness in the SSA region can help improve their record in terms of FDI attractiveness, and second, can improvement of other aspects of the business climate (physical infrastructures and macroeconomic stability) further increase FDI attractiveness in the region, and if so, to what extent.

Empirical literature

A number of studies have been carried out on empirically testing the link between trade openness, infrastructure and FDI and its impact on economic growth in developing countries (Tsai, 1994; Asiedu, 2002 and Mottaleb, 2007). The literature demonstrates that the benefits of FDI are strongly dependent on how open a country is to globalisation. In addition, the positive effect of trade on FDI has been found to be quite robust to the type of econometric method used and countries considered. Using time series data for the period 1960-2005, Ang (2008) studied the determinant of FDI in Malaysia. The author concludes that financial development, infrastructure development and trade openness promotes FDI inflow. The implication of this result is that trade liberalisation leads to more FDI inflow in a host country. This is further emphasised by Neumayer and de Soysa, (2005) who pointed out that countries that are more open
to trade have higher inflow of FDI. The positive impact of trade openness on FDI varies across regions and is relatively small in SSA countries compared with non SSA countries (see Addison and Heshmati, 2003 and Asiedu, 2002). One plausible explanation for this could be that countries in Asia and Latin America have large consumer market potential due to their large populations.

Asiedu (2002) studied the determinant of FDI in 70 developing countries between 1988 and 1997 using OLS estimation technique. Thirty five of the countries belong to the SSA region. The results show that infrastructure development and a higher return on investment are important factors that drive the attraction of FDI in the sample. It also shows that economic openness is an important determinant of FDI however SSA will receive less FDI inflow due to its geographical location. One of the problems associated with the technique used by Asiedu (2002) is that OLS assumes that each country’s intercept value is identical and it does not control for country specific characteristics, therefore, one need to be cautious when interpreting results. Examining the determinants of FDI to 29 Chinese regions from 1985 to 1995, Cheng and Kwan (2000) find the relationship between FDI and infrastructure to be positive. The authors argue that good infrastructure (density of roads) determine FDI to the regions studied. They note that the quality of the roads is not a priority in determining which regions hosted the most FDI.

**Empirical Framework**

To assess the relationship between trade openness, infrastructure, FDI and economic growth in SSA, a panel data technique is used following the recent empirical literature such as Asiedu (2002, 2003) and Ng’ang’a (2005). The analysis is based on the information from an unbalanced panel between 1980 and 2003 for 42 SSA countries, and the empirical specifications are as follows:

\[
FDI_{it} = \alpha_0 + \alpha_1 TRADE_{it} + \alpha_2 \log(TEL)_{it} + \alpha_3 GDPpc_{it} + \alpha_4 (TRADE*\ln TEL)_{it} + \alpha_5 CPI_{it} + \mu_{it} \quad (1)
\]

where

- \( FDI_{it} \): net inflow of FDI as a per cent of GDP in a particular country \( i \), at time \( t \)
- \( TRADE \): Trade (total exports plus imports) as a per cent of GDP
- \( \log(TEL) \): natural log of total number of mobiles and fixed telephone lines available in the host country
- \( GDPpc \): annual log of total number of mobiles and fixed telephone lines available in the host country
- \( \ln TEL \): interaction between trade and infrastructural development
- \( CPI \): annual consumer price index, which measures macroeconomic stability
- \( \mu \): white noise.

TRADE relates to the openness of the economy to the rest of the world. However, due to lack of time series data for the measure of openness, the sum of import and export as a ratio of GDP is used to proxy TRADE. This is justified by arguing that the more open a country is to globalization, the more attractive it is to FDI. A priori, it is expected that TRADE will be positively related to FDI.

TEL denotes infrastructural development. Many studies such as Root and Ahmed, (1979); Schneider and Frey, (1985); Asiedu, (2002) and Mottaleb, (2007) find a positive relationship between FDI and infrastructure. According to the literature, countries with better infrastructural development tend to attract more FDI when compared with others, which implies the positive effect. Following Morisset (2000) infrastructural development is measured using the number of telephone lines (landlines and mobiles) in a country. A positive relationship between FDI and infrastructure development is expected.
ANNUAL GROWTH RATE OF GDP PER CAPITA captures the potential of the host country’s internal market. A higher GDP per capita growth is assumed to imply better market opportunity and increases the attractiveness for FDI, thus a positive relationship is expected. The interaction of TRADE and lnTEL is the variable of interest and its relationship with FDI is uncertain. CPI, consumer price index denotes macroeconomic stability. According to Asiedu (2003), countries with high (low) inflation rate tend to be unattractive (attractive) to FDI, hence, a negative relationship with FDI is expected. Finally, $i$ stand for individual countries and $t$, the sample years.

Equation (1) is estimated using an appropriate estimation technique (either fixed or random effect model). However, equation (1) might suffer from the simultaneity bias problem. This is probably because a large size of GDP per capita not only attracts FDI, but FDI inflow also affects the size and growth of GDP per capita as well as trade. Thus, it might also be necessary to estimate the following equation:

$$ g\text{GDP}_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 TRADE_{it} + \alpha_3 \log(TED)_{it} + \alpha_4 (TRADE^{*} \ln TEL)_{it} + \alpha_5 CPI_{it} + \mu_{it} \quad (2) $$

**Data**

The data for the analysis contains information from an unbalanced panel data for 42 SSA countries which covers the period from 1980 to 2003, obtained from African Development Indicators (ADI) published by the World Bank. The net inflow of FDI as a per cent of GDP that is employed is obtained from ADI and updated using data from UNCTAD (United Nations Conference on Trade and Development). The inflation data is obtained from International Financial Statistics, International Monetary Fund and compiled by Dr. Matthew Shane (2009).

| Table 1 |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| **List of SSA countries in the sample** |
| Benin | Gambia, The | Mauritania | South Africa |
| Botswana | Ghana | Mauritius | Sudan |
| Burkina Faso | Guinea | Morocco | Swaziland |
| Burundi | Guinea-Bissau | Mozambique | Tanzania |
| Cameroon | Kenya | Namibia | Togo |
| Congo, Rep. | Lesotho | Niger | Tunisia |
| Cote d'Ivoire | Liberia | Nigeria | Uganda |
| Egypt, Arab Rep. | Libya | Rwanda | Zambia |
| Equatorial Guinea | Madagascar | Senegal | Zimbabwe |
| Ethiopia | Malawi | Seychelles | |
| Gabon | Mali | Sierra Leone | |

**Empirical Results**

Table 2 shows the regression results of Model 1. The Hausman test result suggests that the fixed effects method is preferred to the random effects method. The overall performance of the various specifications is satisfactory, with the coefficients correctly signed. According to Model 1, TRADE is significantly positive at the 1 per cent level in specifications 1-3. The result is consistent with empirical literature such as Asiedu (2002), who worked on the determinant of FDI in SSA countries. However, this is contrary to Anyanwu, (1998) and Ayanwale (2007).

Furthermore, the elasticity of TEL is significant and positive in the attraction of FDI. This is consistent with previous studies such as Asiedu, (2006), Ayanwale, (2007) and Ng’ang’a, (2005) suggesting that infrastructural development will encourage FDI inflows. The results show that the ANNUAL GROWTH RATE OF GDP PER CAPITA is positive and statistically significant in promoting FDI. This suggests
that, the effect of FDI increases as countries get richer. Moreover, the empirical results show that the coefficients on the interaction between TRADE and the log of TEL are negative and insignificant. However, this result is positive and significant at the 5 per cent level in specification 4. This implies that the effect of TRADE openness improves with the increase in infrastructural development. A plausible explanation for this could be that the more a country spends on infrastructure such as transportation networks, electricity and telecommunications, the more attractive they are to foreign investors. This result is contrary to Ng’ang’a (2005) who finds a significant and negative impact of the interaction between TRADE and log of TEL in low income countries such as those belonging to the group of countries in the present study.

Table 2: Empirical Results for Model 1

<table>
<thead>
<tr>
<th>Specifications</th>
<th>Specification 1</th>
<th>Specification 2</th>
<th>Specification 3</th>
<th>Specification 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRADE</td>
<td>0.265*** (2.93)</td>
<td>0.265*** (2.90)</td>
<td>0.263*** (2.91)</td>
<td></td>
</tr>
<tr>
<td>Log(TEL)</td>
<td>0.006 (1.30)</td>
<td>0.007 (0.74)</td>
<td>-0.012 (-1.31)</td>
<td></td>
</tr>
<tr>
<td>GDP per capita growth</td>
<td>0.089** (2.12)</td>
<td>0.089** (2.12)</td>
<td>0.089** (2.12)</td>
<td>0.1043** (1.97)</td>
</tr>
<tr>
<td>Interaction between TRADE and Log of TEL</td>
<td>-0.0001 (-0.11)</td>
<td>0.0001 (1.17)</td>
<td>0.0004** (1.97)</td>
<td></td>
</tr>
<tr>
<td>CPI (inflation)</td>
<td>-0.003*** (-2.98)</td>
<td>-0.003*** (-2.98)</td>
<td>-0.003*** (-2.98)</td>
<td>-0.0021** (-1.97)</td>
</tr>
<tr>
<td>Constant</td>
<td>-3.181* (-1.92)</td>
<td>-3.191* (-1.89)</td>
<td>-3.103* (-1.88)</td>
<td>1.870*** (12.59)</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>858</td>
<td>858</td>
<td>858</td>
<td>858</td>
</tr>
<tr>
<td>F ratio</td>
<td>0.011</td>
<td>0.018</td>
<td>0.008</td>
<td>0.035</td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within</td>
<td>0.172</td>
<td>0.172</td>
<td>0.171</td>
<td>0.036</td>
</tr>
<tr>
<td>Between</td>
<td>0.224</td>
<td>0.224</td>
<td>0.223</td>
<td>0.091</td>
</tr>
<tr>
<td>Overall</td>
<td>0.159</td>
<td>0.159</td>
<td>0.158</td>
<td>0.049</td>
</tr>
</tbody>
</table>

Notes: t statistics are in parenthesis and are heteroscedastic consistent. *, ** and *** represent significant level at 10%, 5% and the 1% level respectively.
Source: Authors’ estimation.

The coefficient of INFLATION is negative and statistically significant at 1 per cent across all specifications. The results suggest that an increase in inflation decreases the attraction of FDI. This result is consistent with our expectations as during the 1980s and 1990s most developing countries, and in particular countries in the SSA, exhibited high inflation rate and excessive budget deficit. Moreover, the history of high inflation signals to investors how unreliable the government in these economies are.

Next, Table 3 shows the regression results of Model 2 using RE method. The results show that FDI is positive and statistically significant in promoting economic growth in the sample of countries. The positive relationship is consistent with the literature (see De Gregorio, 1992; Borensztein et al., 1995 and 1998).
From these results, TRADE has a positive but not significant relationship with economic growth. This suggests that the type of trade policies used in SSA do not encourage economic growth. For any significant contribution of TRADE openness to economic growth, there is a need for official policy on trade relations (Ayanwale, 2007). Li and Liu (2004) also report a positive influence of trade on economic growth in 84 developed and developing countries. The implication of this finding is that TRADE openness has a positive overall effect on economic growth. Further, the result indicates that the coefficient of log of TEL is significantly positive at 5 per cent level in specifications 2 and 4. The result indicates that infrastructural development promotes economic growth.

The interaction between TRADE and the log of TEL is negative and insignificant in specifications 2 and 4. In specification 3, the interaction term is positive and insignificant. The results indicate that although TRADE and log of TEL by themselves have a positive effect on economic growth, the effect of its interaction on economic growth is insignificant. It can be argued that investing in infrastructural facilities (such as telecommunication) has not had much favour in the sample countries in respect to globalisation.

The positive but insignificant relationship of INFLATION is contrary to the expectation. Though a positive sign of inflation is quite surprising, the result provides support to theoretical vagueness regarding the impact of inflation on economic growth. According to the literature, regions with low and stable rates of inflation are expected to grow faster when compared to other regions with high inflation rate (such as the countries in this sample). The non significance of the INFLATION variable indicates the need for

Table 3: Empirical Results for Model 2

<table>
<thead>
<tr>
<th>Specifications</th>
<th>Specification 1</th>
<th>Specification 2</th>
<th>Specification 3</th>
<th>Specification 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>0.2352***</td>
<td>0.2303***</td>
<td>0.2330***</td>
<td>0.2443***</td>
</tr>
<tr>
<td></td>
<td>(4.92)</td>
<td>(4.80)</td>
<td>(4.85)</td>
<td>(5.54)</td>
</tr>
<tr>
<td>TRADE</td>
<td>0.0068</td>
<td>0.0208</td>
<td>0.0114</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.27)</td>
<td>(0.69)</td>
<td>(0.40)</td>
<td></td>
</tr>
<tr>
<td>Log(TEL)</td>
<td>0.0052</td>
<td>0.0187**</td>
<td>0.0161**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.05)</td>
<td>(2.14)</td>
<td>(1.96)</td>
<td></td>
</tr>
<tr>
<td>Interaction between TRADE and Log of TEL</td>
<td>-0.0003</td>
<td>0.0000</td>
<td>-0.0002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.40)</td>
<td>(0.12)</td>
<td>(-1.18)</td>
<td></td>
</tr>
<tr>
<td>CPI (inflation)</td>
<td>0.0007</td>
<td>0.0007</td>
<td>0.0007</td>
<td>0.0008</td>
</tr>
<tr>
<td></td>
<td>(0.42)</td>
<td>(0.40)</td>
<td>(0.40)</td>
<td>(0.45)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.2425</td>
<td>-0.5649</td>
<td>-0.2302</td>
<td>-0.2161</td>
</tr>
<tr>
<td></td>
<td>(-0.45)</td>
<td>(-0.86)</td>
<td>(-0.40)</td>
<td>(-0.56)</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>858</td>
<td>858</td>
<td>858</td>
<td>858</td>
</tr>
<tr>
<td>F ratio</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within</td>
<td>0.0236</td>
<td>0.0239</td>
<td>0.0241</td>
<td>0.0238</td>
</tr>
<tr>
<td></td>
<td>0.3072</td>
<td>0.3189</td>
<td>0.2190</td>
<td>0.3099</td>
</tr>
<tr>
<td>Overall</td>
<td>0.0480</td>
<td>0.0525</td>
<td>0.0442</td>
<td>0.0515</td>
</tr>
</tbody>
</table>

Notes: t statistics are in parenthesis and are heteroscedastic consistent. *, ** and *** represent significant level at 10%, 5% and the 1% level respectively.
Source: Authors’ estimation.
constructive attention to be given to monetary and fiscal policies in order to control inflation so as to encourage growth. The result is contrary to the findings of Li and Liu, (2004), Akinlo (2006) and Ayanwale (2007) who report an indirect relationship between inflation and growth. However, it is consistent with Basu et al (2000) who found that some countries in the SSA region observed a positive economic growth rate between 1995 and 1997 due to a decline in the average rate of inflation.

Conclusion and policy recommendation

This paper examines the role of the interaction between trade openness and infrastructural development in the attraction of FDI in SSA countries. The results indicate that trade openness and infrastructural development encourages the inflow of FDI in the sample of countries and that there is a positive and statistically significant relationship between the interaction of trade openness with infrastructural development and FDI. It further looked at the impact of FDI on economic growth and found that FDI and infrastructural development contribute towards enhancing economic growth in the sample of countries. Based on the empirical findings, it is suggested that developing countries in SSA should not only develop macroeconomic policies and structural reform programs that would encourage economic openness, infrastructural development and the reduction of inflation rate, but they should ensure that these policies are implemented in order to attract foreign investments for sustainable growth.

References:


UNCTAD, (2006), Foreign direct investment from developing and transition economies: Implications for development, United Nations Conference on Trade and Development, UNCTAD, United Nations, GENEVA;
World Bank (2008), World Bank, ESDS International, University of Manchester, (MIMAS);
Leadership and SME performance in Nigeria: an exploration of Employee retention and Organizational turnover dimensions.

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cakiti@lbs.edu.ng

Leadership has been linked to organizational performance; but empirical support for this link has been inconsistent. In response to calls for context I focus on SMEs in Nigeria developing propositions for the development of a model (for later testing) of transformational/transactional leadership and its linkage to organizational performance in small and medium enterprises (SMEs). The Broad research questions are: is there a relationship between Transformational/transactional leadership and staff turnover? Is there a relationship between Transformational/transactional leadership and organizational financial performance? We propose that transformational leadership would negatively impact employee turnover and organizational financial performance whilst transactional leadership would positively impact employee turnover and organizational financial performance.

Introduction

Theoretical support for the positive effect of transformational leadership on organizational performance contrasts strongly with empirical evidence which is inconsistent. For example, Tosi, Misangyi, Fanelli, Waldman and Yammarino (2004) found that ratings of CEO charisma (a key component of transformational leadership) were unrelated to firm performance. Waldman, Ramirez, House and Puranam’s research (2001) failed to find support for main effects of CEO charisma on firm performance. Likewise, Ensley, Pearse & Himieleski’s research did not find support for a positive main effect of CEO transformational leadership on firm performance. Some exceptions to the above findings are Waldman, Javidan & Varella’s (2004) and J.R Baum, Locke and Kirkpatrick’s (1998).

However in the former, the research failed to consider other attributes of a transformational leader nor was prior firm performance (a variable previously identified as an important covariate) controlled for (Waldman et al, 2001) J.R Baum et al (1998) found that creating an attractive vision contributed to the venture growth of entrepreneurial firms but venture growth was measured using self-reports and the leadership measure combined CEO self assessment with one subordinate’s response. To advance research, Agle et al (2006) raised the notion of organizational context and departure from the large firm context which most previous research was concentrated on. Hambrick & Finkelstein (1987) and Finkelstein & Biyd (1998) argue that senior executives in less complex organizational contexts may have greater latitude in making strategic choices and thus a greater possibility of being able to wield influence on performance. This is consistent with Lubatkin, Simsek, Ling & Veiga’s (2006) opinion that CEO’s of smaller privately held firms may impart greater influence that in large professionally managed public firms.

Most of the work in this field has concentrated on samples from developed country contexts but SMEs in developing countries face distinct challenges that differentiate them from developed country SMEs for example, Cultural and social traditions play a large role in determining who becomes an entrepreneur; for example, social conditions in some parts inhibit women from starting their own businesses (World Bank, 1995). This paper contributes to the literature by providing an African context and combining two dimensions of performance. Although other variables are likely to be important, employee turnover and organizational financial performance are focused on.
The Small and Medium Enterprise (SME)

Organizational theory is mostly based on the study of large systems (Dandridge, T.C, 1979). In its application to small business the assumption is that these same patterns fit small systems or that for small organizations to grow, these principles are critical (Ibid). However, beginning in the 70s there has been the argument for what Dandridge (1979) terms the removal of “big organization glasses” and looking at SMEs separately, and beyond the common relational view that currently thrives. There is no universally accepted definition of Small and Medium Enterprises (SME) what exists in a proliferation of definitions from various bodies using diverse considerations (d'AMBOISE GERALD & MULDOWNEY MARIE (1988); Peterson, Albaum, and Kozmetsky, 1986).

In the 70’s the inter-typical and intra-typical trends were prevalent. The inter-typical perspective suggested that size effects transcended other differences in small organizations and thus utilized heterogeneous samples in their research. The intra-typical perspective on the other hand, required prior investigation into the conception of “small” (Torres, 2003). This has the advantage of clarifying size effects but then raises the new problem of clarifying definitions of organization types to ensure homogeneity of units. For example, if an organization is categorized as a school it is glaring that preschool, primary, high schools and colleges are all schools- yet the degree of differentiation is relatively high amongst these groups. Theoretically, homogeneous sample may be useful, but its usefulness is questionable empirically.

By making the size factor the supreme explanatory parameter transcending all others especially differences between organizational types, the inter-typical approach makes the size factor controversial as Desreumeaux in Torres (2003) notes, even if size has an effect on structure, it does not necessarily affect all structural variables and other variable are probably at work. Hertz (1982) argues for a universal definition of small business still, no universal definition exists and researchers have used varied criteria to operationalize the small business construct: value added, value of assets, annual sales, and number of employees and more (D’ Amboise, G & Muldowne, M, 1988).

The central person at the center of the small firm is referred to in the literature as; entrepreneur, owner, manager, owner-manager, manager-entrepreneur, chief executive, and more. Thus it is difficult to discuss SME’s without raising the concept of entrepreneurship. This possibly arises from the conventional wisdom that entrepreneurs found SMES. Entrepreneurship has been touted as being centrally responsible for the prosperity enjoyed in the US. Indeed, despite the downsizing of over six-million jobs by major corporations in the 1990s still unemployment rates fell to record-low levels - as a result of new companies started by entrepreneurs (Baron, 2002). Shane and Venkataraman (2000) view entrepreneurship as a process in which opportunities emerge from a complex interplay economic, social and individual factors (opportunities are recognized by specific individuals-entrepreneurs). Still until recently scholars of entrepreneurship did not consider the study of entrepreneurs’ characteristics, behavior, skills or aptitudes as being a valuable strategy to understanding the entrepreneurship discourse.

Even less consideration has been given to socio-cultural/ political- economic contexts of small business but effective scanning of the environment is seen as necessary to the successful alignment of competitive strategies with environmental requirements and the achievement of outstanding performance in SMEs (Analoui, F.& Karami, A, 2002). Factors influencing SME performance in developing countries include the absence of the technology required to systematically monitor the environment and collect needed data, highly unstable economic and political environments, lower levels of general and management education, absence of systematic data depository or information sources, and the absence of the political and social infrastructures (Sawyerr, O, 1993).
In general, two main factors are utilized in designating organizations as SME’s: Employee headcount and some measure of firm financial standing (turnover, assets). Consequently, the EU defines an enterprise as any entity engaged in an economic activity, irrespective of its legal forms. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities and partnerships or associations regularly engaged in economic activity. Furthermore, it categorizes the enterprise on the basis of: Enterprise category, Headcount and Balance sheet/ Turnover total (medium-sized < 250, ≤ € 50 million ≤ € 43; small-sized < 50, ≤ € 10 million and micro: < 10; ≤ € 2 million). In Nigeria, the central bank utilizes assets (excluding real estate) Enterprise category, Headcount and Assets (medium-sized < 100, N 150 million; small < 50 N1 million)

Distinguishing SMEs from large organizations

Size has been identified as the most unanimously recognized contingency factor regarding the effect it has on the structure of an organization: ‘the bigger an organization, the more elaborate its structure: the more specialized the tasks performed and the more differentiated its units, the more developed its administrative component the evidence is overwhelming’ (Minintzberg, 1979) Hence the organizational characteristics of organizations differ significantly on the basis of their size. However, the reduction of SMEs to a strictly size based concept is limiting. The following dimensions of structure are influenced by size: complexity (the amount of differentiation); formalization (the specification of rules); centralization (locus of control) and administrative intensity (proportion of administrators to total employees (Ford and Slocum, 1977).

Small organizations differ significantly from large organizations for example, within large organizations it is extremely difficult to maintain close interpersonal relationships with a large number of staff, especially when compared to the overall staff. The reality of weak interpersonal relationships in large organizations is diametrically opposed to what obtains in small organizations. Hence we can suppose that commonly accepted management knowledge does not adequately recognize the uniqueness of the small firm (Boyer & Roth 1976)). Also, it has been observed that small firms have less tolerance for inefficiency than established larger firms. This makes an accurate theoretical base critical for the understanding and development of small business theory critical as ‘large organization theory’ may be insufficient to deal with the uniqueness of small business. This difference has been described as being somewhat similar to the difference between children and adults- children are not little grownups, and neither are small firm’s miniature large organizations (Dandridge, T.C., 1979). The small business is generally more vulnerable to environmental effects as a result of its limited financial and human resources (d’amboise, G & Muldowney, M, 1988), as a result most of its time is spent reacting to turbulence rather than predicting or controlling it. Small business hierarchy is often contracted, and decision making is centralized (Ibid). A small business organization chart is rarely formalized but because of size, there is less interpersonal and structural differentiations in response to task diversity, and departmental interdependencies often are more personalized than in large firms.

SME and leadership

Leadership has been conceived as the focus of group processes, deriving from personality, inducing compliance, the exercise of influence, particular behaviors, a form of persuasion, a power relation, a goal achievement instrument, an interaction effect, a differentiated role, as initiation of structure and varied combinations of the above. (Bass, 1990). As a focus of group processes leadership is seen as the centralization of effort in one person as an expression of the power of all (Ibid) Bohn and Grafton (2002) suggest that leadership refers to creating a clear vision, filling subordinates with self-confidence created through coordination. Of recent, the focus of leadership theories has been on transactional leadership and transformational leadership. Yulk (2006) criticizes the reduction of many leadership theories to the
possession or absence of a single dimension but transactional and transformational theories as conceived by Bass (1995) presents a wide range of behaviours rather than the possession/absence of a desirable trait (Bass, 1995).

The multiplicity of views has led some theorists to question the usefulness of leadership as a scientific construct (Alvenssson and Sveningsson, 2003). On the whole, judging by the deluge of leadership articles and books it appears that most behavioral scientists and practitioners consider leadership to be a real phenomenon that is critical for organization effectiveness. A central argument involves the issue of whether leadership is a specialized role or a shared influence process. As a shared influence process, its proponents advance that leadership is an influence process that occurs naturally within a social system and is diffused among members. Hence any member of the group can exhibit leadership at anytime and a clear cut differentiation between leaders/followers does not exist. Consequently, the emphasis is on the complex influence processes occurring amongst members, the context within which these occur and organizational consequences.

Researchers who perceive leadership as a specialized role typically pay more attention to the attributes that determine leadership selection, leadership behaviour and the effects of this behaviour on group members and the organization. As organizations typically assign roles to specialized persons, I take the later perspective of leadership as a specialized role. Leadership has traditionally been a solution for group survival hence leadership is a collective phenomenon (Avolio, Sosik, Jung & Benson, 2003). Hence leadership should be defined in terms of the ability to build and maintain a group that performs well relative to its competition. Within the SME context this ability to build and maintain a group can be reduced to selection and retention of desired employees. To succeed at setting up new businesses, entrepreneurs often have to exert influence over others—they persuade venture capitalists or others to provide capital, persuade key employees to leave their current jobs to work in the new venture and convince customers to tryout their new product or service (Baron, 2002). Thus Vecchio(2000) notes that entrepreneurs act in many respects as leaders. For example, entrepreneurs must motivate others and typically with fewer resources than those available in large existing companies operating largely on the basis of their own communication and interpersonal skills (Ibid). Clearly, the entrepreneurs’ success in exerting influence over others in order to accomplish these tasks is crucial to their success. Indeed, Leadership plays a key role in the survival and success of entrepreneurial ventures.

Transactional and Transformational Leadership

Leaders can influence follower behaviors through the use of different styles, or approaches to managing others (Benjamin& Flynn, 2006). Whilst earlier leadership research focused on task oriented and relationship oriented styles (Bales, 1950; Hemphil and coons, 1957); Autocratic and participative leadership styles have also been considered (Vroom& Yetton, 1973). In more recent work transformational and transactional styles have featured strongly (Bass, 1990). Transformational leadership theory is one of the new theories that have occupied center-stage in leadership research in the last two decades. ( Dvir, Eden, Avolio, and Shamir, 2002). Alternatively referred to as "transformational," "charismatic," and "visionary" leadership. House and Shamir asserted that despite the different emphasis "it can be safely concluded that there is a strong convergence of the findings from studies with charismatic leadership and those concerned with transformational and visionary leadership" (in Dvir, Eden, Avolio, and Shamir, 2002).

The MLQ has typically been the tool utilized in conducting research in this field. The factors, definitions and groupings have been through a number of changes. In its latest form Transformational leadership involves four factors exhibited by effective leaders: Idealized Influence Leaders display conviction; emphasize trust Inspirational Motivation Leaders articulate an appealing vision of the future, challenge followers with high standards, and provide encouragement and meaning for work; Intellectual

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Stimulation Leaders question old assumptions, traditions, and beliefs; Individualized Consideration Leaders deal with others as individuals; considering their individual needs, abilities and coach them (Dvir et al, 2002; Muenjohn N.& Armstrong A., 2008). Whilst transactional leadership is characterized as engaging in the following behaviors: Contingent Reward Leaders engage in a transaction of reward for performance. Management-by-Exception Active - leaders monitor followers’ performance and take corrective action if deviations from standards occur they enforce rules to avoid mistakes. Passive - leaders fail to intervene until problems become serious Laissez Faire Leadership a non-leadership component - leaders avoid accepting their responsibilities, are absent when needed, fail to follow up requests for assistance, and resist expressing their views on important issues (judge& Piccolo, 2004; Muenjohn N.& Armstrong A., 2008)

Extant literature demonstrates that new ventures typically require the leadership of founders at the onset to define the company mission, set goals, organize and motivate employees (Ensley, M.D et al, 2006). However, the ways in which entrepreneurs choose to do these critical tasks differ (Ibid) and usually varies across two dimensions of leadership behavior- transactional and transformational. Although transactional leadership has been viewed as leadership of the past (Yulk, 1996), still others (Yukl, 2002; Cox et al., 2003; Pearce, 2004) have suggested it is a viable strategy in ongoing organizational operations. For example, in the early stage of a start-up, transactional leadership aids coordination by setting performance expectations and clarifying reward contingencies. Over time, transactional behavior can be used to leverage performance monitoring and send signals that enable continuous coordination and adjustment of individual behavior to achieve new venture objectives (Ensley, M.D et al, 2006).

Leadership and organizational outcomes
CEO’s account for about 14% of variance in firm performance (Joyce, Nohria& Roberson, 2003). This is compared to 19% of variances occurring from industry sectors. In other words, the CEO effect is almost as important as the industry sector in determining organizational success (Joyce et al, 2006). Compared to average performers, high performing executives are said to provide organizations an additional $25 million in value to an organization during their tenure (Barrick, Day, Lord& Alexander, 1991). Critics have argued that leadership effects are attribution based i.e., followers attribute effects that are due to historical, economic or social forces to leadership, hence they regard leadership as a useless tool for understanding social influence.

However, it has been suggested that the lack of support for CEO influence in determining organizational outcomes may be linked to the absence of context. Within the context of SMEs, the CEO organizational performance link may be stronger and thus more readily observed. Hence, I raise the following propositions:

Proposition 1 There is a direct link between CEO transformational leadership and organizational performance
Proposition 1B This link is stronger in SMES than in larger organizations

Employee turnover and Small Business
Resource-based theories of strategy (RBV) argue that firms with valuable, rare, and inimitable resources have the potential of achieving superior performance (Barney, 1991, 1995). Human resources may be particularly important for providing sustainable competitive advantage, because they are inherently difficult to imitate, thus facilitating sustainable differentiation (McEvily and Chakravarthy, 2002), play an essential role in the firm’s ability to be entrepreneurial (Galunic and Eisenhardt, 1994), and improve performance (McGrath et al, 1996). Barney (1991) notes that in addition to a firm's resources being valuable, rare, and inimitable to facilitate superior performance, appropriate organization must be in place for the firm to take advantage of these resources. In the literature, leadership is associated with organization of work and organizational resources (especially people).
Owing in part to their hierarchical position and power, supervisors are uniquely positioned to make available outcomes that many employees find attractive. However, supervisors can exercise their power wrongfully thus producing negative outcomes for employees and employers. Abusive supervision can thus result (e.g. derogation, explosive outbursts, and undermining; Tepper, 2000). Exposure to abusive supervision is associated with many unwelcome outcomes including subordinates’ dissatisfaction with the job, lack of commitment to the organization, psychological distress, and lower levels of in-role and extra-role performance (Tepper, 2007). Much research correlates employee satisfaction with individual work behaviors like turnover, absenteeism, lateness, drug use, and sabotage (Fisher and Locke, 1992), the relationship between employee satisfaction and operational performance is less explicit however, satisfied employees are more likely to work harder and provide better services via organizational citizenship behaviors (Yoon and Suh, 2003). Employees who are satisfied with their jobs tend to be more involved in their employing organizations, and more dedicated to delivering services with a high level of quality (Ferrell, 1996; Loveman, 1998; Silvestro and Cross, 2000).

Employee retention is somewhat more complicated in SMEs as there is lower job security and employee loyalty Schlosser & Todorovic, (2006) is more complicated as it is potentially more important to the success of SMEs as SMEs deal with fewer employees and have greater expectations of autonomy and versatility. Consequently, the loss of knowledge resulting from high turnover impedes the steep organizational learning curve typical of fledgling firms. Employee commitment gained through organizational identification is a powerful way to foster entrepreneurial success. In many small businesses the strength of the owners personality and elements of entrepreneurial spirit are important in driving the firm forward in uncertain situations. Additionally, identification with an organization encourages employees to remain with the SME in its crucial growth stages. Identification with the organization is defined as the perceived oneness with an organization and the experience of the organization’s successes and failures as one’s own (Mael and Ashforth, 1992). This predicts important employee attitudes and behaviors (like critical voluntary work behavior and employee turnover).

From the foregoing I raise the following propositions:

**Proposition 2** There is a negative relationship between transformational leadership and the factors related to employee turnover

**Proposition 3** Transformational leaders are more likely than transactional leaders to encourage organizational commitment

**Organizational Financial Performance**

Although the literature on transformational and transactional leadership has predicted positive performance outcomes only a handful of studies have examined how transformational and transactional leadership predict financial performance. For example, Howell and Avolio (1993) reported that transformational, but not transactional, leadership of financial managers positively predicted unit performance. Transformational leaders are expected to enhance the performance capacity of their followers by setting higher expectations and generating a greater willingness to address more difficult challenges (Avolio, 1999; Bass, 1998). Transactional contingent reward leadership should also relate positively to performance as such leaders clarify expectations and recognize achievements that positively contribute to higher levels of effort and performance. On the basis of prior research, there is sufficient justification to propose and test the direct and indirect linkages between transactional contingent reward leadership, transformational leadership, and performance (Bass, Avolio, Jung & Berson, 2003).

For context specificity a performance measure with inherent meaning for SMEs might be deducted from Bankruptcy prediction models (Maes et al, 2001) given that failure rates in SMEs are high and survival is a critical concern for SMEs (Sels, 2003). Bankruptcy prediction models focus on four parameters which
must be monitored for a clean bill of financial health to be given to organizations. The four parameters are: Value Added, Profitability, Liquidity and Solvency. From the foregoing I raise the following Propositions:

**Proposition 4** A positive relationship exists between transactional leadership and factors related to organizational financial performance.

**Proposition 4b** Transactional leaders are more likely than transformational leaders to encourage organizational financial performance supportive behaviors, e.g. set & review targets.

**Conclusion**

From the foregoing, it can be seen that transactional/ transformational leadership may affect different performance dimensions of organizational performance differently. Understanding these dimensions would prove useful in the SME-leadership discourse. Empirically testing this model is necessary for the advancement of research in this field.

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This paper examines Nigerian Women Participation in Politics between 1999 and 2008. I show that women in Nigeria face several forces of traditional, religious, financial and others which hinder women participation in politics in Nigeria. I observed that Nigerian women since the colonial time could creditably perform in politics if given the opportunity to participate equally with the men. I show that Shagari administration gave women new hope to participate in politics and hold high public office in 1979. The military administration of Babangida also recognized women and appointed them into public offices. From 1999, the Olusegun Obasanjo civilian administration gave Women more hope, they vote and occupy public offices. However it has all been cosmetic as women participation generally is less than expectation. I recommend that women should try to acquire more education and build up more confidence to compete with their male counterparts.

Introduction

The exclusion of women from political processes in Nigeria can be traced back to the colonial time. As a result of colonization, the resurgence of women’s movements demanding greater political participation in Nigeria started late. According to the International Parliamentary Union (IPU), women living in Northern Nigeria received suffrage as late as 1978. Nigeria even now has not created a legislative framework securing quotas for women in political party and national elections according to the International IDEA.

The importance of active participation of women in politics in Nigeria can not be over emphasized especially in relation to their preponderance in the population of the country. Women could contribute in no small measure in shaping and aiding political advancement in the political system of the nation as they participate in rallies; strive to fit into the political mainstream mostly dominated by male activists and politicians, and develop political career. Women can make their marks via appointments into high public offices, be nominated to represent Nigeria at the Inter-Parliamentary Conferences; represent Nigeria in World Women’s International Conferences; serve as Member of the Parliament, and also serve in many other consultative capacities. I think that with the population of women in Nigeria, grassroots mobilization for community development and effective political participation for national development will not be far fetched.

Following government reported figures, the greatest change and perhaps the highest level of political participation for women appears to have occurred in the East European countries. The recruitment of women for office by parties in the communist bloc nations is particularly high at the local level of government. Major efforts have been made to educate women and bring them into the work force. Government commitment to providing child care and other social infrastructure has also helped to make the transition of women from home to work place easier (Wolchik,1981). In Western European countries and the United States of America, governments generally have a national policy favoring equal opportunity for women. Laws supporting women’s rights in voting, marriage, inheritance and employment have been enacted in the 1940s years. It is expected that Nigeria will borrow a leaf from other nations.
Theoretical Framework of Analysis

The theoretical framework of analysis adopted in this research is the political economy approach. Political economy sees the society as made up of antagonistic economic interests. It explains that economic positions determine social life, values and thought, observing that identical economic interest combine to form social classes whereby political machinery is controlled. The colonialists who excluded women from politics and acquiring education were to consolidate their economic interests and maintain political domination of Nigeria.

History of Women Exclusion from Politics in Nigeria

There has been exclusion of Nigerian women generally in politics. In the memory lane of the political history of Nigeria, women have not been incorporated into politics. This was why Mrs. Funmilayo Ramsome-Kuti, Mrs. Margret Ekpo, fought for and gained some respect for women. The colonialists from 1900s according to Anya (2003), systematically rendered women invisible as the preference for male domination was evident. Women were considered unsuitable for the rigors of public life so, they were not allowed to vote, contest elections; sit in Parliament, or to be employed in the civil service. Men were needed to fill the civil service and assist in the administration of the polity hence, the local needs of the women were not considered. While capacities of men were built educationally and in administrative knowledge, the education of girls was not taken seriously. This action did not empower women but gave men political and economic advantage over women in Nigeria today.

Role of Nigerian Women during Colonial Rule

In 1957 during the pre-independence era of Nigeria, a couple of women political activists such as, Mrs. Margaret Ekpo, Mrs. Janet Mokelu and Ms. Young were members of the Eastern House of Assembly. Mrs. Funmilayo Ransome-Kuti, though not a full-fledged politician, was a very strong force to reckon with in the politics of the Western Region. And Hajia Gambo Sawaba waged a fierce battle for the political and cultural emancipation of women in the North. One can say that women play viable political roles in Nigeria in spite of all the limitations and encumbrances.

Role of Nigerian Women in the Post-Independence Period

Civil Rule 1960-1965

The early years of independence did not witness marked difference from the dying days of colonialism. Women were reduced to second class political activists. Their position having been re-enforced by the economic and administrative leverage of the colonial system helped men to acquire a more privileged political position. The First Republic (1960-1965) saw only an insignificant number of women playing prominent roles in the parliament. There were 2 female legislators in federal parliament and 2 in the Eastern House of Assembly and no female Ministers.

New hope for women to participate in politics began to emerge with the transition to civil rule in 1979. The civilian administration of Alhaji Shehu Shagari gave women some leverage in political participation. Not only were women involved actively in joining political parties, many women contested the elections. Some of the important outcome of the 1979 elections was the presentation of a woman Mrs. Oyibo Odinamadu by the Unity Party of Nigeria (UPN) as the female Vice Presidential Candidate (Pinkney 1993). In the Second Republic 1979 -1983, there was 1 female Senator out of 95, 11 female in House of Representatives, out of 450 members, 3 women Ministers in Federal Cabinet. Few were in State Houses of Assembly but not one was a Local Government Chairman (Chairperson).
During the politics of the second Republic only 6 were elected into the House of Representatives out of its total membership of 589; similarly in 1999 out of 1172, seats in the State Houses of Assembly nationwide, women captured only 27 seats. The representation of women in the 2003 election was poor. Only 3 women: Daisy Danjuma, Gbemisola Saraki-Fowora, Mrs. Iyabo Anishilowo, out of 109 member Senate House, while 21: Abike Dabiri, Azuma Namadi Debeji, Aondona Sharon Adzuana, Binta Garba-Koji, Fanta Baba Shehu and others were elected out of 360 member lower House of Representatives. As it were, the number of serving female Ministers is still few.

Alapiki (2004) makes a presentation of political facts about Nigeria with respect to women representation in public offices and decision making organs at various levels of government as follows: Women constitute 49.7% of the total Nigerian population according to the controversial 1991 population census report. In the first Republic, there were two female senators Wuraola Esan and Beatrice Kwango out of 36 Senate members, none out of 312 members out of the Federal House of Representative, and none in the Federal Cabinet. The two female Senators were nominated by their parties rather than being elected. There were only 5 women out of 250 members of the Constituent Assembly that debated the draft Constitution of 1979. Women were said to make up 60% of the electorate. However in 1979, there was not a single woman presidential candidate, no woman contested for governorship in all the 19 States of the federation.

Of the 4 women who contested for positions in the upper House of Senate in 1979, none won.

In 1983, there was only one woman member in the 91 member senate in the person of Chief (Mrs.) Franca Afegbua. In 1990, out of 1,297 local positions nation-wide, women won only 206 i.e. 15% of seats available. In 1992 there was only one woman in the 91 member Senate, and only 12 women out of 638 (i.e. 1.8%) in the House of Representatives.

In the aborted third republic, there were 3 women deputy Governors out of 30 states. They were Hajiya Ojikutu of Lagos State, Pamela Sadauku of Kaduna state and Cecilia Ekpeyong of Cross River State.

**Women Participation from 1999-2008**

Between 1999 and 2007, as a radical departure Nigeria under Obasanjo has witnessed an increase in the number of women occupying appointive and elective positions. In the 1999 general elections, 27 million women registered out of 47 million registered voters, which is about 57% of the total voters but only 1.6% of them won the elections. Women membership of political parties stood at 5% in 1999, female party Executive members were 7%, and only 8% women qualified as party delegates. Other notable women who were appointed into political positions are Mrs. Ngozi Okonjo Iweala, Mrs. Obi Ezekwesili, and Prof. Dora Akunyili.

In Nigeria the representation of women in government though has improved than before, is still very low considering their proportion in the population. Presently, there is no significant improvement in the number of women holding elective and appointive political positions in the country vis-à-vis the men, even in the 2005 constitutional conference; women again were relegated to the background. The composition of one woman out of the nineteen member commission is unfair to womanhood and an act of marginalization and exploitation in the constitutional conference despite the enormous population of women which accounts for 58 percent of the total population of the nation, increased enlightenment campaigns by various women organizations at various levels as well as commendable efforts by the federal government under the leadership of President Olusegun Obasanjo and some state Governors to appoint more women into some key political offices. Notwithstanding, it is appalling that at this stage of Nigeria’s democratic development, Mrs. Virgy Etiaba of Anambra State became the first female Governor in Nigeria in 2006 though in controversial circumstances.

**Women Participation under Military Regime**
The military regimes which Nigerians experienced for more than two decades had not accorded women their due recognition in the scheme of things. In the military government, there were no women in the Provisional Ruling Council of State and no woman Governor or Administrator. The period from 1966 to 1979 could be described as a time of less visibility for women, (Any 2003). The military regimes that followed did not accord women due recognition. Women are not to belong to the combatant force of the military which translate into their not playing any role in military administrations.

Kalagbor notes that until 1976 when the Federal Military Government started to appoint women into key and functional policy-making positions, women were never given the opportunity to actualize their resourcefulness by serving in political and other policy-making levels. Most instances of women holding public offices have been chiefly appointive rather than elective. The coming of the Buhari administration soon eroded the progress so far without any female cabinet member. The Babangida era marked a turning point in the history of women struggle in Nigeria; Maryam Babangida institutionalized the office of the first lady in 1987. She became the first working First Lady and launched the “Better Life for Rural Women” program.

Abubakar’s transition in respect of women’s elective positions show: 3 females out of 109 senators, 12 females out of 360 State House of Representative Members, 12 females out of 990 State Houses of Assembly Members, 143 females out of 8810 LG Councilors, 9 females out of 774 LG Chairmen. The Abacha regime went further to establish the Ministry of Women Affairs and Social Development, intended to give women a sense of belonging.

The Challenges of Nigerian Women Participation in Politics:

Afia Zakia at the National Democratic Institute for International Affairs (NDI) lists barriers against women’s political participation in Nigeria as: money politics, marginalization of Women in political parties, patriarchal attitudes, weak Women Movement, absence of legal force, lack of governmental support, and no meaningful support from public.

Traditional and Socio-Cultural Challenges

A number of traditional and socio-cultural constraints impede the successful political participation of Nigerian women in democracy and the various political processes initiated by different governments in the country. Such constraints include excessive dependence of women on their husbands for decisions, early marriages and the confinement of women in purdah, which is common among the Moslems. Early marriages imposes severe matrimonial responsibilities on women and deny them the opportunity of developing themselves intellectually, psychologically, spiritually and politically for the challenges of life; confinement in purdah is a devaluation of the status of women and offers Moslem women little or no opportunity to participate in the democratic process.

Patrilinial Descent

Other related constraints are the partrilinial system of descent whereby the man is the head of the family; widowhood; inadequate women role-models; the traditional perception of division of labour between women and men which provides the rationalization that women’s role is that of child-bearing and managing the kitchen and related domestic affairs, as well as male chauvinism, especially where some men do not see anything good in women. Considering this sentiment, it is argued that a chauvinist may not be a genuine democrat.”

Education

Despite the resourcefulness of women in Nigeria, a significant proportion of them are illiterates. Accordingly, Oruwari (1996) observed that a research conducted in 1990 showed that “only about 10% of
Nigerian women are literate.” Illiteracy inhibits the effective political participation of women in democracy. This is because poor or lack of education on the part of women poses implications for effective political awareness, consciousness, enlightenment, mobilization, and activation of women as essential ingredients and values of democracy. No country can hope to place itself on the path of a stable democratic foundation, progress, sustainable development and greatness without enhanced access to the benefits and opportunities provided by education and the integration of women into the mainstream of its education system.

**The Military Challenge**
The domination of governance by the military in Nigeria constituted a major obstacle to the establishment of an enduring participatory democracy in the country. Out of 47 years of Nigeria’s “quasi political independence,” the military had misruled and de-democratized Nigeria for 28 years, without providing the enabling environment, favorable and objective conditions for democracy to flourish in the country. The inclement political environment created by the military partly denied Nigerian women and men the opportunity to participate in making relevant inputs towards effective women participation in the nation political process.

**Challenge of Divine Nature of Women**
By virtue of their sex, women are generally regarded as frail with weak emotional disposition. They could hardly withstand the forceful and sophisticated manipulative and maneuvering tendencies of men in the struggle for political power, which in all magnifications; negate the principles of democratic selection.

**Challenges of Poverty, Money Politics and Democratic Space**
Kalagbor (2007), citing Anikpo (1995), notes that poverty is a historical process of eliminating people from decision making machinery is manifested in hunger, lack of money, shelter, poor education. In Nigerian context it becomes a euphemism for pervasion of participation in political democracy against women.

**Encouraging Women Political Participation in Nigeria**
It was the military that opened up women appointments into political offices in 1976 and created a structure, the Women Ministry for effective women participation. There is no strong legal framework, no political party arrangement to support women, no strong political will, mandate and real power on the part of the government. However due to deliberate government attempt, women have been nominated and appointed into strategic policy-making positions such as deputy governors, Chairmanship of corporation bodies, Chief executives of public institutions and heads of Ministerial departments (Okwuosa, 1994). The activities of a host of women organizations have added impetus to these developments. These associations include: the National Council of Women’s Societies (NCWS, National Association of Women Journalists (NAWOJ), Women in Nigeria (WIN), and Better Life programme for Rural Dwellers (BLP).

It suggests that the stage has been prepared for Nigerian women to emerge in the Nigerian political arena. Since Independence, there has been a remarkable improvement in women’s political activities. Women education has been considerably improved and their economic role has undergone a radical change as they are now much better placed than before. Their organizations have increased in number and the Nigerian government has a very high opinion of what women can do (Uchendu, 1993). Several instances of affirmative action have been taken to increase women participation in decision making positions.

Today, women are participating more actively in political issues than ever before, due to political re-awakening and awareness. More often than not, they are besieged with challenges of which
discrimination is rifer. Majority of the men more on chauvinistic disposition are preoccupied with the notion that decision making is exclusively for the men folk while women are to be instructed on what to do. Despite the difficulties faced by women in politics, they continue with their political ambition, contributing enormously to the political and national development in their own way. Women over the years could be said to have recorded some measure of appreciable political achievement in other political fields of endeavors, meeting their political objectives with limited support and resources at their disposal

Presently in Nigeria, women occupy elective and appointive positions as follows: Deputy Governor of Lagos State-Princess Sarah Adebisi-Sossan; Deputy Governor Osun State- Erelu Olusola Obada; Deputy Governor of Plateau State- Dr Paulin Tallen; Acting Director General: Securities and Exchange Commission-Mrs Daisy Ekindeh; Senator Chris Anyanwu: Chairman Senate Committee on Aviation; Senator Mrs. Folasade Bent; Chief Mrs. Senator Emodi: Chairman Senate Committee on Education; Abike Dabiri-Erewa – Member House of Representatives; Mrs. Hairat Aderinsola Balogun – Attoney-General and Former Commissioner for Justice, Lagos State; Minister of State Water Resources – Mrs. Fidelia Njeze; Former Director General of Due Process Office – Mrs. Nennadi Usman; Prof. Ndi Okereke Onyinke – Director General Nigerian Stock Exchange; Mrs. Arinze Maduekwe – Director NAFDAC; Dr Ngeri Benebo – Director General (NESREA); Mrs. Belema Osibodu – Head Public Affairs DPR; Dr Ada Okwuosa: Commissioner for Administration and Finance, ECOWAS Commission, Abuja; Minister of State for Works – Mrs. Grace Ekpenhire; Ondo State Commissioner for Women Affairs – Mrs. Bukola Tenabe; Prof. Joy Oguwui – Chairman Senate Committee on Education; Mrs. Farida Waziri – EFCC Chairman.

Others are Prof. Dora Akunyili –Minister of Information and Communication. Delta State Commissioner for Youths – Mrs. Ishola Williams; Plateau State Commissioner for Education – Prof Angela Miri; Executive Assistant to Delta State Governor on Micro Credit – Dr Anthonia Ashiedu; Edo State – Benin Zonal Head of National Agency for the Prohibition of Traffic in Persons and other Related Matters – Mrs. Adefin Abiodun Special Adviser to Lagos State Governor on Religious Matters – Mrs. Adefunmilayo Akiroye – Braimoh; Mrs Juliet Oti Asobar – Delta State Commissioner for Education; Kano State Commissioner for Women Affairs – Hajia Maimuna Kabir Khalil.

Conclusion

The mindset where women were not considered suitable for public life was replicated in Nigeria with the coming of the colonialists. Under colonialism, women began to suffer set back in the progress towards control of political powers. The major instrument was the denial of equal educational opportunity to girls. Despite the attempts made by governments, Women NGOs, there exist barriers which hinder effective women political participation in Nigeria. Regrettably, all the efforts are cosmetic and a mere superficial since a significant proportion of Nigerian women are yet to be actively involved in the political processes in Nigeria. The prospect for Women participation in politics in Nigeria appears very bright in a democracy. Since women remain a marginalized and disadvantaged group, our constitution should provide a level playing ground and give leverage for women participation. Considering the number of women in Nigerian population, unless women are included in the nation political processes achieving the needed grassroots development will be difficult.

Implications

If men and particularly husbands should support their wives, a coalition of women organizations and groups should come together to raise support aimed at providing the requisite financial and technical assistance to women elective positions, if there should be legislations to create quotas for women political offices in respect to the Beijing Declaration of 1995, and if women should acquire more education and
build confidence to contest elections, the problem of minimal political participation in Nigeria would have been half solved.

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Strengthening the Nigerian informal sector via tourism development: The cooperative approach

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Tourism has become a top priority of the economic agenda of all countries. Especially in Nigeria, tourism could serve as a tool for strengthening the informal sector, creation of jobs and fighting poverty. Tourism development will achieve the three objectives above better when cooperative ideology is embraced by tourist service providers. Cooperatives have competitive advantage over other forms of business in the areas of eco tourism, rural tourism and ethical tourism. Integrating cooperative into the Nigerian tourism sector will not only increase the income and productivity of tourism operators but will also result in quality and authentic tourism products, tour packages and tourism promotion.

INTRODUCTION

Over the last decades, tourism has emerged as one of the world largest growing sectors. The global tourist industry generates approximately 100 million jobs worldwide, predominantly in small and medium sized businesses (Reimer, 2008). Job creation in the tourism sector is growing about 1.5 times faster than other sectors. Since 1980, each year has seen a rise in tourism receipts and activities.

Tourism all over the world is thriving. Every country is involved in promoting tourism in a big way. In the view of Verman (2008), tourism has become a top priority of the economic agenda of all countries. For example, in Malaysia, tourism is the top revenue generating sector. Also in Kenya, tourism has become a major revenue generating sector. Tourism represents a very complex and multidimensional phenomenon that produces numerous positive economic as well as non economic effects in receptive tourist countries. As a result of the positive effects, sustainable tourism can be treated as a means of eliminating poverty, strengthening the informal sector and increasing standard of living, especially on the long term. Tourism is very important for socio economic development of developing countries and more especially for Least Developed Countries (LDCs).

Verma (2008) asserted that tourism is today projected as an engine of economic growth and an instrument for eliminating poverty, curbing unemployment problems, opening up new field of activity and the upliftment of the downtrodden section of the society. New opportunities are being tapped to promote ecotourism, adventure tourism, rural tourism, postage, wildlife and health and herbal including medical tourism.

With the increasing number of foreign tourists coming to Nigeria every year and domestic tourism gaining popularity, public and private sector bodies are actively engaged in promoting tourism in the country. The international and regional dimension of tourism are also getting due recognition. For example travel links leading to establishing people –to –people contacts between Nigerian and other countries are giving prime importance. As a result, tourism has been instrumental in softening the relations between Nigeria and other countries.

However, trends in the Nigerian tourism industry indicates that while economic consideration have reigned supreme, the social aspects are not being given due importance. The crucial role of participatory and community based organizations like cooperatives in promoting tourism has yet to be recognized. As a result, concepts like; Sustainable tourism’, ‘Peace through tourism’, ‘Poverty reduction through tourism’, and so on which can best be implemented through participatory institutions have yet to be popularized in
a big way. Cooperatives in Nigeria over the years have diversified into various areas of socio economic activities. The cooperative model in Nigeria according to Adegbenjo (2006) is considered a strong force for solving the various socio economic problems. The failure of the public sector and various limitations of the private sector have compelled the policy makers to pin their faith on the cooperative systems. Cooperatives are considered to have advantage over other organizations especially in the areas that have to with grass root institutions, participatory and people based approach. Therefore, the objective of this paper is to discuss the positive effects of using cooperative to develop the Nigerian tourism on the informal sector. Having underscored that tourism could be used to influence economic development, this paper argues that popularizing tourism cooperatives in Nigeria will not only eliminate poverty and develop the tourism industry but will in a significant way strengthen the informal sector.

COOPERATIVES, TOURISM AND ECONOMIC DEVELOPMENT

Adegbenjo (2006) averred that basic aims of embarking in tourism cuts across socio-cultural boundaries. People go to tourism for purposes of leisure and recreation, holiday, rest and relaxation, to understand how the rest of the world live, excursion purposes, for religion and health purposes. As a result, tourist destinations should possess the quality of attractions, accessibility, equipped with facilities for comfort and organized. In the words of Verma (2008), analysis of trends in tourism industry indicate that there is

- Shift in focus towards decentralized form of tourism which can effectively tackle the problem of poverty by generating jobs. It is now well understood that tourism can best fight poverty by generating jobs both in the rural and urban areas.
- Growing recognition of social aspects of tourism which can provide opportunities of travel for all, promote respect for culture, values, sustainable development and so on
- Realization that economic spin off from tourism sector can be used for the betterment of the society, and creating a peaceful atmosphere in which there is understanding and cooperation amongst all.

Nigeria as one of the countries desirous of economic growth will benefit from tourism in the following ways.

- Tourism offer better labour intensive opportunities than all other sectors except agriculture
- The consumer travels to the destination, providing opportunities for sale of additional goods and services.
- Tourism helps promote gender equality, employing higher proportion of women than other sectors.
- Tourism creates opportunities to diversify the local economy.

Tourism can often be developed in poor and marginal areas with few other export and diversification options. Tourism is often attracted to remote areas because of their high cultural, wildlife and landscape values. One of the assets of the poor is their cultural and wildlife heritage; and tourism presents opportunities to capitalize on the assets.

CONTRIBUTIONS OF TOURISM TO EMPOWERMENT OF THE INFORMAL SECTOR

- Employment of the poor in the tourism enterprises
- Supply of goods and services to tourism enterprises by the poor or by enterprises in the informal sector
- Direct sales of goods and services to visitors by the informal sector
- Establishment and running of tourism enterprises by those in the informal sector. Example micro, small and medium sized enterprises or community based enterprises.
- Tax or levy on tourism income or profits with proceeds benefiting the poor.
- Voluntary giving/support by tourism enterprises and tourists
- Investments in infrastructure stimulated by tourism also benefit the informal sector in the locality, directly or through support to other sector.
- It gives private individuals and investors especially in the informal sector to independently make use of their ideas, innovation and entrepreneurship to invest in tourism.

Dimoska (2008) asserted that these areas enumerated areas strategically focused on unlocking opportunities and generating net benefits for the informal sector and the poor through tourism. However, it is necessary to combine these strategies with general strategies for tourism development in order to achieve optimal effects.

In the view of Adegbenjo (2006) tourism development can significantly contribute to general economic development in the following ways
1. it facilitates migration of people from urban to rural areas and vice versa
2. It generates income for the government
3. It contributes to wealth redistribution which is critical for sustainable development
4. Investors in tourism contribute to social responsibilities, amenity development and expansion of the rural areas.
5. It serves as a source of networking between private and public entities in both rural and urban areas of countries.

COOPERATIVE PHILOSOPHY AND TOURISM DEVELOPMENT

Cooperation according to Verma (2008) means living, thinking and working together. It is working together to learn to live in our society peacefully and harmoniously. A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Cooperative is based on the values of self help, self responsibility, democracy, equality, equity and solidarity. Cooperative members believe in the ethical value of honesty, openness, social responsibility and caring for others.

The principles and values of cooperatives are the best guidelines to create a sustainable development and peace (Verma, 2007). They are intended to safeguard the human rights and enable members to practice democracy and enjoy freedom of action. Cooperatives are organizations which have strong community root. They are embedded within the communities in which they exist. They work for sustainable development of communities through emphasis on values and create a peaceful atmosphere within community.
Worldwide, the cooperative movement has contributed to peace by eliminating poverty, sustaining environment, providing employment and enriching social standards of the people. The value based orientation of the cooperative movement has played a crucial role in checking the capitalist tendencies in the society by creating an equititarian society through which development can thrive.

In the view of Reimer (2007), cooperatives have worked wonders. It ushered in milk revolution in India and has played pioneering role in saving the poor from the clutches of money lenders. Housing cooperatives have not only increased ability of people to own houses but have also contributed to promoting social harmony and community living. In the environment, cooperatives have played an important role in environmental preservation through pollution control measures via plants and forestry cooperatives.

Considering the contributions of cooperatives to peace and the value- based peaceful orientation of cooperatives, it is natural that the cooperatives are well positioned to strengthen the agenda of tourism. According to Verma (2007) cooperatives have tremendous opportunities in the areas of tour packaging, transport tourism, rural tourism and so on especially when there is support from the government and tertiary cooperatives.
TOURISM COOPERATIVES

Tourism cooperatives are involved in promoting tourism for their members’ benefits and for the welfare of the general public. It could be in the areas of art, culture or tourist sites. Tourism cooperatives are involved in ecotourism, adventure travel, rural tourism, wildlife tourism, medical tourism, postage, health and herbal tourism.

Reimer (2007) asserted that the basic objective of tourism cooperatives are to respect, protect, promote and celebrate the ongoing traditional cultures, language, natural environment, history and philosophies of a community or a nation through the assistance and development of authentic and culturally appropriate tourism. Specific objectives of most tourism cooperatives are

- To act as marketing hub for cultural products including art and crafts.
- Develop, promote and preserve nations’ culture and history through the development of quality indigenous tourism products.
- To develop a unified front for tourism operators.
- To provide ongoing business support to tourism business including support with financial accounting, compliance, marketing, general business management and human resources.
- Provision of training and distribution of materials and information on tourism.
- Authenticity of tourism products and marketing of tourist sites
- Facilitate the spread of product across the region and assist in filling the gaps, focusing on the skills and indigenous culture of each community
- Providing a branding’ to regional area which signals to visitors, quality authentic products.

THE FOCUS AREA OF TOURISM COOPERATIVES

The main focus areas of tourism cooperative include education, awareness creation and training, tourism business and product development, quality and authenticity, protection of community and cultural integrity, cultural reinforcement and sustainability, promotion marketing and research, building networks.

TOURISM DEVELOPMENT IN NIGERIA: THE ROLE OF COOPERATIVES

The recent economic reforms in Nigeria have given a big push in tourism sector. Tourism is projected today all over the country as an engine of economic growth and an instrument for poverty elimination, solving unemployment problems, opening up new fields of activity and the upliftment of women (Verma, 2008)

New opportunities are being tapped to promote ecotourism, adventure tourism, rural, postage, wildlife, health, herbal and medical cooperatives. Cooperative possesses the potentials for developing and promoting these forms of tourism. Cooperatives according to Reimer (2007) are the most veritable institution to be used in promoting tourism since it covers almost all cities and towns. Especially in the area of rural tourism, Cooperative owing to its wide network and strategic position is now taking leading role in rural tourism in India, Malaysia and Canada.

Dimoska (2008) opined that tourism cooperatives can use the following strategies to develop tourism and empower the informal sector of the Nigerian economy: Increasing tourists length of stay, increasing visitors expenditure, developing complementary products in the tourist destination, growth and selection: attracting more of the most appropriate market segment, spreading the benefits of tourism geographically, infrastructure and planning gain, reducing seasonality, employment and training, local management of tourism and partnership, small business development.

TOURISM SERVICES WHICH ARE BETTER DONE COOPERATIVELY

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Lewin (2008) listed the following areas where cooperation will result appreciable profit.
1. Creating guideline for tourism operators and product providers.
2. Accessing government funding and support and creating links with other sectors
3. Building a data base of local organizations, service providers and other like minded organizations in the sector
4. Promotion and development of new tourist destinations
5. Creation of tourism awareness of a particular region
6. Service and product inventory to determine the quality of what to offer to tourists
7. Preparation of launch and dish packages
8. Preservation of tourist sites, scenic landscapes and interesting artworks including friendly atmosphere in tourist destinations
9. Establishing links and mutual coexistence with host communities.

The world tourism community is looking towards the cooperatives to play a strong balancing role in tourism development so as to help in creation of an equitable society. Cooperatives are well positioned to formulate effective strategies so that they may emerge as lead player in the tourism industry. Moreover, the current trend in the tourism sector has placed cooperatives on a better footing to be important tools for bridging the gap between the rich and the poor.

FACTORS MILITATING AGAINST INTEGRATING COOPERATIVES IN THE NIGERIAN TOURISM SECTOR

Many factors account for the inability of Nigerian tourism to integrated cooperatives in development of tourism include
1. Inability to analyze the changing socioeconomic dimension of the tourism sector in Nigeria and demarcate the areas in which cooperatives have a strategic advantage over other forms of organization
2. Lack of definite data base on the number of cooperatives involved in the field of tourism as well as the inability to highlight the strengths and weaknesses of the ones involved in tourism
3. Inability to strategically link cooperative sector with the tourism sector in states where tourism is booming such as Cross rivers, Plateau and Anambra. In these states, cooperatives in the area of tourism are either weak or inexistent
4. Weak advocacy for tourism promotion is also a big hindrance
5. Lack of policy research in the field which can provide definite indicators for future
6. Lack of development of cooperative literature in the field of tourism cooperatives.

CONCLUSION AND IMPLICATIONS OF THE STUDY

Tourism remained a veritable tool for economic empowerment especially for those in the informal sector. Formation of cooperatives in this field will contribute significantly to the development of tourism in Nigeria and promote tour packages and promotion.

To make tourism cooperatives in Nigeria challenging and prospecting, the following recommendation should be implemented
- Government should adopt policies and ensure consistency of regulations in the tourism sector as well as ensure coordination between and among stakeholders
- Tourism cooperatives should establish network and links with tertiary cooperatives in Nigeria for assistance and collaboration
- There should be sensitization of the tourism bodies in Nigeria on the importance of cooperatives in tourism development and forging useful collaboration with them
- Civil societies and academic institutions should undertake big research project so as to gauge the effectiveness of cooperative model in tourism
- The Nigeria Tourism Development Board should in collaboration with Cooperative Federation of Nigeria set up agency for advocacy and promotion.
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Patents and scientific productivity of academics: implication for industrial growth and poverty reduction in Nigeria.

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The study examined the determinants of scientific productivity and attitudes of some academics towards patent rights protection in faculties of science and technology at Obafemi Awolowo University, Ile-Ife Nigeria. A total of 53 lecturers from the rank of lecturer II and above completed the questionnaire which was analyzed using econometric methods of OLS, Logit and Negative Binomial Models. The result shows that personality traits and senior lecturer cadre were strong determinants of scientific productivity. Moreover, the academics were positively disposed to patent rights protection for promoting scientific productivity in the university.

Introduction/Statement of the Problem

The United Nations Industrial Organization Report (UNIDO, 2006) provides an overview of the progress recorded by countries towards the achievement of the Millennium Development Goals (MDGs), especially in the area of poverty reduction. Economic development was found to have lifted millions of people out of poverty between 1991 and 2001 with a reduction of people living on less than $1 a day from 28 to 21 percent. However much of the progress recorded was attributed majorly to advances in South and East Asia countries, while the sub-Saharan African countries rather experienced an increase in the proportion of people living with less than $1 a day from 45 percent of the population to 46 per cent.

Indeed, the 2004 Industrial Development Report observed that there is a consensus that low-income African countries will not break free from the shackles of poverty unless and until they diversify their economies, especially through industrialization. The report pointed out that slow progress in poverty reduction can be attributed to shortcomings in respect of private sector development and structural reform (UNIDO, 2006).

An analysis of drivers of industrial performance by Industrial Development Report of 2002/2003 showed that technology which comprises domestic research and development as well as access to foreign technology through foreign direct investment has a powerful influence. Among the drivers of industrial performance, R&D was found to be the most significant determinant (UNIDO, 2002/2003). Hence, many developed nations have undertaken various reforms towards harnessing R&D from various sources towards industrial applications. The universities for instance which hitherto were responsible for producing knowledge and disseminating such freely to the general community have come under patent reforms. For instance, the United States passed the Bahy-Dole act to protect knowledge generated from the universities such that researchers creating such knowledge could receive adequate reward for their effort which invariably will stimulate the continuous production of knowledge. However, this move have been criticized on the grounds that protection of knowledge generated from the universities may have an adverse effect on the culture of open science and also hinder teaching quality as researchers in pursuit of monetary rewards can dedicate more time towards creation of knowledge with commercial application rather than basic research (Stephan, 2001). While this issue has received tremendous attention by scholars from developed countries, there has been little or no studies addressing this in developing countries especially Nigeria.
This study is thus initiated to examine the determinants of knowledge production among researchers in faculties of science, technology, agriculture and pharmacy at Obafemi Awolowo University, Ile-Ife Nigeria. This work is divided into 5 sections. Section one has articulated the research problem, while section two focuses on the literature review while section three deals with the research methodology and section four presents the analysis of results and findings. The last section makes some conclusions and recommendations.

**Literature Review**

The literature identifies several factors determining scientific productivity. Among them are age, gender, rank, experience, and departmental support and personality factors. The literature on age and scientific productivity posits that young scientists made more outstanding contributions to science than older ones. Using different measures for age: chronological (Clemente 1973; Cole 1979; Pelz and Andrews 1966); Years of professional experience (Creswell, Patterson and Barnes, 1984a, 1984b); and Years since the receipt of PhD degree (Allison & Stewart, 1974; Bayer & Dutton 1977). The general finding indicates that age impaired performance, although performance improved with age. The literature on gender hypothesizes that men publish more than women. Empirical evidenced have confirmed this (Waworuntu, 1986a; 1986b; Kyvik, 1990a; 1990b).

Some studies have indicated that personality traits may be an important factor distinguishing academics in scientific productivity. Some of the traits bother on attitude and motivation, work habits and creativity. Productivity of scientists is assumed to be propelled by inner drive or compulsion to succeed. Eminent scientists are believed to posses some abilities such as, ability to play with ideas, differentiate stimuli, recombine concepts, and tolerate ambiguity and abstraction (Gordon and Morse, 1970). They are also believed to be reliant and self confident with their ideas, which makes them to devote more time to their research (Merton, 1973). Productive university research scientists are found to be motivated, and have a strong drive to explore new ideas. They are also found to be very organized with respect to time and materials (Mills, 1959). Woods (1990) also identified the following factor as contributing to scientific productivity—ability to cope with extra work loads, intellectual curiosity and ability to write and set apart time for research.

The professional rank of a researcher is also expected to influence his productivity. Certain studies have confirmed that academic staff at the higher ladder of the professional rank has larger publications than those in the lower rank (Blackburn, Behymer and Hall, 1978: Creswell, Patterson and Barnes, 1984a). The average number of publications have been found to increase with the number of years of professional experience. Rushton, Murray and Paunonen. (1987) indicated that productivity varied with age and experience.

The Literature has also identified various ways in which the department can be of great support to scientific productivity. Barnhill and Linton (1992) provided some insights into the role of the head of department in stimulating productivity. These include; promoting a balance between teaching and research, encouraging team research groups, creating the right research climate, informing staff of available grants; sharing copies of successful proposal and setting up period research seminar.

**Research Methods**

This study makes use of a primary research method by administering questionnaire on a cross section of researchers in the faculty of science, Obafemi Awolowo University Ile-Ife. The study was targeted at researchers from the rank of lecturer 2 and above, especially those with a Ph.D. degree. There are about 500 lecturers in the target faculties and a total of 250 questionnaires, which represented 50% of the
lecturers, were administered. Only 53 of them were properly filled and returned, which gives a response rate of 21% and about 11% of the total number of lecturers in the faculties.

Model Specification

Five different measures of scientific productivity were used for this analysis. These include; Average Publications in the past Five Years (APFY), Average Total Publications (ATP), Average Foreign Publications (AFP), Number of grants won by the researchers (GRANT) and Recognition or Prizes received by the researchers on account of research produced (PRZ). The independent variables include; Personal, Academic, Departmental and Personality variables. The model is specified thus:

\[ SP = b_0 + b_1 \text{Age} + b_2 \text{Gen} + b_3 \text{NOC} + b_4 \text{FPHD} + b_5 \text{XPHD} + b_6 \text{WEXP} + b_7 \text{DSPT} + b_8 \text{PROF} + b_9 \text{SL} + b_{10} \text{L1} + b_{11} \text{PMT} + b_{12} \text{EXTVT} + b_{13} \text{AGRBLE} + b_{14} \text{OPEN} + b_{15} \text{CSNTS} + b_{16} \text{STBLE} \]

SP = Scientific Productivity is defined by the five measures of productivity above. The independent variables are defined in table 1.

<table>
<thead>
<tr>
<th>Table 1. Definition of Variables</th>
<th>Measurement</th>
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<tr>
<td>Variable</td>
<td>Definition</td>
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<tr>
<td>1 Age</td>
<td>Chronological Age of the Respondents</td>
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<td>2 Gen</td>
<td>Gender</td>
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<td>3 NOC</td>
<td>Number of Children</td>
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<td>4 NCT</td>
<td>Number of children below the age of 10 years</td>
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<td>5 FPHD</td>
<td>Foreign-awarded PhD</td>
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<td>6 XPHD</td>
<td>Number of years since the award of PhD</td>
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<td>7 WEXP</td>
<td>Number of years since working in academics</td>
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<td>8 DSPT</td>
<td>Departmental support</td>
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<td>9 PROF</td>
<td>Professorial cadre</td>
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<td>10 SL</td>
<td>Senior lecturer cadre</td>
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<td>11 L1</td>
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<td>12 PMT</td>
<td>Promotion</td>
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<td>13 EXTVT</td>
<td>Extrovert</td>
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<td>14 AGRBLE</td>
<td>Agreeable</td>
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<td>15 OPEN</td>
<td>Openness</td>
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<td>16 CSNTS</td>
<td>Conscientious</td>
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<td>17 STBLE</td>
<td>Emotional stability</td>
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Techniques of Analysis

Two major techniques used for analyzing the data were descriptive and econometric. Three econometric techniques were used for the analysis of the models. The first three dependent variables, i.e. APFY, ATP and AFP, were analyzed with the use of Ordinary Least Square Method (OLS), while the GRANT variable, which is a count variable, was analyzed with the use of Negative Binomial model, while the fifth variable, representing recognition and award (PRZ), was dichotomized into two, those with grant and those without. This was subsequently analyzed with the use of logit model.

Result of Econometric Analysis

Table 2 below presents the results of the econometric analysis of the five models adopted for this study.
We first measured the influence of the socio-demographic variables on the scientific productivity of the researchers. The age of the researchers was found to have a negative impact on the scientific productivity in two of the three OLS models. Average foreign publication was an exception, which turns out positive. However, none of them was statistically significant. The negative impact of age on productivity seemed to be confirmed by the other two models, this was statistically significant in the logit model. Hence, age of the researchers has a negative impact on scientific productivity, especially when it involves outstanding works that can attract prizes and awards. This result confirmed that real scientific productivity varies...
inversely with age. Moreover, the role of gender was positive in 4 out of the 5 models. However, none of them was statistically significant.

Again, the number of children recorded a negative impact on productivity, this was statistically significant in the first 2 models (APFY, ATP). It was positive for grants and negative for prizes, however, no statistical significant impact was noticed.

Also, the place where Ph.D. degree was awarded is expected to impact on productivity. Ph.Ds awarded in prestigious institutions are expected to have some positive impact on productivity. In our work, we could not determine how prestigious our local institutions are, however, we tried to divide the researchers into two, those with foreign Ph.D. and those with local Ph.D. Our results show that foreign PhD holders recorded a negative relationship with productivity. This result is unexpected, but on a further consideration, it may be that researchers trained abroad were trained under very good conditions, with good infrastructure and incentives, however, on returning home, the absence of such incentives and infrastructure may have constrained their efforts in producing papers which may eventually lead to frustration.

Furthermore, the number of years since the award of the PhD was also examined. Our results show that the variable had a positive impact on all our variables of productivity measurements. However, it was only significant when we considered ATP and AFP. In all the other variables, it was not significant. In addition, we considered the number of years of working experience of the researcher and found out that working experience had a negative impact on publications, especially foreign papers. However, experience was found to have a positive and statistical significant impact on research works that can attract prizes.

The impact of status on scientific productivity revealed that professorial cadre has no significant impact on the productivity of researchers. However, the senior lecturer cadre impacts significantly on productivity of researchers. The variable was positive in four out of the five models, while it was statistically significant in the four models. This is in contrast with other studies that found professors to publish more than the lower rank officers (Blackburn, Behymer and Hall 1978). Similarly, the lecturer I cadre impacts significantly on average productivity in the past five years and average total publication (ATP). It was not significant for grants and awards of prizes.

The impact of promotion on scientific productivity showed a negative relationship. Ideally, we would have expected that promotion will induce productivity. However, it turned negative and significant when we considered average rate of publication. It was also negative for average publication in the past five years, grants and prizes; however this effect was insignificant.

We subsequently examined the impact of some personality factors on productivity. The variable examined include; extroverts, agreeableness, openness, conscientious and emotional stability. On a five-point rating scale, the researchers were asked to evaluate themselves on the measures of the personality factors. The result shows that extroverts, those with friendly and outgoing traits record an inverse relationship with productivity. This was found to be statistically significant in the average number of papers published. It was, however, not significant for other variables of scientific productivity. In the same manner, those with agreeable traits also have a negative impact on productivity, but it was not significant in any of the variables of measurement. Likewise, with those with emotional stability traits. However, those who possess conscientious and openness traits recorded positive impact on productivity. But in terms of significance, conscientious traits play a positive and significant impact on scientific productivity. It was significant for average total publications, grants received and prizes won.
Finally, when we considered the five models of our analysis, the negative binomial model which made use of number of grants received as the measure of scientific productivity performed best. The $R^2$ was 86%, while its adjusted $R^2$ is 79%. This model identified two significant variables predicting scientific productivity. These include; the personality trait—conscientious and the senior lecturer cadre. These were the only two variables predicting scientific productivity in our study.

**ATTITUDES TOWARDS PATENTS**

The attitude of the researchers towards patenting academic research is presented in the figure 2 below. Their opinions are represented on a five-point likert rating scale as follows:  
SA = Strongly Agree;  
AG = Agree;  
ID = indifference;  
DG = Disagree;  
SD = Strongly Disagree.

Figure 1 Attitudes of researchers towards patenting Academic Research.

![Researchers' Attitudes Towards Patenting](image)

From the figure, the role of patents in encouraging practical application of knowledge received an overwhelming support among the researchers. About 58.5% of the researchers strongly agreed with the issue while another 35.8% expressed their agreement. Dissenting views were very minimal. Furthermore, the role of patents in ensuring that researchers receive deserved financial reward also receives support from the researchers. About 39.6% of them expressed their agreement, while another 35.0 % were strongly in agreement. About 17.0% of them were indifferent, while only 7.5% strongly disagreed with the opinion. One of the criticisms of the application of patent right protection on academic research is that it will discourage the open science culture of the universities. Opinions of researchers on this issue seem to be sharply divided. While, 13.2% of the researchers strongly agreed, 15.1% of them...
strongly disagreed. Similarly, while 20.8% of them expressed their agreement, 24.5% of them expressed their disagreement, and 26.4% of them were indifferent. Another area of concern about patent right protection of academic research is that, it has the capability of altering the incentive structure of academics from publications to seeking financial gains. Opinions were also sharply divided on this issue, as 32.1% of them agreed, while about 30.2% of them disagreed. More so while, 7.5% of them strongly agreed, 13.2% of them strongly disagreed and 17% of them were indifferent. Finally, the expected impact of patent right protection on teaching quality as assessed by the researchers revealed that it will not have a negative impact on teaching quality. While 47.2% of the academia expressed their disagreement, only 15.1% of them were in agreement. Furthermore, while only 5.7% of them strongly agreed that patent will affect teaching quality, 18.9% were strongly against the opinion. 13.2% of them were indifferent.

In conclusion, the average opinion seems to support the implementation of patent right protection in the universities, at least in the Obafemi Awolowo University, Ile-Ife, where this work was carried out.

Conclusions and Recommendations

This work was initiated to examine the factors that determine the knowledge-creating capabilities of scientists in a Nigerian university. The study identified that large number of children, lack of departmental support; extroverts constitute hindrances to scientific productivity, while lecturers in the rank of senior lecturer, number of years of working experience and conscientiousness were factors that enhance productivity.

This study recommends that the position of heads of department should be handled by those who could organize the department in facilitating advancement of science and technology. Moreover, government may offer incentives or arrangements through which the number of children a researcher has does not interfere with his or her productivity. Furthermore, in recruiting researchers into academics, it may be necessary to screen for personality traits such that those that are highly motivated and conscientious be given the opportunity for research. The implication of these results is that the implementation of patent reforms in universities will not likely hamper academic activities. Feelers from the academics suggest that patent rights protection will enhance inventive activities in the universities.

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Financial Markets and Foreign Direct Investment in Africa

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This paper examines how the development of the financial market in Africa affects Foreign Direct Investment. The study employs a multi-variate panel regression with data from 17 African countries spanning the period from 1990-2007. The results of the study suggest that better developed stock markets significantly and positively attract FDI. Specifically, market capitalization, the market capitalization ratio and stock market turnover, are positive and significant in attracting FDI. The level of infrastructure development is also very important in attracting FDI inflows into Africa.

Introduction

Investment into the African continent in the form of FDI and other capital flows such as portfolio investments has received a lot of attention from academics, policy makers and the general public. This is because of the perceived advantages of foreign direct investment. This has come under the back-drop of most African countries liberalizing their capital accounts, reforms such as the structural adjustment programmes (championed by the World Bank and International Monetary Fund), tackling exchange rate issues, and a general improvement of the macro and micro economy. The FDI inflows to Africa increased from an annual average of US$4.6 billion in 1991–1996 to US$18.8 billion in 2001 and then fell to about US$11.0 billion in 2002, (Ajayi, 2006). Foreign direct investment in Africa increased from $17 billion in 2004 to $31 billion in 2005 though the continent’s share of FDI was as low as 3%, Okodua (2009). The stylized facts presented by Asiedu (2002) indicate that during 1980-84 and 1990-94 the annual average of Foreign Direct Investment to developing countries increased by 1630% while FDI to Africa increased by only 496%. Also the continent’s share of FDI fell from 36% (during 1970-74), to 10% (1980-84) and finally to 3% (during 1995-99). This declining trend persisted even though for example the average return on United State’s investments to Africa was higher than that of other developing countries and continents over the 1990-96 periods. Africa’s share of FDI to developing countries declined overtime, from about 19% in the 1970s to 9% in the 1980s and thence to about 3% in the 1990s; it stood at 6.7% in 2002, (Ajayi, 2006). Siphambe (2006) indicates that Africa received only US$10.9 of FDI per head in 1998, compared with an average for developing countries of US$35.4. These results should not be too surprising. Ngowi (2001) indicates that one of the main reasons for the low percent of FDI receipts by developing countries is because of political and institutional instability and predictability.

Investments have poured into the continent in various sectors. The telecommunications, oil, and manufacturing industries have received a lot of inflows. Companies like MTN, Zain, and Tullow Oil are examples of the major investments that have flown into the continent. In Botswana for example, FDI is directed mainly into the mining and financial sectors with the mining sector accounting for more than
80% of FDI in 2000, (Siphambe, 2006). This has helped improve the provision of services such as telecommunications, banking, and increased the manufacturing capacity of the continent.

The continent may continue to rely on FDI because of its resilience even during periods of economic crisis. Whilst other forms of capital flows such as portfolio investments, debt flows and other short-term flows experienced sharp reversals during the Asian crisis, FDI held steady (Lipsey 2001, Dadush et. al., 2000; in Coleman and Agyiri-Tetteh, 2008). The resilience of FDI during financial crises was also evident during the Mexican crisis of 1994-95 and the Latin American debt crisis of the 1980s, Loungani and Razin, (2001). However, though it is true that machines are "bolted down" and, hence, difficult to move out of the host country on short notice, financial transactions can sometimes accomplish a reversal of FDI, Loungani and Razin, (2001). Elaborating, Loungania and Razin explain that the foreign subsidiary can borrow against its collateral domestically and then lend the money back to its parent company. Soto (2000) finds that based on their strong growth-enhancing properties, equity related inflows represent the most suitable component of foreign investment. The composition of capital inflows has shifted from loans to FDI and portfolio investment. For the period between 1978-81 loans formed 80% of capital inflows whilst FDI and portfolio investment accounted for 11% and 9% of capital inflows respectively for developing countries. The change in trends is obvious as for the period between 1990 and 1995 loans accounted for 36% of capital flows whilst FDI and portfolio investment accounted for 44% and 20% respectively for developing countries, Bosworth and Collins (1999) in Loungani and Razin (2001).

Free movement of capital (from continent to continent) to where it will earn its highest return is one of the results of capital account liberalizations and the free market economic system that many countries have adopted. The enormous increase in FDI flows across countries is one of the clearest signs of the globalization of the world economy over the past 20 years (UNCTAD, 2006 in Kok and Ersoy 2009). However, FDI may be risky when foreign investors withdraw their funds or investments en-masse from the continent. The massive withdrawal of funds has been blamed as one of the factors that exacerbated the Asian Crisis during the late 1990’s. However, some evidence shows that even during this time some companies were still investing in Asia. FDI has been a subject of great interest in the field of international development because it represents a long-term economic activity through which an efficient allocation of resources, technological development, and sustainable economic growth can occur in recipient economies, Okodua (2009). Given the numerous benefits of FDI enumerated in the literature it is no surprise that so many academics have taken interest in the issue.

The rest of this paper is organized as follows: Section 2 reviews the literature on financial markets and FDI. Section 3 discusses the methodology employed for the study. Section 4 discusses the empirical results and Section 5 concludes.

**Literature Review**

**Empirical Literature on Financial Markets and FDI**

Kholdy and Sohrabian (2008) find a bidirectional causal link between FDI and financial market development. Thus FDI leads to financial market development and financial market development can also attract FDI. They found that using private credit (which they measured as the ratio of domestic credit provided by financial intermediaries to GDP) as a measure of financial development, FDI was stimulated in Colombia, Dominican Republic, Mexico and Paraguay out of their sample of 22 countries. Their results also show evidence of causality from financial development to FDI using bank credit (ratio of domestic credit provided by the banking sector to GDP) as a measure of financial development in seven countries out of the sample twenty two. These countries include Colombia, Guatemala, Kenya, Nigeria, Paraguay, and Turkey. Finally using liquid liability (ratio of liquid liability of the financial system to GDP) as a measure of financial development they find evidence of causality to FDI in Costa Rica, Egypt, Malaysia, Mexico and Philippines.
Using panel data for 40 developing countries from 1975–95, Bailliu (2000) finds evidence that capital inflows foster economic growth, above and beyond any effects on the investment rate, but only for economies where the banking sector has reached a certain level of development. The study used banking sector development (measured as the ratio of deposit money banks domestic assets to domestic assets of both deposit money banks and the central bank) as a proxy for financial market development. The study used a broad based measure of net capital flows to test the effects of these flows on financial market development and economic growth of the sample developing countries used. In Ghana, Adam and Tweneboah (2009) examined the relationship between FDI and stock market development. Using data from 1991 – 2006, Adam and Tweneboah (2009) find a long-run relationship between FDI and stock market development in Ghana. They find that a 1% increase or shock to FDI leads to a 1.5% increase in stock market capitalization in the long-run.

Alfaro, Chanda, Kalemli-Ozcan, and Sayek (2000) provide empirical evidence that shows the specific mechanism between financial markets and FDI that contributes to economic growth. Alfaro et. al (2000) examine whether economies that attract FDI are able to grow faster, and whether economies with better-developed financial markets are able to benefit from FDI even more. They find that there is a threshold level of the development of financial markets below which FDI will not have any beneficial effects for growth. In a later work, Alfaro, Kalemli-Ozcan, and Sayek (2008) find that countries with developed financial markets gain significantly from FDI through total factor productivity and not capital accumulation (both physical and human). Hermes and Lensink (2003) find that a more developed financial system positively contributes to the process of technological diffusion associated with FDI. Hermes and Lensink also find that of the 67 countries in their data set, 37 have a sufficiently developed financial system in order to let FDI contribute positively to economic growth. Most of the countries with sufficiently developed financial markets were in Latin America and Asia. Most sub-Saharan African countries did not meet the threshold of 12% and above of credit provided to the private sector as a percentage of GDP for FDI to stimulate growth. They indicate that a well developed financial system will ease the financing constraints of domestic entrepreneurs in case financing is needed to undertake the upgrading of existing technology or to adopt new technologies introduced by foreign firms. Foreign firms may also seek financing from domestic financial markets to facilitate the introduction of new technology.

Soto (2000) finds that foreign direct investment and portfolio equity flows exhibit a positive, significant and robust correlation with income growth in developing countries whereas short and long-term bank related inflows show significant negative correlation with growth. However the negative relationship holds only when domestic banks have low capitalisation ratios. This result is consistent with Bailliu (2000) and Alfaro et. al (2000) who conclude that capital flows promote growth but only for countries where the banking sector or the financial market has reached a certain level of development. In a cross country study of 42 sub-saharan African countries Adams (2009) attributed one of the possible causes of FDI not promoting growth in sub-Saharan Africa to the low level of financial development in the region. Yartey (2008) finds a positive but insignificant relationship between FDI and the growth of emerging stock markets. Yartey (2008) also finds that private capital flows is positively and significantly related to stock market development in his sample of developing countries. In terms of banking sector development and stock market development Yartey (2008) finds these to be complementary to each other when the banking sector is at a low level of development. However, at higher levels of banking sector development, a negative relationship exists as domestic agents begin to substitute between bank credit and equity from the stock market. Agarwal and Mohtadi (2004) find that FDI as proportion of GDP is positively correlated with both their stock market and banking variables. Morck et al. (2005), in their comprehensive survey of the literature, indicate that FDI is correlated with financial development. According to Adam and Tweneboah, (2009) there is a triangular causal relationship between FDI, economic growth and financial market development. FDI stimulates economic growth; economic growth promotes stock market development; and by implication FDI should stimulate stock market development.
Methodology

Data

This section describes the sources of the data used in the empirical analysis. Secondary data for the study was extracted from the African Development Indicator Series 08/9 CD-ROM, and the World Development Indicators (Edition: September 2009 Updated) both published by the World Bank. Apart from the domestic credit provided by banks as a percentage of GDP, all other data was extracted from the African Development Indicator Series 08/9 CD-ROM.

Empirical Model

We employ a multivariate panel regression with the dependent variable being Foreign Direct Investment (FDI) and the independent variables representing the stock market and banking sector development proxies as well as control variables. We also include a constant and individual country specific effects.

We motivate our empirical model as follows;

\[ Y_{it} = \alpha_0 + \alpha_1 \text{stmkt}_{it} + \alpha_2 \text{bnk}_{it} + \alpha_3 \text{infras}_{it} + \alpha_4 \text{open}_{it} + \alpha_5 \text{econssta}_{it} + \alpha_6 \text{polstabest}_{it} + \eta_i + \varepsilon_{it} \]  

Where:

- \( Y \) refers to the FDI proxy;
- \( \text{stmkt} \) refers to the stock market development proxy;
- \( \text{bnk} \) refers to the banking sector proxy;
- \( \text{infras} \) refers to infrastructure proxy;
- \( \text{open} \) refers to openness proxy;
- \( \text{econssta} \) refers to the economic instability proxy;
- \( \text{polstabest} \) refers to the political instability proxy;
- \( \varepsilon \) refers to the error term;
- \( \eta_i \) refers to the individual specific time invariant characteristics and \( \alpha \) are the coefficients to be estimated.

We note that the individual specific effects could be stochastic or fixed. In order to determine if we are going to use a random effect or fixed effect model, we follow the recommendations by Mundlak (1978) that is we first perform the regression:

\[ Y_{it} = \alpha_0 + \alpha_1 \text{stmkt}_{it} + \alpha_2 \text{bnk}_{it} + \alpha_3 \text{infras}_{it} + \alpha_4 \text{open}_{it} + \alpha_5 \text{econssta}_{it} + \gamma_i \text{meanstmkt}_{it} + \gamma_i \text{meanbnk}_{it} + \gamma_i \text{meaninfras}_{it} + \gamma_i \text{meanopen}_{it} + \gamma_i \text{meaneconssta}_{it} + \gamma_i \text{meanpolstabest}_{it} + \nu_i + \varepsilon_{it} \]  

Where:

- \( \nu_i \) = individual specific stochastic effect.

Thus we can develop a joint (Wald) test for the null, random effects, against the alternative fixed effects as follows:

\[ H_0 : \gamma_i = 0, \gamma_i \neq 0 \]  

for the null against the alternative; \( H_1 : \gamma_i = 0, or \gamma_i \neq 0 \)  

We again note that due to the \( \nu_i \) terms, the errors will be heteroskedastic, thus in estimating this equation we used the Feasible Weighted Least Squares.

Empirical results:

Table 1: Multivariate Panel Regression with Log FDI as dependent variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>1(Re)</th>
<th>2(Re)</th>
<th>3(Re)</th>
<th>4(Re)</th>
<th>5(Re)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afrcr</td>
<td>0.00206</td>
<td>0.00206</td>
<td>0.00206</td>
<td>0.00206</td>
<td>0.00206</td>
</tr>
<tr>
<td></td>
<td>(0.37)</td>
<td>(0.37)</td>
<td>(0.37)</td>
<td>(0.37)</td>
<td>(0.37)</td>
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<td>Logmktcap</td>
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<td>0.29250</td>
<td>0.29250</td>
<td>0.29250</td>
<td>0.29250</td>
</tr>
<tr>
<td></td>
<td>(2.40)**</td>
<td>(2.40)**</td>
<td>(2.40)**</td>
<td>(2.40)**</td>
<td>(2.40)**</td>
</tr>
</tbody>
</table>
Moving Africa Toward Sustainable Growth and Technological Development
Emmanuel Obuah (Ed.)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimate 1</th>
<th>Estimate 2</th>
<th>Estimate 3</th>
<th>Estimate 4</th>
<th>Estimate 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mktcapgdp</td>
<td>0.01241</td>
<td>0.00044</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stmktturn</td>
<td>(2.27)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listfr</td>
<td>0.02232</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2.05)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infra</td>
<td>0.00279</td>
<td>0.00207</td>
<td>0.00219</td>
<td>0.00245</td>
<td>0.00289</td>
</tr>
<tr>
<td></td>
<td>(4.83)***</td>
<td>(3.33)***</td>
<td>(3.63)***</td>
<td>(4.17)***</td>
<td>(5.33)***</td>
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<tr>
<td>Open</td>
<td>0.00743</td>
<td>0.01116</td>
<td>0.00933</td>
<td>0.00784</td>
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</tr>
<tr>
<td></td>
<td>(1.16)</td>
<td>(1.68)*</td>
<td>(1.44)</td>
<td>(1.17)</td>
<td>(1.08)</td>
</tr>
<tr>
<td>Econsta</td>
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<td>-0.00792</td>
<td>-0.00879</td>
<td>-0.00855</td>
<td>-0.00777</td>
</tr>
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<td>(-3.78)***</td>
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<td>(-4.23)***</td>
<td>(-3.98)***</td>
<td>(-3.72)***</td>
</tr>
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<td>Polstabest</td>
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<td>-0.22697</td>
<td>-0.28256</td>
<td>-0.25027</td>
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<tr>
<td></td>
<td>(-1.28)</td>
<td>(-0.88)</td>
<td>(-1.03)</td>
<td>(-1.23)</td>
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<tr>
<td>Constant</td>
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<td>11.797</td>
<td>17.797</td>
<td>18.026</td>
<td>18.114</td>
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<tr>
<td></td>
<td>(30.17)***</td>
<td>(4.34)***</td>
<td>(30.72)***</td>
<td>(32.07)***</td>
<td>(30.71)***</td>
</tr>
<tr>
<td>Mundlak Test</td>
<td>0.0513</td>
<td>0.0521</td>
<td>0.1615</td>
<td>0.0850</td>
<td>0.0994</td>
</tr>
<tr>
<td>(Prob&gt;F)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: All regressions include a constant. Z statistics are in parentheses. ***, **, * mean significant at 1%, 5% and 10% level of significance respectively. Re and Fe indicate random effects and fixed effects models respectively. The Mundlak test is used to determine whether a random effects or fixed effects model is more appropriate. Afr is domestic credit provided by banks as a percentage of GDP. Logmktcap is the log of market capitalization. Mktcapgdp is the market capitalization expressed over GDP. Stmktturn is the stock market turnover, whilst Listfr is the number of listed firms. Infra is the level of infrastructure represented by the number of telephone lines per 1000 people, Open is the level of openness represented by (Exports+Imports)/GDP. Econsta is the level of economic instability proxied by changes in the CPI level. Polstabest is the level of political instability proxied by the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence or terrorism.

Discussion of Results

In model 1 we find that the effect of the banking sector on FDI is insignificant. That is more banking sector development will not necessarily attract more FDI. The reason for this may be that the banking sector in Africa is under-developed. Furthermore, even though a priori we expected banking development to be more significantly and positively related to FDI, the debt employed by foreign firms may have been sourced from their parent countries and not the host country. An under-developed banking system may for example not have developed advanced payments systems (electronic payments system), cheques may take too long to clear, and may not have the capacity to meet the loan requirements of the foreign enterprise. Also an inefficient and underdeveloped banking system will have high costs of operations which will be passed on to its clients resulting in high costs of capital for the foreign enterprise. This may account for the insignificance of bank credit provided by African banks.

We however find that the number of listed firms does not significantly affect FDI. Therefore more listed firms may not necessarily attract FDI. This could be due to the fact that the number of listed firms per se would not translate into a developed and efficient stock market. This finding finds support in Beck and Levine (2004) who state that theory does not suggest that the mere listing of shares will influence resource allocation and growth. For example, a stock exchange may have a lot of listed companies, but low turnover and a small market capitalization.
With respect to the other stock market variables, we find that market capitalization, market capitalization as a percentage of GDP and stock market turnover significantly and positively affect FDI. These three stock market variables are significant at 5%. Therefore the larger the market capitalization and market capitalization expressed as a percentage of GDP that an African country has, the more FDI it is likely to attract. This is because this gives an impression of a big and relatively developed stock exchange. As is generally well known, stock markets are an indicator of how well an economy is performing. Foreign investors may therefore view larger markets (in terms of market capitalization, and market capitalization related to the size of the economy (GDP) as being a more reliable indicator of stock market and by implication economic performance. According to Demirguc-Kunt and Levine (1996) market size is positively correlated with the ability to mobilize capital and diversify risk. This again is a plausible reason why foreign investors will prefer to invest in a country with a larger market capitalization and market capitalization as a percentage of GDP. After settling in a country, the foreign investor may want to finance part of the investment by issuing equity to others. As Demirguc-Kunt and Levine (1996) note, the ability to raise this capital and diversify risk is directly related to the size of the economy. Countries with a higher stock market turnover (liquidity) are also more likely to attract FDI. A higher turnover indicates a more efficient market. If a foreign investor decides to list his firm on the local bourse, getting appropriate value (in terms of issuing stock at the right price) will be a key factor of concern. The ease with which shares can be traded aids the price discovery process. Therefore foreign investors are likely to prefer countries with more liquid stock markets. Also a higher figure for the turnover ratio indicates more liquidity and lower transaction costs. This is likely to be an attractive factor for firms who intend later to list on the domestic stock market.

Infrastructure is always strongly significant at 1%, and has the correct sign. We expect that the more developed a country’s infrastructure, the more FDI it will attract. Our empirical findings confirm this. This finding is inline with Wheeler and Moody (1992), Kumar (1994), Loree and Guisinger (1995), and Morriset (2000).

We find that the level of trade openness generally is insignificantly related to FDI. Only in model 2, is openness weakly significant at the 10% level. Openness may or may not be significant depending on the type of FDI. For market seeking FDI in the host country, the level of trade openness will not really matter. According to Asiedu (2002), the main objective of market seeking FDI is to serve domestic markets. For non market seeking FDI goods are produced in the host country but sold abroad. Thus for non market seeking FDI the level of trade openness will matter. Therefore the results are inconsistent with our expectations since most FDI in Africa is reported to be resource seeking, (see Ajayi 2006). The findings are also inconsistent with Edwards (1990), Gastanaga et al (1998), and Hausmann and Fernandez-Arias (2000) who find a positive and significant relationship.

Economic instability and political instability always have the correct sign (being negatively) related to FDI from theoretical predictions. We find that political instability is always insignificant in all five regressions. This may be due to the fact that the risk adjusted returns after accounting for political risk is still high enough to encourage foreign investors. Nigeria and Angola have attracted some of the largest shares of FDI in the region due to their oil reserves though they can be termed as unstable politically. Therefore the level of political instability does not necessarily scare aware foreign investors. However, unlike political instability, foreign investors are very much concerned about economic instability and strongly so. The intuition is that we proxy economic instability by the changes in the CPI level or inflation. Higher levels of inflation therefore will lead to less FDI inflows. This is because inflation reduces the purchasing power of the returns made, therefore reducing the return for foreign investors in real terms. In all regressions economic instability is significant at the 1% level. Therefore the more economic instability in a country, the less FDI it is likely to attract.
Conclusion

Overall, therefore we find that FDI is strongly influenced by stock market development. The insignificant relationship between our banking sector variable and FDI is contrary to our expectations based on Loungani and Razin (2001) and our theoretical expectations. A market-based system therefore seems to be more favourable in attracting FDI in our sample countries. Contrary to Singh (1999), the pursuit of stock market development on the continent therefore is not a costly irrelevance which African countries can ill afford. The level of infrastructure development in Africa is also very important in influencing FDI inflows.

References

Toward a KM model for predicting High Performance by enhancing the High Performance Organization Framework in financial Institutions in Uganda.

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André A. de Waal, Maastricht School of Management, Netherlands

This study develops a model aimed at investigating the relationship between knowledge management (KM) and objective and perceived organizational high performance. It includes the mediating effect of the high performance organizations framework (HPO) and the moderating effect of competitive advantage (CA) upon these relationships. This paper reports on the study design that will be operationalized in Uganda’s financial institutions. We envisage that this research project is important to management practices because it is believed that stimulating and investing in KM, and in the quality of the relationship between employees and managers, CA and HP may be achieved. Moreover, an awareness of how the HPO framework has an impact on sustainability of high performance is critical to all parties involved in the financial institutions.

Introduction

The globalization of financial markets forced bankers to become more knowledge-based and efficient in managing knowledge in their operations (Butod, 2008). The importance of this is emphasized by the call from the World Bank to integrate the concepts of KM in banking operations. In this paper we discuss a research model which looks at KM in terms of knowledge acquisition, knowledge dissemination and responsiveness to knowledge. The paper also discusses how each of these elements can be integrated so high performance can be enhanced in financial institutions, specifically banks. The various components of KM are described in detail so as to explain the progress of KM in banking operations. The combination of KM and the HPO framework is expected to create a culture that promotes and encourages KM to flourish in the banking sector, leading to sustainable high performance (HP) and increased competitiveness.

In order to attain and sustain HP an organization is supposed to effectively manage knowledge. Knowledge has been recognised as the leading instrument for organisations to achieve competitiveness and obtain survival over their competitors (Pathirage et al. 2008; Lin, 2007). Organizations can only meet the demands of their customers when their employees are knowledgeable about their services and operations. Moreover in order to achieve a continuous flow of knowledge, employees need to be both willing to disseminate and respond to knowledge (Darroch, 2005). They must have adequate capabilities and the quality of their relationship with managers is assumed to be related to KM behaviour, which is subsequently applied for the benefit of the organization (Stuart, 2004). A growing number of organizations have introduced KM into their strategies and as a result have reported business process efficiency improvements, better-organized communities, and higher staff motivation (Vorakulpipat and Rezgui, 2008).

In order to be able to improve on productivity and increase profitability the HPO framework is vital, because it contains characteristics that can be influenced by managers so they are can be able to take
targeted actions to start achieving superior results (Waal, 2007). It pays to be a HPO, because HPO finds it absolutely essential to move toward a flatter and less hierarchical organization structure; with a willingness to adopt new working practices; an emphasis on empowerment and teamwork; and high levels of employee participation and learning (Willcoxson, 2000). These characteristics are believed to foster motivation, trust, communication, knowledge sharing, and innovation within the organization. They are also thought to lead to an ability to adapt to the changing business environment and to improvements in performance and quality of working life. They offer better services, and provide more efficient and effective internal processes (Waal, 2008).

Because of the impact globalization and the financial crisis have had on the world’s economy, financial institutions in predominantly regional economies such as Uganda, a country in the sub-Saharan region, ought subsequently to also focus on KM Ouma (2007), so that they can acquire knowledge from the developed economies that could help them remain competitive. It is desirable that employees in such organizations possess sufficient and even higher level capabilities, which they can disseminate amongst themselves to help financial institutions which are usually keen on competitive advantage sustain HP (Kridan, and Goulding, 2006).

Theoretically, literature suggests that the HPO framework mediates the relationship between KM and HP, it might also lead to the organization gaining competitive advantage. The competitive advantage once attained can have an impact on HP sustainability. This study aims to investigate the relationships between KM (Independent), HPO framework (mediator), and objective – and perceived high performance. It will also investigate the moderating effect of the competitive advantage upon these relationships. This study will address issues which have yet to be resolved in existing literature. That is specifically the relationship between KM, the HPO framework, competitive advantage and objective- and perceived high performance. Competitive advantage is a widespread phenomenon in all organizations (Harlow, 2008). Therefore, researchers and practitioners should give the issue much more attention and empirical examination. A special focus of this study is the investigation of this advantage in financial institutions, since little is known about the KM behavior and practices in these institutions (Ali and Ahmad, 2006).

It is believed that by effectively managing knowledge and putting in place the HPO framework improves the relationships between employees and managers, who through their capabilities contribute to the institution’s CA and HP can be achieved. The HPO framework is an important phenomenon because of the potential consequences and effect it has on HP. The awareness of how HPO framework impacts on outcomes is therefore critical to professional practitioners and it has not yet been empirically studied.

The research findings may provide scholars with an example of the mediating effect of HPO framework on the relationship between KM and HP. Moreover the moderating effect of the competitive advantage and the HPO framework on these relationships can be observed and recorded. Practical implications, over 22% of the financial institutions in Uganda are commercial banks and these FI’s greatly contribute to economic growth and employment (The Budget Report, 2009).

The results obtained from this research study may also provide a sound basis for making an analysis concerning KM behavior and competitiveness in financial institutions. Based on the analysis that will take place within the framework of this research, consultants, professional, and HRM students, will devise a model that will actively give clear – cut interventions and facilitate the process of attaining and sustaining HP financial institutions in Uganda. Although the analysis itself will have a ‘solid’ scientific base, it is precisely the combination of consultants, professionals, and students that focus on those practically applicable interventions that are in touch with the language and experience of the financial institutions. Before the financial institutions managers prepare to invest significantly in KM and promising HPO framework, they need access to best practices, preferably based upon empirical proof in a
similar business. The acquisition, dissemination and response to the concerned knowledge is envisaged to be an important practical implication of this research. Researchers and their students can provide financial institutions with essential information and interventions based on best practice. In this research we also aim at identifying which dimensions of KM and which factors of HPO framework are decisive for competitive advantage and HP. By doing so, we can provide financial institutions with purposeful intervention strategies. After analyzing the extent of the individual knowledge, management and employees of financial institutions, the study will subsequently focus on antecedents of KM at individual and organizational level.

Theoretical Background

High performance organizations

HPOs are organizations that achieve results (both financial and non-financial) that are better than those of their peer group over a period of time of at least five to ten years (Waal, 2007, p. 12; Lawler, 2007). The concept of the HPO has evolved from research with the link between human resource management and organizational performance. It can also be linked to decision making or making them happen in the organization (Blenko, and Rogers,2006).

High performance can be measured by using objective performance indicators such as profit per employee, return on sales (ROS) and productivity per employee. This measure of objective performance is based (Huselid, 1995). HP can also be measured by using Dalaney and Huselid’s (1996) scale of perceptions of organizational performance (Subjective measure). There are two variables: the respondents’ perceptions of their firm’s performance relative to that of similar organizations, and the respondents’ perceptions of their firm’s performance relative to product market competitors.

HPO framework

The HPO framework can be defined as the characteristics that can be influenced by managers so they are able to take targeted actions to start achieving superior results (Waal, 2007). Because it is difficult to distinguish an overall set of factors which describe HPO in general, it is therefore imperative that a clear HPO framework is constructed so that generalisation can take place (Pearson et al., 2008). Knowledge based organizations with a HPO framework, will also obtain the necessary capabilities to increase performance and to consolidate a sustainable competitive advantage more easily. Based on Waal,( 2008) the HPO framework factors which are not properly managed will have a negative effect on productivity and high performance.

Knowledge Management

There are several definitions of KM for example, Darroch, (2005) and Pillania,(2008), they defined knowledge as a whole set of intuition, reasoning, insights, experiences related to technology, products, processes, customers, markets, competition and so on that enables effective action. They conceptualized KM at the organizational level; they proposed three dimensions of KM as knowledge acquisition, dissemination and responsiveness to knowledge. The more valuable, imperfectly imitable and rare these capabilities (knowledge) are, the higher the performance will be (Wijk,et al., 2008). Using knowledge based approach to KM an organization’s skill to depend on its intellectual capital and how it uses its knowledge resources to gain CA and HP (Guthrie et al., 2008). Part of this intellectual capital consists of human capital, which in turn, reflects the general skills, expertise, and knowledge levels possessed by the employees within the organization. Each individual employee should possess the skills, expertise and knowledge needed in order to interact and communicate with stakeholders within and outside the organization (Subramaniam & Youndt, 2005). In order for this interaction to take place, knowledge and skills are not only momentarily of importance, but they are also important in the future when employees are assimilating new professional expertise in adjoining areas ( Vorakulpipat and Rezgui, 2008).
Competitive Advantage
In case an organization acquires knowledge, their work behavior will serve as an asset to the organization’s CA. Several theories have revealed that competitive advantage (CA) is an indispensable factor in achieving excellent performance. The level of competition has an important impact on HP and is related to KM. The nature of firm competition and the sources of CA in many organisations have shifted towards knowledge based resources (Watson & Hewett, 2006). First, KM can be viewed under a resource based perspective. Kearns & Lederer (2003) consider knowledge as a resource contributing to HP. Secondly, using the dynamic capabilities view knowledge can be interpreted as a capability to achieve a business (Alavi & Leidner, 2001). While the dynamic capabilities view, reflects unstable environments and deals with the capacity to sense and to seize opportunities, and to reconfigure resources Teece,(2007), this research will adopt a process – level perspective and will deal with the internal factors leading to process performance, not focusing on environmental changes and their influence. Therefore, the resource based view (RBV) serves as the theoretical basis, because it provides an appropriate basis for analyzing how internal factors of a firm can contribute to HP. More specifically we concentrate on the knowledge-based theory (KBT),Grant (1996) builds on the RBV Alavi & Leidner , 2001; Pitelis,(2007), because the theoretical insights of the KBT provide a strong basis to explore the nature and importance of the relationship between KM, CA and HP. The use of knowledge to enhance HP is the central idea behind the study.

The KBT suggests that the ability to successfully deploy resources relies on the knowledge residing in the human capital of a firm and the development of interrelated knowledge across organizational units with organizational routines as mechanisms of knowledge integration (Grant, 1996). The theory addresses the aspect of knowledge as the most strategically significant resource of the firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance (Grant, 1996; Alavi and Leidner 2001). Knowledge has replaced other sources of production as the main source of wealth creation world over. Whereas traditional sources of competitive advantage are fading away and are being copied easily KM has emerged as the source of sustainable CA (Wagner, 2009). This has been proven by previous research with empirical evidence that KM leads to high performance (Pillania, 2008).

Thus the theoretical literature clearly suggests that the KM behavior of employees within firms has important implications for achieving organizational HP and that the KM practices can affect employees and managers through a high performance framework that allows openness and action orientation, continuous improvement to improve on their competitive advantage and performance. Previous research has not connected the concepts of KM, competitive advantage and high performance in the same study. However, it is believed that stimulating and investigating KM, and in the quality of the relationship between employees and managers, both KM behavior and harnessing the factors of HPO framework high organizational performance can be achieved.

Research Questions and Hypotheses
On the basis of the previous research that has been outlined above, the following research questions and hypotheses have been formulated:
Research Question 1:
What is the relationship between KM and (objective and perceived) high organizational performance, and does the HPO framework mediate this relationship?

Hypotheses.
KM is positively associated with (objective & perceived) organizational high performance.
HPO framework mediates the relationship between KM and (objective & perceived) organizational high performance.
Research Question 2:
Does competitive advantage moderate the relationship between KM and HPO framework?
Hypotheses.
KM is positively related to the HPO framework
The CA moderates the relationship between KM and HPO framework. More specifically the, high quality workforce decreases the strength of positive relationship between KM and HPO framework
Research Question 3:
Does the organization CA moderate the relationship between HPO framework and (objective & perceived) organizational high performance?
Hypotheses.
HPO framework has a positive impact on (objective & perceived) organizational high performance.
The organizational CA moderates the relationship between the HPO framework and (objective & perceived) organizational high performance. CA decreases the strength of the positive relationship between the HPO framework and (objective & perceived) organizational high performance

The theoretical model for conceptualizing these hypotheses has been summarized and is shown below in Figure 1.

Method
Sample and procedures
The hypotheses in this study will be tested using a quantitative deductive approach. It is appropriate to use survey methodology for this type of research as it measures attitudes and rates behaviors (Marshall & Rossman, 1999). Survey methodology gives more control over the research process as it makes use of a questionnaire in which the data can be standardized allowing for easy comparison (Saunders et al., 2003). The respondents are employees and managers of financial institutions who work in Uganda. For the financial Institutions definition, these are institutions which collect funds from the public and place them in financial assets, such as deposits, loans and bonds, rather than tangible property (Wikipedia). The employees hold numerous responsibilities at middle and higher occupational levels within the financial institutions in Uganda.

To prevent a common- method bias in the study, it is important to obtain data on the independent and dependent variables from respectively different sets of respondents (Podsakoff, et al., 2003). The data on KM and its variables (Independent) will be obtained from employees. The data on the CA (moderator) will also be obtained from employees. The data for the HPO framework (mediator) will be obtained from both employees and managers, and for objective and perceived organizational high performance (dependent) will be obtained from their immediate supervisors and senior managers and secondary data.
Sampling criteria comprise employees and managers of the financial institution in Uganda, their various branches, and the importance of KM and the HPO framework to the institution. Institutions in this study will be identified through the Bank of Uganda supervision department. Thus the sample strategy will be census. In this research, on-line and self administered questionnaires will be used for the employees as well as the interviews for managers. Institutions will receive a feedback report on their HPO characteristics if required.

Measures
The concept of KM will be measured using the thoroughly validated five dimensions scale of KM developed by (Darroch, 2005). The concept of HPO frame work will be measured by the scale developed by Waal, ( 2007). Which has a 35 item scale, 11 items refer to high quality management, six items refer to openness and action orientation, six items refer to long term orientation, eight items refer to continuous improvement and four items refer to high quality workforce. The items will be scored using a ten-point rating scale. The response format ranges from ‘disagree’ to ‘agree’.

Competitive advantage will be measured by using (Porter, 2001) measurement scale. The items will be scored on a five- point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Objective organizational performance will be measured by using three questions concerning respondents’ organizational performance over the past year, including measurement of profit per employee, return sales (ROS), and productivity per employee, based on the work of (Huselid, 1995).

Perceived high organizational performance will be measured by using Delaney and Huselid’s two scales on perceptions of organizational performance which comprises two variables (Delaney & Huselid (1996). The first variable consists of seven items assessing respondents’ perceptions of their firm’s performance over the past five years relative to that of similar organizations (perceived organizational performance). The second variable consists of four items concerning respondents’ perceptions of their firm’s performance over the past three years relative to product market competitors (perceived market performance). Each of the variables will be measured using a four-point rating scale ranging from 1 (worse) to 4 (much better).

Conclusions
The next phase of this research will start in February, 2010 by collecting data together with the data collection team which consists of research assistants and HRM students who are in the final phase of their Bachelor study. After gathering approximately 500 data sets (employees/ their immediate supervisor/senior managers), the data analysis by the researchers will start. The concepts of KM, the HPO framework, competitive advantage and objective - and perceived high organizational performance appear to be an important and promising set of variables. The relationships between these model variables can lead to interesting conclusions and practical recommendations for financial institutions in Uganda, on the question of how to manage knowledge for competitive advantage and improved organizational high performance.

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The effect of capital structure on banks’ performance in Ghana

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The Pecking Order Theory suggests firms initially rely on undistributed earnings, where there is no existence of information asymmetry, then debts and finally equity for any remaining capital requirements. The objective of this study is to determine whether this theory applies to banks in Ghana in terms of debts and equity. Fourteen banks in Ghana were selected within a framework of ten years spanning 1998-2007. The results of regression analysis indicated that the effect of equity on banks performance is stronger than that of debts. Thus, banks in Ghana may use mix of debts and equity in their financing decisions.

GENERAL INTRODUCTION

The literature on corporate finance has seen some significant progress since the seminal works of Modigliani and Miller (1958; 1963). Theoretical advancement, particularly development of capital structure models based on tax balancing and asymmetric information, and more recently, on product-market and corporate control considerations, have managed to shed some light on the financing behaviour of corporations. The validity of the modern theory of finance has been tested by many researchers. Numerous studies have also investigated the capital structure of firms in various sectors of the economy, such as manufacturing firms (Long and Malitz, 1985; Titman and Wessels, 1988), electric-utility companies (Miller and Modigliani, 1966), non-profit hospitals (Wedig et al., 1988) and agricultural firms (Jensen and Langemeier, 1996). The effects of capital structure on banks performance is therefore an interesting area of study in order to join in the on going debate.

REVIEW OF LITERATURE

One of the important financial decisions confronting a firm is the choice between debt and equity according to Glen and Pinto (1994). The linkage between capital structure and firm value has engaged the attention of both academics and practitioners. Indeed, the famous seminal paper by Modigliani and Miller (1958) set the stage for numerous propositions that have been developed to provide the theoretical underpinnings of this crucial concept. Theoretical advancement with emphasis of shaping capital structure models based on tax balancing and information asymmetry, product market, corporate governance have aided in understanding the financing behavior of corporate entities. Argument amongst others has centered on the determination of an optimal capital structure for a specific firm and also as to whether the quantum of debt usage in relation to equity is irrelevant to a firm’s worth.

After their initial presentation stating that capital structure is irrelevant to firm value, Modigliani and Miller in 1963 revised their position by incorporating tax benefits as determinants of capital structure. In this new dimension, the essential characteristic of taxation is the recognition of interest as a tax-deductible expenditure. To strengthen this argument, Modigliani and Miller (1963) explain that a firm that honours its tax obligation benefits from partially offsetting interest called “tax shield” in the nature of payment of lower taxes. This therefore is a tacit admission that capital structure influences firm value. They, thus, state that firms should use as much debt as possible in order to maximize their value.

Subsequent to this, several studies have looked at the linkage between capital structure and firm value and more especially after the paper by Jensen and Meckling in 1976. There is the argument that greater financial leverage has the possibility of affecting managers and reducing agency cost through the threat of
liquidation which causes personal losses to managers’ salaries, reputation, perquisites etc. (e.g. Grossman and Hart, 1982; Williams, 1987), and also through pressure to generate cash flows to pay interest expenses (Jensen, 1986). Emanating from the foregoing discussion, higher leverage is considered an appropriate method to employ in order to mitigate conflicts between shareholders and managers concerning the type of investment to undertake, (Myers, 1977), the amount of risk to undertake, (Jensen and Meckling, 1976; Williams, 1987), the conditions under which the firm is liquidated, (Harris and Raviv, 1990), and even decisions regarding dividend policy, (Stulz, 1990).

Berger and Bonaccorsi di Patti (2005), state that, whereas increased leverage may reduce the agency costs of outside equity, the opposite effect may occur for the agency costs of outside debt arising from conflict between debt holders and shareholders, and that when leverage becomes relatively high, further increases may generate significant agency costs of outside debt from risk shifting or reduced effort to control risk that result in higher expected costs of financial distress, bankruptcy, or liquidation. Such agency costs leads to higher interest expenses for firms to be able to compensate debt holders for their expected losses. Thus, capital structure which is defined as total debt to total assets at book value, impacts on both the profitability and riskiness of a firm (Bos and Fetherston, 1993), and when a firm exhibits greater gearing, it has a higher possibility for failure in the event that cash flows fall short of the required volume to honour debt obligations. According to Jensen and Meckling (1976), the influence of leverage on total agency cost is expected to be non-monotonic. Therefore, at low levels of leverage, increases will produce positive incentives for managers and reduce total agency costs by reducing agency costs of outside equity. Berger and Bonaccorsi di Patti (2006) show however that at some point where bankruptcy and distress become more likely, the agency costs of outside debt overwhelm the agency cost of outside equity, and therefore further increases in leverage lead to higher total agency cost. In all this debate, one important conclusion that has emerged is the fact that the structure of a firm’s capital has implications for its operations and impacts on its performance.

The theoretical principles underlying the capital structure, financing and lending choices of firms can further be described either in terms of a static trade-off choice or pecking order framework. Pecking Order theory tries to capture the costs of asymmetric information. It states that companies prioritize their sources of financing (from internal financing to equity) according to the law of least effort, or of least resistance, preferring to raise equity as a financing means “of last resort”. Hence: internal debt is used first; when that is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is issued. This theory maintains that businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required. Thus, the form of debt a firm chooses can act as a signal of its need for external finance.

**METHODOLOGY**

**The scope of the study**
The study examines the effects of capital structure on banks performance in Ghana over the past ten years. The sample selected includes all banks supervised by the country’s Central Bank, (Bank of Ghana).

**Sample size and data sources**
In all, 14 banks qualified in terms of data availability for this study. The proposed period was from 1998 to 2007. Following (Remmers et al., 1974; Cassar and Holmes, 2003) the key performance (dependent variable) is the Return on Assets (ROA). The explanatory variables include Equity/Total Assets, Loans/Total Assets, Size of Bank, Consumer Price Index (CPI), and Gross Domestic Product(GDP).
Data collection
The data for statistical analysis was mainly secondary data in nature. The information was contained in the annual financial statements of the selected banks and from the quarterly economic bulletin of the banking supervision of the bank of Ghana.

Research design
The research design is aimed at using the multiple regression analysis to determine the correlation between the key performance parameter (ROA) as well as other financial indicators such as Gross Domestic Product, Consumer Price Index etc.

Methods of data analysis
This study uses data from a sample of 14 financial institutions in Ghana. These financial institutions are sampled primarily according to accessibility to data and records. The data is captured from annual financial and income statements and covers a 10 year period, from 1998-2007. Analysis is carried out within a panel data framework. This is because panel data provides a relatively great number of data points and, therefore, additional degrees of freedom. Panel data model also allows us to construct and test more complicated behavioural models than purely cross section and time series data. We incorporate data from both cross-section and time series variables to reduce the problems associated with omitted variables, since we may not be able to fully specify a capital structure model.

Panel data involves the pooling of hundred and forty (140) observations on a cross-section of time series within a period of ten (10) years and facilitates identification of effects that are simply not detectable in pure cross-sections or pure time-series studies. The panel data framework differs from a regular time-series or cross section regression by the double subscript attached to each variable. The general form of the panel data model can be specified more compactly as:

$$\text{Performance } e_{i,t} = \alpha + \beta X_{i,t} + \varepsilon_t$$

Where,
Performance measured by ROA is the dependent variable for firm i at time t.
i denotes the individual banks and t denoting time. In this case, i represents the cross-section dimension and t represents the time-series component, $\alpha$ is a scalar, $\beta$ is a $K \times 1$ vector
$X_{i,t}$ is s set of explanatory variables for firm i at time t. and $\varepsilon_t$ the error term.
$T=1\ldots10$ years and $i=1$ to 14 banks.

Dependent Variable
The key dependent performance measure in this study is Return on Asset (ROA). An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. This is a measure of the ratio of net profit to total assets. The relationship between total assets and profitability is thus estimated in the following equation:

$$\text{ROA} = \frac{\text{EBIT}}{\text{Total Assets}}$$

Independent or explanatory variables
The key independent variables are Equity to Total Assets and Debts to Total Assets. The others are control variables which include Size of Bank, Consumer Price Index and Gross Domestic Product.

Equity to total assets
Equity to Total asset (Equity/TA) is a measure of the proportion of the total funds provided by shareholders to finance total asset.
Debt to total assets
The debt-total assets ratio measures the proportion of total assets financed by debts. It is given by Total Loans/Total Assets

Size of bank
In practice there are factors such as the length of existence of banks, capital requirement and total assets are used as a measure of size of banks. In this study we use the natural log of total assets as a measure of size of bank. The size of bank has direct relationship with performance. Larger firms tend to be more diversified and are therefore able to absorb risk and increase performance (Rajan & Zingales, 1995).

Consumer price index
A consumer price index (CPI) is a measure estimating the average price of consumer goods and services purchased by households. A consumer price index measures a price change for a constant market basket of goods and services from one period to the next within the same area (city, region, or nation). Hence it is an inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation. The consumer price index has a direct relationship with banks’ performance.

Gross domestic product
The gross domestic product (GDP) is a basic measure of a country’s economic performance, and is the market value of all final goods and services produced within the borders of a nation in a year. GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory. GDP has a direct relationship with performance of banks.

Model specification
The model for this study follows the one used by Abor (2005) to explain the relationship between capital structure and profitability. For the purposes of this study the model takes this form:

\[
\text{ROA}_{i,t} = \alpha + \beta \frac{\text{Equity}}{\text{TA}_{i,t}} + \phi \text{GDP}_{t} + \theta \text{CPI}_{t} + \omega \text{Size of Bank}_{i,t} + \epsilon_{i,t}
\]

(2)

\[
\text{ROA}_{i,t} = \delta + \lambda \frac{\text{Debt}}{\text{TA}_{i,t}} + \chi \text{GDP}_{t} + \varphi \text{CPI}_{t} + \theta \text{Size of Bank}_{i,t} + \epsilon_{i,t}
\]

(3)

where
- \text{ROA}_{i,t} is EBIT divided by Total asset and it represents the performance measure for bank i at time t.
- \text{Equity/TA}_{i,t} is the total of shareholders’ fund divided by the Total assets of bank i at time t;
- \text{GDP}_{t} is Gross domestic product growth measures the size of the market annually for banks at time t;
- \text{CPI}_{t} represents the consumer price index which is an indicator of inflation for banks at time t;
- \text{Debt/TA} is leverage measuring total debt divided by total asset for bank i in time t;
- \text{Size of Bank} measures the size of the bank and is a natural log of asset base of bank i at time t; and \epsilon_{i,t} is the term error.

FINDINGS AND ANALYSIS OF RESULTS
This section introduces the data extracted from the financial and income statements of the banks collated from the Central Bank of Ghana and analyses it through the use of the panel data framework as discussed above.
EMPIRICAL RESULTS
THE RESULTS OF REGRESSION ANALYSIS
Models 1 and 2 present the results of regression analysis.

<table>
<thead>
<tr>
<th>Dependent Variable: Return on Assets (ROA)</th>
<th>Ordinary Least Squares (OLS) Estimation (MODEL 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanatory Variables</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Size of Bank</td>
<td>-0.0678</td>
</tr>
<tr>
<td>Size of Market (GDP growth)</td>
<td>0.1337</td>
</tr>
<tr>
<td>Debt/TA</td>
<td>0.1556</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
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</tr>
<tr>
<td>Constant</td>
<td>-1.494043</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>140</td>
</tr>
<tr>
<td>R–Squared</td>
<td>0.7745</td>
</tr>
<tr>
<td>F-statistic</td>
<td>11.19579</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

MODEL 1

From model 1, the Debt/TA is positively correlated with performance. The coefficient of Debt/TA is statistically significant at 95% confidence level. This implies that the total debt of a bank has positively strong effect on its performance. Thus, increasing the debts of banks shall increase its performance.

MODEL 2

<table>
<thead>
<tr>
<th>Dependent Variable: Return on Assets (ROA)</th>
<th>Ordinary Least Squares (OLS) Estimation (MODEL 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanatory Variables</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Size of Bank</td>
<td>0.058838</td>
</tr>
<tr>
<td>Size of Market (GDP growth)</td>
<td>0.275611</td>
</tr>
<tr>
<td>Equity/TA</td>
<td>0.443640</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
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</tr>
<tr>
<td>Constant</td>
<td>-1.02147</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>140</td>
</tr>
<tr>
<td>R–Squared</td>
<td>0.6638</td>
</tr>
<tr>
<td>F-statistic</td>
<td>13.57629</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
</tr>
</tbody>
</table>
In model 2, we see the effects of equity on the performance of banks. The model shows that not only has equity positive effects on performance, but also, its coefficient is statistically significant. Thus, increasing equity of banks in Ghana will substantially increase their performance.

The CPI has statistically significant effect on performance in both models. Thus, the higher the rate of inflation, the higher the performance of the banks in Ghana. This may be due to higher interest rates charge on loans and advances they give to their clients when inflation rate is high.

The real GDP is has positive effect on banks’ performance. However the effect is not statistically significant in influencing banks performance in Ghana.

Size of banks has mixed effect on performance of banks. In model 1, the effect is negative but is model 2 the effect is positive on performance. In both cases the effects are not significant.

This is in respect of the fact that it is added to Debt/TA ratio in explaining banks performance. The size has positive relationship with performance when used with equity.

In model 1 the \( R^2 \) of 0.775 implies that the explanatory variables explain more than 77% of the dependent variables. The F-statistic of 11.19579 (Prob F-Stats= 0.000000) implies that the explanatory variables are jointly significant at 99% confidence interval or 1% significant level in explaining the dependent variables.

In model 2 the F-statistic of 13.57629(Prob F-Stats= 0.000000) indicates that the explanatory variables are jointly significant at 99 confidence interval in explaining the dependent variable (ROA). The \( R^2 \) of 0.663 indicates that the independent variables explain 66% of the explanatory variables.

**CONCLUSION AND IMPLICATION**

In this study we set out to investigate the effect of capital structure on the performance of banks in Ghana using cross-sectional and time series data of selected fourteen banks in Ghana within a period of ten years from 1998 – 2007. Regression analysis was used to investigate the performance of banks. Two key variables – equity to total assets and debts to total assets - alongside other control variables were used for the study. The results show that both debts and equity have strong influence on banks performance. However equity to total assets has stronger effect on banks performance than debt to total assets.

The study, again, reveals that consumer price index also has a strong effect on the performance of banks. However, other control variables such as size of bank and gross domestic product have no strong effect on banks’ performance.

**IMPLICATION**

The implication is therefore that increasing debt and equity will enhance banks performance leading to higher profitability. Banks should be guided by the fact that increasing equity and debt will enhance corporate performance and should therefore consider issuing equity first and then consider debt as a source of financing decision.

**REFERENCES**


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A conceptual model for developing venture capital in emerging markets

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Venture capital (VC) has had tremendous impact on the world’s economy since the end of the Second World War. It plays a catalyst role in the entrepreneurial process. It creates value which stimulates and sustains economic growth. This paper identifies the role of venture capital in entrepreneurship development, as a catalyst for technology, and economic development. The study uses an exploratory approach to gain insight into the activities of venture capitalists in emerging economies and concludes by proposing a conceptual model for accelerating the development of their VC industry. The study suggests recommendations on policy changes that could make VC a more viable alternative to traditional debt financing option for entrepreneurs.

INTRODUCTION

Technology-based firms (TBFs) – firms whose activities embrace a significant technology component as a major source of competitive advantage – are an important source of both product and process innovations (McNally, 1995; Murray, 1993). As such, they have an important role to play in the emergence of new technology-based sectors of industry, Rothwell and Dodgson (1994) and in preserving and enhancing the economic competitiveness of established industries. In fact, Standeven (1993) considers it increasingly apparent that having a strong domestic technology sector is essential to the long-term health of an economy.

Financial support especially equity financing for starting or expanding a company is important for entrepreneurial ventures. As a result, the source of financing depends on where a start up sits on the entrepreneurship spectrum. At the bottom end of the spectrum are micro entrepreneurs usually survivalist who rely on self-financing while at the top of the spectrum are the gazelles with extraordinary opportunities who launch their business with finance from professional venture capitalists, strategic partners, business angels (Bygrave, Michael, Emily and Paul 2002). Standeven (1993) predicted that “the availability of financing will become a more crucial issue for the success of new technology” in emerging economies, in which entrepreneurs play a dominant role, and the venture capital industry plays a major role in the creation and development of entrepreneurial ventures that would stimulate and sustain the necessary economic growth, create needed jobs and in turn reduce unemployment.

According to Bygrave and Timmons (1992), venture capital has had tremendous impact on the world’s economy since the end of the Second World War, particularly in the United States and in Europe. It also plays a catalyst role in the entrepreneurial process in terms of value creation which stimulates and sustains economic growth. It facilitates job creation and financing of innovative products and services, thus encouraging competition. This paper identifies the role of venture capital in entrepreneurship development and consequently, a catalyst for technological and economic development and sustainable growth in emerging economies like South Africa, China, India and Nigeria. It generates data and insight into the activities of venture capitalists in the South African industry and concludes by proposing a conceptual model for accelerating the development of the VC industry in South Africa which can be adapted in other emerging economies, with recommendation of policy changes that will make venture
Capital a viable option and alternative for financing entrepreneurial initiatives as against traditional debt financing options from banks.

THEORETICAL FRAMEWORK

According to Hudson (1995) the definition of venture capital has changed over the years and even varies from firm to firm, and country to country, but it is generally understood to be capital provided to new ventures.

Defining Venture capital and Venture Capitalist

Venture capitalist take equity participation through stocks, warrants, and/or convertible securities and has an active involvement in the monitoring of each portfolio company bringing investment, financial planning, and business skills to the firm (Hisrich, Peters and Shepherd, 2004). According to Helen Soussou “the venture capital industry supplies capital and other resources to entrepreneurs in business with high growth potential in hopes of achieving a high rate of return on invested funds.” (Timmons, Spinelli and Zacharakis, 2004; Timmons and Spinelli, 2003).

The 1990 European Venture Capital Association (EVCA) year book defines venture capitalists as organizational units or persons who can prove substantial activity in the management of equity or quasi-equity financing for the start up and/or development of small and medium-sized unquoted enterprises that have significant growth potential in terms of products, technology, business concepts and services; whose main objective is long-term capital gains to remunerate risks and who can provide active management support to investees (Bygrave and Timmons 1992).

The KPMG and SAVCA Venture Capital and Private Equity Industry performance Report of 2005 indicates that “private equity provides equity capital to enterprises that are generally not quoted on a public stock exchange.” It further classified private equity into three broad categories, namely, venture capital, development capital and buy-out funding. Venture capital includes seed capital, start up capital and early stage capital.

Role of Venture capital

Entrepreneurship is the American economy’s secret weapon (Bygrave and Timmons, 1992). The U.S. economy has grown tremendously in income and GDP in the last few decades Dauterive and Fok (2004) and among the many factors attributable to this growth are the ability to create and grow strong innovative business enterprises Dauterive and Fok, (2004) and entrepreneurial companies (Bygrave and Timmons, 1992). These companies rarely receive support from the government but rely mostly on private equity funding by venture capitalists. Thus Venture capital funds play an important role in explaining the growth of start up ventures, (Davila, Foster and Gupta, 2003). According to the National Venture Capitalist Association, total amount of venture capital under management grew from $37 billion in 1991 to over $160 billion in 1999 (Dauterive and Fok, 2004).

During the internet and IT boom of 1990s the demand for private equity funding grew rapidly for high technology projects. In response to this demand, supply of equity increased at a faster rate than demand. The above response however, led to the phenomenon of “money chasing deals.” (Dauterive and Fok, 2004). The rise of the Silicon Valley dot.com era initially made it relatively easy for high tech firms to obtain start up financing. Though its later decline made it difficult for firms to obtain such finance as Venture Capitalist became more reluctant to support IT firms in the high tech industry. This led to a drop in total U.S. venture capital investment in 2002 by half of the previous year’s investment with U.S. investment projects becoming less attractive to Venture Capitalists, (Dauterive and Fok 2004). New opportunities are opening up in emerging economies like China, India, South Africa, Nigeria as a result of economic reforms adopted in these countries and some of these countries are currently enjoying
increased economic growth rate as a result of increased openness to global trade, reforms and economic freedom (Dauterive and Fok, 2004). Increased acceptance of the market economy and interaction with the west is fuelling entrepreneurship in these nations. However many emerging entrepreneurs on the other hand find it difficult to raise start-up capital. This create a great opportunity for foreign investors coupled with technological development, access to internet, ease of travel, reduced communication barriers, better access to first hand information which makes it easier for investors to monitor their investments abroad. This attractiveness, however, will be dependent on the security of property rights, in the target country as well as the confidence in the ability to exit the investment (Dauterive and Fok 2004).

In South Africa, as well as in most other countries, the Venture Capitalists role is that of a business partner not just a financier (Morris, Watling and Schindehutte 2000). The South African private equity industry was formalized with the establishment of The South African Venture and Private equity Capital Association (SAVCA) in 1999. Venture capital impact businesses in terms of productivity, skills development and job creation, and funds managers play active role in managing their investment companies and providing value-added services beyond financing and it represents a significant sector within the financial service Industry and constitute an attractive class within the broader capital market.

Venture capital contributes immensely to economic development. For instance, in the US, VC funded companies were directly responsible for more than 10million jobs and US$1.8 trillion in sales in the year 2003. i.e 9.4 percent of total US private sector employment and 9.6 percent of company sales, thereby creating jobs and wealth. Employment at select VC backed firms are, Seagate, 10,000; Google, 1600; eBay: 6200; The home deport, 299,000, (Venture Impact, 2004). Venture capital shifts mix of R&D in the United States to smaller firms, since it is regarded as the staple of the VC industry and small firms play a large role in this activity. Global Insight found that ventured firms adjusted for size, spend twice as much on R&D as non-ventured firms (Venture Impact, 2004). Venture Capital has enhanced national productivity by supporting high-technology industry, and has also, contributed to the birth of new publicly traded companies. Examples of VC backed firms are Intel, Microsoft, Amgen, Medtropic, the Home Deport, eBay, jet Blue, Edcon.

A MODEL FOR VENTURE CAPITAL DEVELOPMENT IN EMERGING MARKETS.

This model for venture capital development in emerging economies attempts to demonstrate the various components and variables that should interact in any emerging economy, and must therefore evaluate the influence of the various variables in the context of the environment in which it operates with possible adaptations from one country to the other. This model has its theoretical framework derived from two classical models namely; (1) Flow of venture capital, and (2) Classic venture-capital investing process(Bygrave and Timmons, 1992). The important elements that play a major role in the development of venture capital in an emerging economy are depicted in figure 1(Appendix A) and discussed below:

Venture capital firms (VCFs) are at the heart of the VC development model and directly interact with other components in the model. They source funds from banks, pension funds, individuals, insurance and other financial institutions (Timmons, Spinelli and Zacharakis, 2004). They provide needed funds and value-added services such as management skills development and monitoring to portfolio companies. They in turn, take shares or other forms of equity participation in the portfolio companies and deposit monies and have other forms of investments in banks, and financial institutions. On the other hand, the VC firms provide research funding to universities and research centres for VC research (into their activities) while the universities and research centres undertake and publish research findings into VC activities in addition to providing education, training and development for them. Finally, VCFs pay taxes and other forms of levy to government and its agencies, as well as meeting other statutory obligations while policies that guide the operating environment and other support framework is provided by the government and its agencies to the VC firms.
Portfolio companies (PFCs) or investee companies are very critical elements in this model. They provide investment platforms for the VC firms who in addition to supplying funds to the Portfolio firms as mentioned earlier, also provide management and marketing skills and development as well as monitoring the portfolio companies. The portfolio companies in return, provide share ownership opportunities and other equity participation to the VC firms. The PFCs seldomly interact with universities of technology, and other research centres and institutions of higher learning in order to commercialize inventions, ideas and innovative products developed in such institutions. Also, they should fund research in such institutions. Institutions of higher learning should provide platforms for research into various activities such as product, marketing, in addition to education, training and development for human resource capacity building in various fields of study to support PFCs. Finally, there should be an interaction between the PFCs, and the government and its agencies to provide them with support framework, policies and guidelines for operating within the micro and macro environment in return for tax payments and other statutory obligations rendered by the PFCs to the government. It is pertinent to note that the PFCs also interact directly with banks in order to source short and medium term debt funding to complement the VCFs financial support and engage in other banking transactions as well as with insurance and other financial institutions for needed financial services.

Banks and other financial institutions and funds suppliers are also, very critical and important components of this model since VCFs often act as financial intermediaries who source funds from them (banks) in order to invest in PFCs. They most often, provide the funds to the VCFs which are in turn invested in the PFCs in addition to other banking and financial services. The VCFs in turn have deposits and other forms of short-term investments in the banks and financial institutions. The banks also, should interact with the government on one hand by paying taxes and other levies and complying with other statutory regulations of the government while the government, provide support framework, policies and guidelines for operating within the micro and macro environment. On the other hand, the banks and other financial institution and funds suppliers interact with the universities and research centres to provide funds for research into their activites and the universities provide research outputs for them in addition to providing education, training and development for human resources capacity building.

Universities of technology, research centres and institutions of higher learning provide the needed research, education, training and development and strengthen capacity building in the VCFs, PFCs, banks and in government institutions. But most importantly for this model, there should be collaborative effort between them (universities) and PFCs who should commercialize the innovative products and ideas developed in various universities across the country and elsewhere in the world since the PFCs are better positioned to take such inventions and innovations to the market place. In addition, the PFCs can support the research and training &development efforts of the universities by providing research funding for novel ideas generation since universities are also better placed to undertake research and publish their findings which the PFCs can take to the market place through joint collaborative efforts. It is important to note that there is a direct and indirect relationship existing between the government and universities in terms of funding from the government who formulate policies and establish institutional framework within which the universities operate.

Government and its support agencies such as department of education, department of trade and industry, department of finance, central bank, development banks, etc. provide support framework and other institutional support mechanisms for all the various components in the model and formulate regulatory policies that should guide the operations of these components and set micro and macro economic variables within the boundaries of the economy.
Communication
In concluding this model, it is of paramount importance to note that communication is an essential and an integral part of the model as it constantly takes place within the model and facilitates interaction between the various components and variables.

METHODOLOGY

The research design is exploratory and involves the literature review of past articles on venture capital published in international journals like the Journal of Small Business Management, Journal of Business Venturing, textbooks, KPMG and SAVCA annual performance survey reports on the South African venture capital and private equity industry. Data was collected using secondary sources of data collection.

CONCLUSIONS AND IMPLICATIONS

Venture capitalists act not only as financiers, but also as business partners by lending management and marketing skills to portfolio companies. The challenges confronting emerging economies as they move from state-controlled to capitalist economies are obvious and quite numerous. The impact of entrepreneurial initiatives and ventures as the engine for economic growth in any country cannot be over-emphasized. Likewise, the positive impact of venture capital as an alternative financing option for starting and expanding these ventures has been critical and received considerable attention in recent years. The potential and actual impact of a healthy, well developed venture capital sub-sector of the financial services industry as an alternative source of fund in emerging economies cannot be overemphasized.

This paper has examined the role of venture capital in financing entrepreneurial initiatives and economic development in emerging economies, and proposed a model for developing venture capital in such economies despite the obstacles or challenges faced by them. In concluding this paper, it is pertinent to note that there is very little collaboration between Universities of technology, other institutions of higher learning and research centres that pioneer innovations on one hand, and portfolio companies who commercialize such innovations and venture capital firms who provide equity capital, and actively engage in management of portfolio companies that are financed by them.

RECOMMENDATIONS

Encourage the development of more venture capital firms, private and institutional sources of funds like banks and foreign direct investments in order to boost the total funds under management in the VC industry thereby enabling entrepreneurs with innovative ideas to access needed funding as an alternative to debt capital from traditional lending institutions like banks. Since VC backed firms have a high success rate when compared to banks, the development of the VC industry will enhance the needed economic development and serve as a panacea for the current global financial crisis since VC firms in addition to providing finance also take active participation in the management and marketing of portfolio companies thereby ensuring a higher degree of success and reduced failure.

Government policy on currency and exchange control should be flexible in order to encourage foreign direct investment of funds into (and out of the country at exit of VC firms after IPO) as this will encourage active involvement and participation of foreign investors in the VC market.

Joint collaboration between universities of Technology, other institutions of higher learning, research centres, portfolio companies and venture capital firms should be encouraged and actively promoted through supply chain linkages (example is the establishment of technology stations in South Africa) and policy formulation by the government in order to commercialize innovative products that have been developed by these institutions and research centres, through portfolio companies who in turn require VC
firms to assist with funding and management development and expertise as a panacea for long-term and sustainable economic development. Also, institutions of higher learning and research centres to undertake and publish more research on venture capital processes in order to educate the venture capital professionals and entrepreneurs on the role that Venture capital plays in economic development and the need to harness it as an alternative source of capital and finance for entrepreneurial ventures.

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Attitude of Nigerian consumers towards the environment

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The heightening interest on environmental sustainability has compelled researchers to investigate how consumers and marketing organisations are contributing towards fostering a sustainable environment. Such research interest is increasing in Nigeria (albeit) at slow pace. In extending the ongoing discourse, this paper examines the attitude of Nigerian consumers and firms on the environment. Specifically, the paper examines how Nigerian consumers dispose wastes resulting from consumption, how they reward organisations that exhibit positive disposition towards the environment among others. The study was executed in selected locations of Anambra and Delta States using participant observation and surveys. Simple proportion was used to describe and explain the data collected. The study found that while a good number of the respondents’ exhibit fair level of awareness on the effect of improper disposal of wastes resulting from consumption, most often, waste disposals are indiscriminate due largely to weak public waste disposal system. Also, there is no indication that a good number of the consumers are prepared to reward firms that adopt sustainability marketing strategy if their products are more expensive than competing brands that do not adopt sustainability strategy. The study recommends improved environmental awareness campaign and strengthening of the Environmental Protection Agencies.

Introduction

The recent United Nations Development Programme Report clearly indicates a direct link between environment abuse and incidence of poverty (UNDP, 2008). As a country that is yet to escape the incidence of poverty (UNDP, 2008), Nigeria is still being challenged by the increasing deteriorating environmental conditions. Arguably, tackling this challenge can be done through multidimensional perspectives. The marketing perspectives seem to be one of those perspectives that have attracted increasing intellectual attention. This is evidenced by the heightening research in the area. Jegasothy (1999) in Nkamnebe (2002) posited that one of the great tragedies facing environmental management especially in the developing countries is ignorance of the issues and problems of the environment. Nigeria face every significant environmental problems top most of which are inadequate sanitation facilities, air and water pollution, land degradation, deforestation, desertification and others. But we must specifically note that most of these environmental problems have been shown by research to be closely related to marketing practices with a concomitant increase in consumption. Environmental sustainability issue takes into consideration consumers concerns about promoting, preservation and conservation of the natural environment through his consumption behaviour. Recent works (see for example: Nkamnebe, 2010; Ndubuisi, 2009) have examined some aspects of environmental sustainability in Nigeria, but the issue on consumers attitude to the environment and corporate environmental strategies still calls for extension. Accordingly, this paper examines how Nigerian consumers dispose wastes resulting from consumption, how they reward organisations that exhibit positive disposition towards the environment among others.

Literature Review

Accordingly, Nwosu, (2004) reported that over the years, man has exploited nature and his environment to his advantage, paying little attention to sustainability of the environment upon which his very existence
depends. It was on this note that some environmentalists maintained that world leaders, albeit without intending to, have created a civilization that is headed for destruction. They went further to warn that, we either learn to control our growth in economic activity and population towards environmental sustainability or nature will use death to control it for us. Time International Magazine (1991) in its publication entitled “Learning How to restore the wilds of Eden” captures the picture most vividly by ascertaining that “if the fate of human depends on nature, the fate of nature irrevocably and irretrievably rests in human hands”. Hence the key to man’s survival on earth is sustainable development. According to the World Commission on Environment and Development (WCED) in the 1987 Brundtland report, “Our common future”, sustainable development is defined as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potentials to meet human needs and aspirations. Accordingly, Uffoh (2005), reported thus: to secure a worthy environmental legacy both for ourselves and for future generations, we must find ways to reconcile humanity more satisfactorily with the natural systems and the environment upon which all human life and civilization depends. This is based on the understanding that the natural systems of which we are a part have an intrinsic worth, transcending narrow utilization values.

**Green marketing:** According to the American Marketing Association, green marketing is the marketing of products that are presumed to be environmentally safe. Thus green marketing incorporates a broad range of activities, including product modification, changes to the production processes, packaging changes, as well as modifying advertising. Yet defining green marketing is not a simple task where several meanings intersect and contradict each other, an example of this will by the existence of varying social, environmental and retail definitions attached to this terms. Definition of green marketing on the web: Integrating business practices and products that are friendly to their environment while also meeting the needs of the consumers.

**History of Green Marketing:**

The term green marketing came into prominence in the late 1980’s and early 1990’s. The American Marketing Association (AMA) held the first workshop on “Ecological Marketing” in 1975. The proceedings of this workshop resulted in one of the first books on green marketing entitled “Ecological Marketing”. Accordingly, Jacuelyn Ottman (Author of Green Marketing: Opportunity for Innovation) from an organizational stand point, environmental considerations should be integrated into all aspects of marketing – new product development and communications and all points between. The holistic nature of green also suggests that besides suppliers and retailers new stakeholders be enlisted, including educators, members of the community, regulators and NGO’s. Environmental issues should be balanced with primary customer needs. The green market at Union Square (14th Street), New York City pointed that the past decade has shown that harnessing consumer power to effect positive environmental change is for easier said than done. The so-called: “green consumers” movement in the United States and other countries have struggled to reach critical mass and to remain in the forefront of shoppers minds. While public opinion polls taken since the late 1980’s have shown consistently that a significant percentage of consumers in the United States and elsewhere profess a strong willingness to favour environmentally conscious products and companies, consumers’ efforts to do so in real life have remained sketchy at best. One of green marketing’s challenges is the lack of consensus by consumers, marketers, activists, regulators as to what constitutes green has showed the growth of green products because companies are often reluctant to promote their green attributes and consumers are often sceptical about claims. Despite these challenges, green marketing has continued to gain adherents, particularly in light to growing global concern about climate change. This concern has led more companies to advertise their commitment to reduce their climate impacts and the effect this is having on their products and services.
Environmental Impact Assessment (EIA): [www.ncte.ie/environ/eia.htm](http://www.ncte.ie/environ/eia.htm) posted thus: Environmental Impact Assessment (EIA) is the term applied to the systematic examination of likely impacts of development proposal on the environment prior to the beginning of any activity. The actual term is derived from section 102(2) of the National Environmental Policy Act (NEPA) of 1969 which marked a turning point in environmental legislation in the United States. For the first time those proposing to undertake certain projects had to show that their projects were not going to significantly affect the environment. They had to produce what is called an Environmental Impact Statement (EIS) to show that the nature and scale of their project, the affected environment, and the likely impacts and measures taken to reduce / monitor their impacts. Accordingly, Pope, Annamdale and Morrison (2004), reported thus: sustainability assessment is often described as a process by which the implication of an initiative on sustainability are evaluated, where the initiative can be proposed or existing policy, plan, programme, project, piece of legislation or a current practice or activity. However, this generic definition covers a broad range of different processes, many of which have been described in the literature as sustainable assessment. Environmental Impact Assessment according to Essagha et al (1998:12), is an operational instrument that seeks to identify, collect, assess, establish document and store the current and future interactions, interrelationships and systems between on-going and ecological well-being. More still, the United Nations Environmental Programme (UNEP) defines EIA as the process that identifies, predicts and describes in appropriate terms the pros and cons (penalties and benefits) of a proposed development project. Furthermore, Smith (2003: 13), views EIA as a process of Environmental Planning that provides a basis for resource management to achieve the goal of sustainability.

Solid waste management systems in Nigeria: - Due to the ever – increasing population of Nigeria leading to over –congestion of the cities a lot of solid waste are being generated by house holds and industrial organizations, more than the waste disposal authorities could cope with (Emenari 2004). All these add to the general environmental degradation and pollution of land, water and air in the cities. The citizens are exposed to serious health hazards due to exposure to toxic and hazardous waste, Emenari (2004) adds. Added to all these, most industrial sewage are not treated before they are discharged into the environment. The gutter system of drainage is inefficient, while the use of pit-latrines and private septic tanks still holds way in some areas. Municipal waste treatment plants he said, should be constructed in all state capitals in Nigeria. Over twenty years, Nigeria has witnessed rapid economic growth. Certain states of the nation therefore became better favoured than others so that as consequences there was tremendous urban growth with a shift in development from rural to urban areas. This growth in population has given rise to the rising mountains of garbage, which now characterize most of our towns and cities.

In case of refuse, its collection and disposal have become the most glaring problem in our urban areas which has defied solutions by both military and the civilian administrators since Nigeria’s independence, in fact, this problem with its impacts on human life and property value in Nigeria has become increasingly worse and to the critical observer, not much would seem to have been achieved in spite of huge investment of financial resources. Again, the volume of waste generated by the populace in any city, town or village is directly related to the population density (Ogwuru, 1998); Falomo, 1995. Lagos is a case in point where two-third of her gutters have become “open sesame: part dumping grounds, part-pee ing and defecation places. Many gutters in Mushin, Ajegunle and Idi-Araba to mention only notorious cases are not cleared for years (Osiji, 1994).

Environmental Degradation:

Glossary of Environmental Statistics (1997) reported thus: Environmental degradation is the deterioration in environmental quality from ambient concentration of pollutants and other activities and processes such as improper land use and natural disasters. The earth is at risk as never before. We have contaminated lands and rivers with poison, fouled shorelines and oceans with massive spills of oil and altered the chemistry of the air on which life depends (Peattie, 1995). Nwosu (2004) posited that there has been a
scientific consensus about the environmental problems plaguing our earth. On November 18, 1992, some
1,680 of the world senior scientists from 70 countries including 102 scientists signed and sent an urgent
warning to government leaders of all nations. The warning runs thus: The environment is suffering
critical stress … Our massive tampering with the world’s interdependent web of life coupled with the
environment damage inflicted by deforestation, species loss and climate change could trigger widespread
adverse effects, including unpredictable collapses of critical biological systems whose interactions and
dynamics we only imperfectly understand. Uncertainty over the extent of these effects cannot excuse
complacency or delay in facing the threats.

No more than one or a few decade remain before the chance to avert the threats we now confront will be
lost and the prospect to humanity immeasurably diminished. Whether industrialized or not, we all have
but one life – boat (the earth). No nation can escape injury when global biological systems are damaged -
we must recognize the earth’s limited capacity to provide for us. (Miller, 1998). Nkamnebe (2002)
reported thus: the prestigious US National Academy of Sciences and the Royal Society of London issued
a joint report, their first ever, which reads thus: If current predictions of population growth prove accurate
and pattern of human activity on the planet remain unchanged, science and technology may not be able to
prevent either irreversible degradation of the environment or continued poverty for much of the world.
Thus, all these point to the urgent need for orientation of the people towards a sustainable development.
It has been observed that pollutants can enter the environment naturally for example, from volcanic
eruptions through human activities for example mining, burning of coal, improper disposal of refuse and
sewages, contamination of streams, and drinking water sources, unrestricted disposal of industrial
effluents and wastes. Some pollutants contaminate the areas where they produced, others are carried by
wind or flowing water to other areas. Pollution does not respect local, state or national boundaries.

**Climate change and Global Warming:**

The regular change in pattern of weather conditions of planet earth, whereby an area with particular
weather condition wanted to move to a warmer or lower temperature is climate change. Global warming
is evidence that we are overloading the carrying capacity of the earth’s atmosphere. Stocks of greenhouse
gases that trap heat in the earth’s atmosphere are accumulating at an unprecedented rate. Current
concentrations have reached 380 parts per million (ppm) of carbon dioxide equivalent (CO₂) exceeding the
natural range of the last 650,000 years. In the course of the 21st century, average global temperature
could increase by more than 50°C. (UNDP, 2008). Climate change will undermine efforts to combat
poverty. Seven years ago, political leaders around the world gathered to set target for accelerated
progress in human development. The Millennium Development Goals (MDGs) defined a new ambition
for 2015. Much have been achieved through many countries remain of track. Climate change is
hampering efforts to deliver the Millennium Development Goal promise. Looking to the future, the
danger is that it will stall and then reverse progress built-up over generations not just in cutting extreme
poverty, but in health, nutrition, education and other areas. In the long run, climate change is a massive
threat to human development and in some places it is already undermining the international community’s
efforts to reduce extreme poverty (Etuk, 2007)

**Methodology**

The area of study for the present study is Anambra and Delta States. Two hundred and forty six (246)
questionnaires were distributed in the two states. The allocation of the questionnaires was based on the
population density of the states and the proportion of the population of each of the states, resulting in 124
and 122 for Anambra Delta States respectively. Only 196 questionnaires were returned out of 246
distributed.
Analysis

A lot of efforts have been expended towards finding the appropriate strategy to improve the attitudes of Nigerian consumers towards the environment. In this pursuit, the researcher segmented the respondents into demographic characteristics. From the respondents, it was discovered that 61% of the Female make use of waste bin and are more friendly to the environment than the Male. Using the attitudinal dependent model, it was discovered that 72% of respondents with first degree certificate and above are more friendly to the environment. The researcher decided to find out if the respondents make use of waste bins.

Table 1: Assessing the respondents that make use of Waste Bins

<table>
<thead>
<tr>
<th>S/No</th>
<th>I use waste bin regularly</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strongly Agreed</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>2</td>
<td>Agreed</td>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td>3</td>
<td>Disagreed</td>
<td>70</td>
<td>36%</td>
</tr>
<tr>
<td>4</td>
<td>Strongly Disagreed</td>
<td>110</td>
<td>56%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>196</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1 shows that 100(56%) of the respondents strongly disagreed that they use waste bins in disposing products wastes. Only 6(3%) of the respondents strongly agreed making use of their Waste Bins. The respondents further revealed that 142(72%) of them dispose waste sachets on the streets. Also, the researcher sought to find out the level of awareness to assess whether the respondents listen to environmental programmes in the radio, television, or read about environmental reports in newspapers and magazines. The research revealed that 109(56%) of the respondents are not much aware of environmental programmes in the radio. 99(51%) of the respondents are not much aware of environmental programmes in the television, while 104(52%) of them are not aware of environmental programmes in the newspapers and magazines.

More so, the researcher sought to know the extent of patronage of green products.

Table 2: Consideration of the Environment before buying any product

<table>
<thead>
<tr>
<th>S/No</th>
<th>I consider the labels of a product to consider the extent of sustainability</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Always</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Occasionally</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>3</td>
<td>Often</td>
<td>39</td>
<td>20%</td>
</tr>
<tr>
<td>4</td>
<td>Never</td>
<td>151</td>
<td>77%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>196</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2 shows that 151 (77%) of the respondents never take the environment into consideration before buying any product. Furthermore, the researcher decided to find out the extent of green strategy by manufacturers.

Recommendations

The following recommendations were made based on the findings of the study.

1. In other to improve the environmental friendly consumption of Nigerian, environmental awareness campaign should be pursued with vigour and determination as a tool for conditioning the attitude and behaviour of Nigerians towards the environment. This effort must be integrative, thereby involving all stakeholders of Nigerian society including the media, different levels of government, manufacturers and even non-governmental organizations. Environmental
Awareness Campaign messages, posters and cartoons in the language consumers will understand can also be used to create more knowledge and increase positive attitude towards the environment.

2. Government waste disposers must dispose refuse as and when due. The Federal Environmental Protection Agency (FEPA) and their state and local government counterparts must be alive to their responsibilities. More so, Environmental Protection Marshals should be established and adequately equipped to help implement environmental laws. Environmental Protection Courts should be established to prosecute and punish the enemies of the environment.

3. Effort should be made to increase the number of educated Nigerians especially the women. Since women are home makers, and if a woman is educated, a family is educated; and families make up a nation. This will enhance a more civilized Nigeria with a positive attitude towards the environment.

Conclusion

The study revealed that low income earners especially in rural areas accumulate less waste than those in the urban areas. They also consume more decomposable products such as fruits, vegetables and others that are more environmental friendly.

The cultural and attitudinal factors were reflected in the study about the Nigerian women towards a clean environment. As a result of the training undergone by the Nigerian women at home they are bound to be more positive to the environment than the men. However, women should encourage their husbands and brothers to be more favourable to the environment.

Government, media practitioners, manufacturers and all stakeholders of the Nigerian environment will do well to keep expanding and updating their knowledge base on environmental issues and problems. This will help all and sundry to contribute their desired quota to the establishment and sustenance of a healthy environment in the country. Everyone, it must be noted has a role to play. This is because the environmental problems call for multidisciplinary and interdisciplinary approaches to problem solving, before results can be achieved. This issue of environmental unfriendliness in most Southern Nigeria cities, from the often neglected perspective of consumers’ responsibility to their environment as demonstrated by their behavioural pattern is a thing Nigerians should be worried about; it would appear that both consumers and waste management authorities have not considered this perspective in dealing with environmental management in Southern Nigeria cities.

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Forensic accounting as panacea to the management dilemma of oil refineries in Nigeria

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Corruption acts behind the scenes to damage economies, democracy and people's lives. Nigeria is oil rich and yet most people live in poverty. Despite its abundant energy reserves, oil has become something of a curse to the nation's populace, as the country today depends largely on importation of refined petroleum products. The inability of Nigeria’s refineries to work in 2007 cost the country an estimated $4 billion in importation of about 5 million tonnes of petroleum products. Nigeria’s refineries, established about 30 years ago, with a name-plate capacity of refining 445,000 barrels per day of crude, have been bedeviled by challenges such as corruption, poor management, sabotage, fire, and lack of the mandatory turnaround maintenance (TAM) every two years. Thus, the refineries have been made inefficient and kept at an operation level that is about 40% of installed capacity, at best of times. Findings show that in spite of the colossal expenditure on the refineries, they could arguably be said to be worse off today. This paper, using the secondary data research methodology, chronicles the developments hindering the success of the oil refinery business in Nigeria and projects forensic accounting, which is the application of accounting knowledge and investigative skills to identify and resolve legal issues as panacea to Nigeria's refining capability that has been hampered by corrupt officials. It showcases the forensic accountant as a risk manager, corporate governance technocrat and anti-corruption/fraud strategist who could provide the way out of the management quagmire in the oil and gas industry. It majorly recommends that the forensic accounting profession must be conscientiously promoted in the implementation of proposed oil sector reforms if Nigeria’s petroleum-based economy, which for too long has been hamstrung by political instability, corruption and poor macroeconomic management, must be truly/substantially reformed for growth and development.

INTRODUCTION

Nigeria is believed to be the eighth-largest oil producer in the world, with huge untapped offshore oil deposits. However, despite its abundant energy reserves, oil has become something of a curse to the nation's populace, as the country today depends largely on importation of refined petroleum products. The petroleum sector is often singled out in Nigeria because of the very substantial economic rents and revenues oil and gas are capable of generating. An emphasis on petroleum is justified in Nigeria because it accounts for over 70 percent of revenues at all levels of government, 40 percent of GDP, and more than 85 percent of foreign exchange earnings (Nigeria Extractive Industry Transparency Initiative, n.d.)

It is a popular rumour that Nigeria exports vast amounts of crude oil while its refineries sit idle. The country imports petrol, and often, in time past, suffered shortages which created long queues at petrol stations. This was popularly attributed to the corruption of government officials. Nigeria's oil refineries are operating at a level way below capacity. Nigerian refineries, like most other refineries in Africa, are in need of modernization. Nigeria's refining capability has really been hampered by corrupt officials (Simpson, 2007). According to Egua (2009a), Nigeria is currently importing 85% of its petroleum product needs because of the appalling state of its refineries. This is a rather dysfunctional state of affairs.
The nation's daily petrol need is put at about 30 million litres per day and has been projected to hit 40 million in the next couple of years. In years back, the Obasanjo administration had between November 1999 to March 2003 expended $ 700 million on Turn Around Maintenance (TAM) of the refineries, thus frittering away billions in obviously haphazard TAM of the four refineries. Yet, in spite of this colossal expenditure, the refineries have remained moribund. Oil has become more of a curse in these past years rather than a blessing (Haruna, 2008).

The country has four oil refineries, eight oil companies and 750 independents all active in the marketing petroleum products. The sector has been bedeviled with the challenges of cross-border smuggling, frequent reports of large scale corruption in the distribution and marketing chain, political activity risk, civil unrest risk, border disputes, and government underfunding. Civil unrest has resulted in over 700 deaths since Obasanjo’s take over and resulted in the shut in of terminals and flow stations. The issue at the basis of most civil unrest is the equitable sharing of the country’s annual oil revenues among its population and the question of the environmental responsibilities of the oil multinationals. Hillier (2007) notes that the World Bank has estimated that, as a result of corruption, 80 percent of energy revenues benefit only 1 percent of the population in Nigeria. Corruption within the system has been a continuing one. All these have made investing in Nigeria very risky and unattractive (MBendi Information Services, 2008). It is against the aforementioned background that this paper chronicles management dilemma issues surrounding the Nigerian refineries, and related findings. It proposes, as way forward, a full/concerted embrace of forensic accounting knowledge and its practitioners as the cornerstone of this Nigeria’s most significant sector.

MANAGEMENT CHALLENGES OF NIGERIAN OIL REFINERIES

Nigeria’s refineries, with a name-plate capacity of refining 445,000 barrels per day of crude, were established about 30 years ago. But corruption, poor management, sabotage and lack of the mandatory turn around maintenance (TAM) every two years have made them inefficient, keeping their operation at about 40% of installed capacity, at best of times. A consequence of the failure of the refineries therefore, is the ceaselessly strangulating fuel price hikes, with the attendant effect on prices of goods, services as well as the country's economy in general. For instance, in the four and half years of the Obasanjo administration, Nigerians had to contend with several hikes in petroleum products. But as it is with all the other refineries, findings at the Kaduna Refining and Petrochemical Company (KRPC) showed that the major impediment to the successful operations of the Kaduna refinery are corruption, poor management, lack of TAM and their concomitant effects. The inability of the refineries to work in year 2007 cost the country an estimated $4 billion in importation of about 5 million tonnes of petroleum products. The refineries are in such poor conditions that unless a full rehabilitation is done, the result will be a continued breakdown of the system.

Although the refineries are all different and operate in different environments, they do face similar challenges. The refineries run at significantly less than their potential capacity. There is little or no incentive to be competitive. The main factors affecting the refineries ability to meet this goal are related to management, markets, logistics, efficiency, and environmental concerns. Refinery performance will improve if the management structure is changed to reward effective operation and penalize poor performance. Predicting future market demand is extremely difficult because of the significant political and economic uncertainty in volatile oil producing regions. This uncertainty makes long term planning difficult and potential upgrades or debottlenecking projects are hard to justify.
The refineries are located remote from the sources of international markets and suppliers of engineering and equipment. Cost effective procurement of the required crude is complicated by the need for small shipments which must be transported long distances. The high cost of shipping affects the refinery profitability and the shipping time affects operating flexibility. Maintenance and refinery upgrading are impacted by the fact that the engineering and construction ability in Nigeria is limited. Furthermore, almost all of the material and equipment needs to be imported. Regarding efficiency, refinery efficiency is made up of the actual operating efficiency while the unit is on-line and the percentage of time that the unit is operating. The existing refineries have low energy efficiency and high losses because they have not been upgraded or optimized and have not kept up with new developments and trends. The refinery designs are outdated and there is little integration between units. Personnel and operating costs are also high compared to capacity. For the environment, the refineries will have to pay attention to the quality and quantity of gaseous and liquid effluents as is currently happening in the upstream industry (Batzofin and Sterne, 2007).

The Federal Government (Obasanjo administration), apparently worried by the embarrassing failures of the refineries as well as the huge amounts spent on TAMs, resolved in April 2000 that all the four refineries be privatized. It however backtracked by voiding the sale of two of Nigeria’s premier refineries and ditching the privatization programme. The government again reversed the voiding and it is now set for the sale of oil refineries to the private sector. The rethink must have been prompted by the continuing drain resources of government’s involvement in the importation of refined products as well as the failure to keep the refineries at optimum production level. Due to the comatose state of the refineries, petroleum products are being imported into the country therefore prompting the Nigerian government to subsidize the cost to Nigerians.

The Nigerian government made the decision to sell the refineries in order to meet the objective of the new oil and gas policy which aims at refining and processing the entirety of the nation’s crude oil and gas for the benefit of Nigerians viz the creation of employment, transfer technology, development, and additional revenue. The refineries, so far, have been run like other state owned enterprises with no commitment by the managers who allowed myriads of problem to set in. The problems of Nigeria’s refineries are comparable to those of other public institutions such as Nigerian Telecommunications Limited (NITEL), NIPOST, Nigerian Ports, Power Holding Company of Nigeria etc. Inspite of the huge Nigerian state money invested in all these agencies, the prevailing mentality is that anything owned by the state is owned by nobody and the approach/attitude of running the state enterprises has clearly been a dismal failure. The refineries were bedeviled by political interference, undercapitalization, corruption within and outside the system, political and ethnic sentiments while considering appointments, lack of dedication and commitment on the part of those entrusted with the maintenance and survival of the refinery, feeder pipeline rupture, pipeline breaks and epileptic power supply, and managed by unskilled people who do not have the capacity to run them(Alexander’s Gas and Oil Connections, 2004; Amanze-Nwachuku and Alike, 2008).

FINDINGS

The nation’s four oil refineries which have a nameplate capacity of 445,000 barrels per day (bpd) have never operated at full capacity. They would however only produce a fraction of the needs of the country, even if they did. As of February 2009, the 125,000 bpd Warri refinery was the only one of the four refineries currently in operation and it was running at 80 percent capacity. The
previous sale of Kaduna and Port Harcourt refineries by the Obasanjo administration was reversed because the labour unions were against their dilution with private equities (Yaradua, 2008). Nigerian oil workers, under the aegis of Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), and National Union of Petroleum and Natural Gas Employees (NUPENG), threatened to physically prevent the takeover of Kaduna and Port Harcourt refineries by their new owner, Blue Star Oil, an Nigerian consortium (Pambazuka News, 2007). Nigeria ought to deregulate its energy sector to bring an end to the dependence on imported fuel that is a situation burdening government finances and stunting the downstream sector growth (Egua, 2009b). Deregulation means the government will no longer set fuel pump prices, giving private investors an incentive to take over the existing refineries or build new ones, thus potentially significantly expanding capacity. The government’s fuel imports subsidy further fiscally burdens its finances, although this absorbs fluctuations in global energy prices which could otherwise have a negative impact on the sub-saharan Africa’s second largest economy. Fuel price subsidy encourages smuggling and provides little commercial incentive for existing refineries to be maintained or improved. A subsidy regime is also simply not sustainable, therefore, leaving deregulation as the most viable and enduring option.

According to Onuorah (2009), a new financial regime has been designed for Nigeria's three refineries to enable them routinely carry out maintenance of the facilities without recourse to the Nigerian National Petroleum Corporation (NNPC). The new financial regime is one that is expected to enhance the process of Turn Around Maintenance (TAM), guarantee maximum efficiency of the refineries, and ensure regular availability of petroleum products in the country. The new governing culture is contrary to the former one which did not allow the managers of the three refineries in Warri, Port Harcourt and Kaduna, by the statues establishing them, to spend more than $50,000 for the maintenance of the plants without approval from the headquarters. This means the refineries can now run efficiently.

Nigeria could take a cue from Iraq which used crime fighters to revive the Bayji refinery that was a critical asset in the nation’s oil sector. The refinery had the production capacity of 290,000 barrels of oil per day but it was ridden with the corruption cancer of rampant theft, under cuttings, low/under production, broken down machines and meters, poor logistics, failure in load deliveries, and poor documentations (Fifield, 2009). With Nigeria's four state-owned refineries to be privatized, plans for several private oil refining projects are being developed. The federal government has issued 18 private refinery licences after opening up the country's downstream sector to local and foreign investors. Lagos, Akwa Ibom and Edo states have all shown ownership interests (The Goliath, 2003).

FORENSIC ACCOUNTING AS THE WAY FORWARD

Forensic accounting, sometimes called investigative accounting, is a worldwide heating up profession, which entails the application of accounting concepts and techniques to legal problems. It encompasses the process of auditing to recognize and investigate financial fraud occurring in an organization. Forensic accountants investigate and document financial fraud, white-collar crimes, corruption, wastes and mismanagement. There is a growing need among law enforcement professionals, government organizations, small business owners, and department managers to better understand basic forensic accounting principles, how different types of fraud occur, and how to investigate a fraud that is detected in a way that maximizes the chances of successful prosecution of the perpetrator (The Free Library, 2006). Forensic accounting is belonging to, used in or suitable to the court system or legal proceedings. The Forensic Accountant is a crime fighter and a value added accountant. He has knowledge and experience
in: Financial Statements & Audit, Internal Controls and Operational Processes, Fraud Schemes, Investigation and Legal Elements of Fraud, and Psychology of the White Collar Criminal. He is skillful in handling typical business processes involving: Purchasing, Receiving, Accounts Payable; Revenue, Shipping, Accounts Receivable; Payroll, Human Resources, Benefits; Production & Inventory (Raw Materials, Work-In-Progress, Finished Goods); Capital / Construction and Fixed Assets; as well as Reporting, Reconciliation, and General Ledger.

The forensic accountant is equally an expert in conflict resolution processes such as mediation, arbitration, litigation, and prosecution. He does case assessments using the methodical approach of: Initial Client Meeting / Consultation, Identification of Risks, Issues, Concerns & Suspicions, Weighing Benefits and Risks / Setting a Budget, Understanding of Processes and Controls, Financial Statement Trend Analysis, Financial Statement Ratio Analysis and Preparation of Work Plan that is refined throughout (Sawyer, 2008). Situations requiring forensic accounting include: Fraud Examination, Bankruptcy, Valuation, Due Diligence, (Lost) Profits Calculation, Contract Dispute, Domestic / Marital Dissolution, Stakeholder Disputes, Purchase Price Disputes (Post-Acquisition), and Intellectual Property. A forensic accountant is a risk manager, a deregulation/corporate governance technocrat, a maintenance driver, and an anti-corruption/fraud strategist who is proficient in the tasks involving Monitoring, Communication, Risk Assessment, Control Environment, and Control Activities. According to Ramaswamy (2005), the forensic accountant can create a leverage or alignment for an institution between corporate governance, internal control, and external reporting activities.

Nigeria’s refineries sector is that which is most susceptible to fraud, corruption, vandalism, wastes, insecurity, sabotage, cartel blockade operations, political/ethnic sentiments, inefficiencies, lack of maintenance, under capacity utilization, fire, etc. Hundreds of thousands of incidents involving financial fraud occur each year because of poor or inadequate accounting and financial control and security. Forensic accountants are useful for investigating the privatizing of refineries which will lead to more effective operation. They are professionals at curbing thefts, bribery, poor internal controls and work processes. Their core values are integrity, objectivity, independence, and competence. As a matter of fact, the increasing interest in and the demand for improved corporate governance and accountability have created a unique and timely opportunity for accountants and their professional institutes to align their strategic vision with the emerging demands for effective oversight and forensic functions of corporate governance (TheGoliath, 2007).

The forensic accountant, by virtue of his training and expertise is very qualified to bail out Nigerian refineries in areas such as: protection of the budget process (stabilize level of expenditure), exhaustibility of oil resources (planning for the future; fiscal sustainability), Intergenerational equity considerations, taking practical steps for improving oil revenue management, diversifying the economy, broadening the tax base for the government, discouraging white elephant projects, watching quality of capital spending, reforming public procurement procedures, designing and enforcing due process in operations (Due process has saved Nigeria several billions of Naira in the last 7 years), getting into a transparency pact like the Extractive Industries Transparency Initiative (EITI), as well as implementing enforcement and monitoring mechanisms. The forensic accountant is a detective who can conduct investigations and forward violations to the Attorney General for prosecution (Okogu, 2006). As a mediator, he can oversee dialogue tables for ensuring peace in the sector (e.g. Niger Delta which is a major challenge facing the oil industry today) and quickly resolve knotty industrial dispute issues. Conducting feasibility studies, implementing service delivery compact, addressing capacity gaps, addressing declining productivity, tackling ageing workforce issues, conducting recruitment exercises, and ensuring proper joint venture arrangements are all within his ambit to do. The forensic accountant is an advocate of transparency in
fiscal policy, spending priorities, and revenue. Revenue transparency will act to increase accountability thus reducing opportunities for corruption and the potential for waste of funds. It is very critical that forensic accounting experts be engaged for the refinery business for economic management, budget decisions, forward planning, and improved access to finance and investment.

Forensic accountants’ roles can involve detective work and even international intrigue. They have even played a major role in uncovering terrorist cells around the world. The field has also been defined as the practice of utilizing accounting, auditing and investigative skills to assist in legal matters. The forensic accountant conducts investigations to determine whether criminal offenses such as securities fraud, identity theft, employee theft or insurance fraud has occurred. Often times, forensic accountants quantify damages sustained by parties in legal matters where fraud is suspected. If a case goes to court, they may testify as an expert witness. Other reasons why the forensic accountant has become a great force to reckon with include: the need for emergence response (e.g. during the Hurricane Katrina hit) to investigate insurance claims and help piece together lost financial records, the fall of Enron and WorldCom, the 2002 passage of Sarbanes-Oxley, the changing legal environment that had led businesses to examine their activities more closely (there are also more mergers and acquisitions occurring), the credit crisis and economic slowdown, and the fields of fraud and litigation (The Ohio CPA Foundation, 2008).

CONCLUSION AND RECOMMENDATIONS

Nigeria, Africa’s biggest oil producer and a country of 140 million people, is currently importing 85 percent of its petroleum product needs as a result of the shambolic state of its refineries. Despite being the world’s eighth biggest oil exporter, its four state-owned refineries are plagued with frequent production problems that are largely due to mismanagement, vandalism, lack of maintenance, inadequate funding, and inefficiency, costing the nation several billions of dollars a year. Nigeria’s refineries have been subject to years of operation with little regard to refinery economics and no development. These refineries are characterized by high losses, low efficiency and poor availability. The challenge is to improve and upgrade the refineries so that they do operate properly and become commercially viable. This research presents forensic accounting as the most viable way out of the quagmire of the Nigerian refineries mess. In view of the fact that forensic accounting is the practice of utilizing accounting, auditing and investigative skills to assist in legal matters, the following recommendations are being proffered for a revived and functional refinery system in Nigeria:

(A) Through a strong engagement/promotion of forensic accounting, the Nigerian state needs to: (i) exterminate the rot and challenges associated with the management/operations of these refineries and move towards world norms/international best practices that could lead to large improvements in profitability. (ii) encourage private participation (partnership with core investors) and remove fuel subsidy in the current refineries to allow the refineries some latitude in terms of the boards so that they can run like a business, and hopefully contribute to NNPC's profit (total deregulation) (iii) be sincerely committed to the fight against corruption, poor management, sabotage, cartel interests/manipulations, bureaucracy, political patronage/ethnic sentiments, and lack of the mandatory turn around maintenance (TAM) every two years (iv) improve refinery performance via a management structure that rewards effective operation, penalizes poor performance, guides against undercapitalization, and staves off political interference (v) enhance good planning (e.g. prediction of future market demand and improved maintenance practices) and justification of potential upgrades or debottlenecking projects by achieving significant political and economic certainty in volatile oil producing regions (vi) fully rehabilitate the refineries in keeping with modern trends and conduct their fair price valuations (vii) ensure transparency and cost effective procurement of the required crude (materials), equipment, personnel, finance and quality/ economy in award of contracts (viii) amicably reconcile differences amongst aggrieved stakeholders in the industry (ix) strengthen the role and speed of the courts as an enforcement mechanism against vandals, saboteurs, and corruption culprits.
(B) In particular, forensic accountants, because they can make significant contributions as part of the governance structures with respect to reforms concerning the refineries/the oil sector, should be called upon to chart the way forward in different areas such as: (i) corporate governance (formulation and establishment of a comprehensive governance policy which ensures an appropriate mix of management and independent directors on the board), setting out the appropriate responsibilities of the board and the audit committees, and reinforcing ethical behaviour through code of ethics for employees and management (ii) helping to establish an efficient control system that encompasses a good control environment underlined by ethical behavior and strong corporate governance policies, a superior accounting system which reports all relevant transactions, and strong procedural controls that guarantees the safeguarding of assets, proper authorizations, audit mechanisms, and proper documentation, in order to prevent fraud/corruption (iii) creating, through policies, a positive work environment where employees are highly motivated and very responsible (iv) supporting the dissemination of the required information about governance and ethics policies to interested parties within and outside the refineries since adequate reporting is also necessary to meet the compliance requirements of the stakeholders and market economy. (v) ensuring vigilant oversight through monitoring compliance at the top levels of corporate power, management procedures and employee activity. (vi) initiating fraud deterrence by establishing consequences through an expectation of punishment. (vi) tidying up forensic investigation issues by ensuring the integrity of financial statements/production processes against fraud, vandalism/sabotage, areas of risk and associated fraud symptoms, pursuing each anomaly aggressively, and rooting for the minutest details of accounting and financial anomalies.

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Achieving effective waste disposal and environmental sanitation: Understanding and applying the 5Ps social marketing strategy

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This paper set out to identify social marketing strategy to achieve effective waste disposal and environmental sanitation across the globe, as well as gave an explanation of social marketing. Based on a literature review, analysis and x-ray on existing studies on the problems cum challenges facing waste disposal and environmental sanitation in Africa, we visualized how the 5Ps social marketing strategy could be used to achieve effective waste disposal and environmental sanitation in African countries propose this as possible strategy to be tested. In order to successfully employ this strategy in waste disposal and environmental sanitation, we asserted that Information and Communication Technologies (ICTs) is indispensable.

INTRODUCTION

One of the serious problems confronting the contemporary world is the mountainous heaps of refuse that deface cities and the continuous discharge of industrial contaminants into streams and rivers without treatment. This problem is compounded by poor environmental sanitation practices. Statistics show that three billion people in the world are without proper sanitation, and around 50 percent of wastes lie uncollected, polluting the environment and endangering health (Swiss Federal Institute for Environmental Science and Technology, 2000). Nevertheless, this trend is prevalent in the developing countries of the world leading to apparent inequalities – cum-imbalance in environmental sanitation practices across the globe.

In line with this perspective, throughout the years and especially in recent times, environmental sanitation has been one of the major health concerns of these developing countries. Thus, for sustainable development through proper environmental sanitation to be achieved, a lot still needs to be done. The Brundtland report by the World Commission on Environment and Development had in 1987 defined sustainable development as the development strategy that meets the needs of the present without compromising the ability of future generations to meet their own needs (Nwosu and Uffoh, 2005). This definition evolved due to the way and manner in which man had been exploiting and managing the environment to satisfy his needs and wants. This attitude by man has constituted danger to the environment especially in the area of waste disposal and environmental sanitation.

Unfortunately, most developing nations, particularly African countries have not embraced this sustainable development concept. However, environmental pollution continues to be increasingly recognized as a major threat to social and economic development and even to human survival (World Health Organization, 1973). Additionally, to focus attention on the need for hygienic surroundings and minimize the adverse effects of poor sanitation, particularly in most developing countries, the United Nations declared the years 1981 – 1990 as the International Drinking Water Supply and Sanitation Decade (World Health Organization, 1979). Many countries of the world have since adopted various effective strategies geared toward improving the environment. For African countries, although efforts at mapping out
environmental sanitation policies (Lohor, 2005) and establishment of environmental protection agencies (Agunwamba, 1998) have been made, starting the process for an effective waste disposal and environmental sanitation regime is still a challenge. This paper presents the 5Ps social marketing strategy as the marvelous antidote to ensure greater effectiveness of waste disposal and environmental sanitation in Africa.

SOCIAL MARKETING: A CONCEPTUAL FRAMEWORK

Marketing has been defined in several ways by several authors. Marketing is defined by Agbonifoh et al (1998) as “consisting of individual and organizational activities designed to sense and serve the consumer’s needs and to facilitate and expedite exchanges with a view to achieving the goals of the individual or organization through the satisfaction of the consumer’s needs”. It basically involves the process of understanding the organization’s mission, setting marketing objectives, gathering, analyzing, and interpreting information about the organization’s situation, and developing a marketing strategy (Lamb et al, 2004).

Social marketing which is the focus of this paper, refers to the marketing of social causes, ideas and values like HIV/AIDS, immunization programmes, family planning programmes, development issues, environmental issues and public policies/programmes that requires public acceptance, support and participation in achieving positive results. Two categories of definitions were offered by Andreasan (2006). First, there is the narrow definition which defines social marketing as “an approach to influencing people with bad behaviours – smoking, neglecting prenatal care, not recycling”. Second is the broad definition which sees social marketing as “simply about influencing the behaviour of target audiences”. The narrow definition is criticized on the grounds that there are many more target audiences which need to be influenced besides “problem people”. On the other hand, both the narrow and broad definitions are also condemned on the ground that they did not indicate that social marketing is employed in non-profit ideas, values, programmes and the like.

Thus social marketing is defined by Nwosu (2003) and Nwosu and Uffoh (2005) as “a strategy of marketing that is used for marketing or selling not-for-profit-ideas (e.g. development and environment ideas) to specific target individuals or groups”. It is related to the original profit-oriented product and service marketing strategies, but is understandably different in its approach and techniques. We are therefore inclined to this foregoing and comprehensive definition of social marketing which recognizes that social marketing is used for marketing or selling non-profit ideas.

Four types of changes social marketing is aimed at achieving put forward by Adirika et al and reported by Nwabueze (2006) include changing people’s knowledge or understanding of something (Cognitive change); making people carry out a specific action for a period of time (Action change); getting the general public to relinquish a particular behaviour like smoking (Behavioural change); and attempting to change the beliefs and values of a target public like campaign about family planning or against early marriage (Value change).

Nevertheless, governments at different levels in African countries have at various times embarked on social marketing campaigns to seek and win public acceptance of people–based or people-centered policies. Such marketing campaigns include the anti-HIV/AIDS campaigns, family planning programmes, immunization against polio programmes, anti-consumption of dangerous products like tobacco, proper handling of national currencies, anti-consumption of fake and adulterated drugs and many others. In most cases, these social marketing campaigns have not yielded the desired results.

Interestingly, Nwosu and Uffoh (2005) recommend social marketing strategies for the successful implementation of environmental projects and programmes.
**WASTE DISPOSAL AND ENVIRONMENTAL SANITATION IN AFRICA – RESEARCHERS’ OPINION SYNTHESIS ON THE PROBLEMS AND CHALLENGES**

African countries are bedeviled by myriads of problems and challenges that may inhibit them from achieving effective waste disposal and environmental sanitation. At the core of the problems of solid waste management are the absence of adequate policies, enabling legislation, and an environmentally stimulated and enlightened public (Agunwamba, 1998). It should be noted that government policies on the environment are piecemeal where they exist, and are poorly implemented. Besides, there is lack of the needed coverage for public enlightenment programmes and the intensity and continuity to correct the apathetic public attitude towards the environment. Poor funding, inadequate facilities, insufficient human resources, unsuitable technology, and an unfair taxation system are part of the problems.

In the view of Ogbonna et al (2002), domestic waste production is increasing and is compounded by a cycle of poverty, population explosion, decreasing standards of living, bad governance, and low level of environmental awareness. According to Nwankwo (1994), growing populations, rising incomes, and changing consumption patterns combine to complicate solid waste problems. The problems of adequate solid waste management in African cities and urban centres has reached mammoth proportions, as heaps of refuse are found along major roads, riverbanks, and in open spaces.

Even when the compulsory environmental sanitation clean-up exercise carried out every last Saturday in the month is undertaken, the waste from the exercise were dumped alongside roadsides instead of at the dumpsites designated by the authorities for such purpose. Eventually, the waste is left to decompose naturally by micro-organism, picked by scavengers, or washed away by rainwater or floods (Ogbonna et al, 2002).

In their contribution, Okoro and Egboka (2006) note that poor waste disposal and management with attendant poor environmental sanitation are given the least priority in African countries and disposal of domestic waste along the roadsides, abandoned buildings and drainages channels by women, youths and children are common practice. Meanwhile, they also observe that;

“during the rains, floods carry the wastes along the drainage channels and roads and this results in the blocking of drainage and creation of stagnant waters that breed mosquitoes. Heaps of garbage form ugly scenes as one enters the major cities and peri-urban centres. People live close to waste dumps and garbage heaps especially in the major cities. The odours from these waste dumps are most unbearable. The inhabitants struggle with flies for their foods which is detrimental to human health. Hawkers and inhabitants, out of self-indiscipline, litter the streets and general environment with refuse dumps. Environmental protection and sanitation laws are hardly enforced. The environmental sanitation in and around the numerous markets is most devastating. People throw away waste products from their houses, offices, moving vehicles, thereby, constituting themselves into an environmental nuisance. Central waste collection containers are rarely provided by governments, where they do, the containers are not regularly evacuated as necessary (Okoro and Egboka, 2006).

The situation, according to Ayotamuno and Gobo (2004) is so bad that traffic flow is obstructed and basic solid waste management processes of collection, transport, segregation and final disposal appear to be very inefficient. Statistical analyses, according to Ayeni (1987) have shown that the daily amount of domestic solid waste generated and collected in Lagos in a particular year varied from 0.1 to 0.5kg per person, depending on the location and economic standing of the individual. This is why domestic refuse in Lagos alone has been estimated to be 4.5 million tones per year (Ogbonna et al., 2002). No wonder, before the movement to Abuja, Lagos was asserted to be the filthiest capital of the world (Adedibu and Okekunle, 1989).
Neglect of the economic, social, psychological, political and cultural life of the people in the formulation and implementation of programmes has also contributed immensely to unsuccessful waste management (Agunwamba, 1998). Besides, Ogbonna et al (2002) note that people are more concerned with daily survival and will not be bothered with “elitist” concepts like waste management. In cases where schoolchildren had good knowledge of environmental hygiene, inadequate opportunities and lack of sanitation facilities at school and homes will not allow them to practice the health knowledge they had acquired (Ebong, 1994).

Reflecting on the negative consequences, Ekugo (1998) says, potential health hazards arising from poor waste disposal and environmental sanitation include typhoid fever, diarrhea, cholera, hepatitis, hook worm infestation, skin diseases, malaria and others. In addition, these wastes provide food, water, habitats, and breeding areas for disease – carrying agents. To worsen the scenario, people living in poverty throughout the developing world are often marginalized by the health sector (Ehrenberg and Ault, 2005).

Meanwhile, when rivers and lakes are polluted, it results in extensive fish kills and destruction of other forms of aquatic life due to an increased organic load and the concomitant depletion of dissolved oxygen in the water (Ogbonna, et al, 2002). Additionally, drawing from the writings of Sundaresan (1977) and Ajiwe et al. (2000), when fish or other aquatic organisms are not immediately killed, they accumulate pollutants, which are eventually transferred to man via the food chain.

In the views of Nwabueze (2006), many challenges face change agents in the use of Information and Communication Technologies (ICTs) for social marketing campaigns and these include computer illiteracy, problem of accessibility to computer facilities and lack of basic amenities like epileptic power supply. Others include the cost of making available facilities like teleconferencing gadgets in strategic areas, and the fact that people who patronize cyber cafes may not dedicate time to such issues as checking web pages of social marketing campaigns, not in the least waste disposal and environmental sanitation. Finally, with poverty staring the continent in the face, government agents may be accused of misplacement of priorities if they embark on such projects.

In modern times, many researchers have endeavored to study waste disposal and environmental sanitation issues with the hope that the findings of their studies will be implemented by policymakers. Such studies include the ones highlighted above and such other works by Arimah (1996) and Ogu (2000) and many others. Unfortunately, the non-implementation of the findings of well conducted innovative research by policymakers is a painful and discouraging experience to researchers. Most times, the research recommendations are neglected out of sheer self-centredness and ignorance. The resultant effect is the development of negative attitude toward research work by investigators in the area of waste disposal and environmental sanitation.
THE 5Ps SOCIAL MARKETING MODEL

One model that is recommended for the dissemination of information on environmental issues and problems in Africa is the 5Ps of social marketing. The model as depicted by Nwosu (1993) and illustrated in figure 1 is shown below.

**FIG 1: The 5Ps Model of Social Marketing (Nwosu, 1993).**

This model was developed from the original 4Ps of marketing introduced by McCarthy (1982) and popularized by other authors like Kotler (1994). According to Nwosu and Uffoh (2005), this model emphasizes the need for those involved in promoting environmental awareness to pay adequate attention to the political imperatives of the social marketing process. This is because there is hardly any decision that can be taken in campaign effort without paying attention to its political implications or considering the political power structure in the African country concerned.

In the model, according to Nwosu and Uffoh (2005), the first ‘P’ refers to the “Product” i.e. the environmental ideas, habits, activities and so on that we are trying to market or demarket to the target populations or groups (the customers), or asking them to adopt or reject. The second ‘P’ refers to “Price” and represents such things as the time, energy, habit change, efforts and a few sacrifices to be spent or made by the members of the target population in order to get the benefits of responding positively to the message of the environmental management programme. The third ‘P’ refers to the “Place or Physical Distribution” which includes the channels or methods for making contact with the target population members to make the environmental protection idea, innovation or material available and accessible to them, so that with little or no effort they will get whatever is being sold to them. The fourth P in the social marketing model refers to the “Promotions”. This must be carried out to ensure the acceptance of the idea or practice being proposed. These efforts include advertising, publicity, public relations and other promotional methods like house-to-house calls, face-to-face and group communication techniques.

The fifth and last P of the social marketing model refers to “Politics” which require that adequate consideration of the political dimensions of the campaign exercises be made and factored into the campaign plan. For example, in places like the Niger Delta areas of Nigeria and even at the global level in which environmental issues are highly politicized, it will be naïve for the environmental management
authorities to be ignorant of or neglect the political realities immanent in the environmental issues, problems and crises. This will be akin to walking in a minefield blindfolded and will surely spell doom or absolute failure for the environmental campaign efforts (Nwosu and Uffoh, 2005).

APPLICATION OF THE 5Ps SOCIAL MARKETING MODEL TO ACHIEVING EFFECTIVE WASTE DISPOSAL AND ENVIRONMENTAL SANITATION

So far, this paper has succeeded in explaining the 5Ps social marketing model and social marketing, and the problems and challenges facing waste disposal and environmental sanitation in Africa. What has been reserved until now is how the 5Ps social marketing model can be applied to achieve effective waste disposal and environmental sanitation. In the context of this paper, we have to employ the marketing mix which can be described as the set of controllable variables and their levels or mixes and include the political imperatives of the social marketing process.

The basis of applying the 5Ps social marketing strategy to achieving effective waste disposal and environmental sanitation is by simply knowing the right mixes or levels to use to influence the target audience in any environmental campaign effort and paying adequate attention to the political implications. Each of the five elements of the 5Ps social marketing strategy has certain variables or factors inherent in it which should be selected and together make up the strategy. In the case of Product, it may be to discourage dumping of domestic wastes along the roadsides or encourage the provision of toilet facilities at schools and homes. As regards Price, it may be the time, energy, habit change, efforts, and other sacrifices to be spent or made by the members of the public in order to reap the benefits of the environmental campaign programme. On the other hand, the Place or Physical distribution may be either through any of the following channels or any combination of them – schools, churches, mosques, village squares, marketplaces or the like. Promotion as part of the elements may be either through advertising public relations, propaganda, publicity, house-to-house calls, face-to-face and/or group communication technique. Finally, the Political implications of the campaign effort is taken into consideration to achieve an effective environmental campaign exercise.

The 5Ps strategy of social marketing is based on the new marketing concept’s insistence that we must be customer oriented and customer driven in all that we do (e.g. decisions, planning and execution), in order to give maximum satisfaction to the customer’s needs and wants, create new customers easily and keep old customers or publics of environmental campaign exercises who we must recognize and treat as kings, show how our environmental protection programmes or projects can satisfy their needs and wants, emphasize what benefits they would get by going along with us or accepting the ideas on the environment we are trying to “sell” to them, show them that we care (customer care), relate to them, naturally and continually (customer relations), and not in a touch-and-go manner, and be driven or motivated always by our deep desire to satisfy their needs, wants and interests. These done, we can be sure to get more positive actions and reactions or responses to our environmental programmes, including positive changes of people’s attitudes, opinions and behaviours in relation to the environment (Nwosu and Uffoh, 2005).

CONCLUSIONS AND IMPLICATIONS

The 19th century, the century of industrial revolution, belonged to Europe. The 20th century, the century of Information and Communications Technologies (ICTs), belonged to America. The question on the lips of some observers is – can the 21st century belong to Africa? Knowing fully well that most African countries are still developing, it is necessary that the needed direction be provided in this regard. Doing so will entail African countries’ governments and people pursuing sustainable development programmes chief of which is the proper management of the environment and specifically waste disposal and environmental sanitation with the intention of increasing economic gains and improving environmental quality. This can be achieved via the use of 5Ps social marketing strategy as the challenges facing waste disposal and
environmental sanitation in Africa are surmountable using this execution stratem. Environmental marketing practitioners should employ persuasion instead of coercion and endeavour to use ICT facilities in the marketing of social mobilization campaigns involving waste disposal and environmental sanitation. As the Amnesty deal in the Niger Delta areas of Nigeria has proved to be a huge success, African countries’ governments need to adopt the 5Ps social marketing strategy to surmount the challenges facing waste disposal and environmental sanitation. What remains is the determination and political will to sincerely do so. Only when these are done can Africa achieve the fulcrum of the Millennium Development Goals (MDGs) and claim the 21st century.

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